# 蘇州貝克微電子股份有限公司
# BaTeLab Co., Ltd.

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

Stock Code : 2149

BaTeLab

## GLOBAL OFFERING

Sole Sponsor, Sole Overall Coordinator, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager

CICC 中金公司

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

中國銀河國際 CHINA GALAXY INTERNATIONAL

招銀国际 CMB INTERNATIONAL

廣發証券(香港) GF SECURITIES (HONG KONG)

國泰君安國際 GUOTAI JUNAN INTERNATIONAL

Joint Bookrunners and Joint Lead Managers

農銀國際 ABC INTERNATIONAL

ICBC 工银国际

東吳證券(香港) SOOCHOW SECURITIES (HK)

Joint Lead Managers

老虎證券

富途證券

元庫證券

華盛証券

利弗莫尔证券 LIVERMORE HOLDINGS LIMITED

# IMPORTANT

*If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.*

BaTelab

# BaTeLab Co., Ltd.

# 蘇州貝克微電子股份有限公司

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

## GLOBAL OFFERING

| | | |
|---|---|---|
| **Number of Offer Shares under the Global Offering** | **:** | **15,000,000 H Shares (subject to the Over-allotment Option)** |
| **Number of Hong Kong Offer Shares** | **:** | **1,500,000 H Shares (subject to reallocation)** |
| **Number of International Offer Shares** | **:** | **13,500,000 H Shares (subject to reallocation and the Over-allotment Option)** |
| **Maximum Offer Price** | **:** | **HK$38.45 per H Share, plus brokerage of 1.0%, AFRC transaction levy of 0.00015%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars and subject to refund)** |
| **Nominal value** | **:** | **RMB1.00 per H Share** |
| **Stock Code** | **:** | **2149** |

***Sole Sponsor, Sole Overall Coordinator, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager***

CICC 中金公司

***Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers***

中國銀河國際 CHINA GALAXY INTERNATIONAL　招銀国际 CMB INTERNATIONAL　廣發証券(香港) GF SECURITIES (HONG KONG)　國泰君安國際 GUOTAI JUNAN INTERNATIONAL

***Joint Bookrunners and Joint Lead Managers***

農銀國際 ABC INTERNATIONAL　ICBC 工银国际　東吳證券(香港) SOOCHOW SECURITIES (HK)

***Joint Lead Managers***

老虎證券　富途證券　元庫證券 SILVERBRICKS SECURITIES　華盛証券　利弗莫尔证券 LIVERMORE HOLDINGS LIMITED

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Appendix VII – Documents Delivered to the Registrar of Companies and Documents on Display", has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and the Company on the Price Determination Date, which is expected to be on or around Friday, December 22, 2023, but in any event, no later than 12:00 noon on Friday, December 22, 2023. The Offer Price is expected to be not more than HK$38.45 per H Share, and is expected to be not less than HK$27.47 per H Share, unless otherwise announced. Applicants for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$38.45 per H Share, together with brokerage of 1.0%, AFRC transaction levy of 0.00015%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.00565%, subject to refund if the Offer Price is less than HK$38.45 per H Share. If, for any reason, the Offer Price is not agreed between the Company and the Sole Overall Coordinator (for itself and on behalf of the Underwriters) on or before 12:00 noon on Friday, December 22, 2023, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

**The Sole Overall Coordinator (for itself and on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range will be published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.batelab.com not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. See "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" for further details.**

**The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting – Underwriting Arrangements and Expenses – The Hong Kong Public Offering – Grounds for Termination". It is important that you refer to that section for further details.**

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, or to, or for the account or benefit of U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S.

**ATTENTION**

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk and our website at www.batelab.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

December 18, 2023

## IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

**We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.**

**This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "*HKEXnews > New Listings > New Listing Information*" section, and our website at www.batelab.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.**

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

| Application Channel | Platform | Target Investors | Application Time |
|---|---|---|---|
| **White Form eIPO service** | www.eipo.com.hk | Investors who would like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name. | From 9:00 a.m. on Monday, December 18, 2023 to 11:30 a.m. on Thursday, December 21, 2023, Hong Kong time.<br><br>The latest time for completing full payment of application monies will be 12:00 noon on Thursday, December 21, 2023, Hong Kong time. |
| **HKSCC EIPO channel** | Your broker or custodian who is a HKSCC Participant will submit an EIPO application on your behalf through HKSCC's FINI system in accordance with your instruction | Investors who would not like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account. | Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian. |

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary**, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to the section headed "How to Apply for Hong Kong Offer Shares" for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application through the **White Form eIPO** service or the **HKSCC EIPO** channel must be made for a minimum of 100 Hong Kong Offer Shares and in multiples of that number of Hong Kong Offer Shares as set out in the table below.

If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of H Shares you have selected. You must pay the respective amount payable on application in full upon application for Hong Kong Offer Shares.

If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

| No. of Hong Kong Offer Shares applied for | Maximum Amount payable(2) on application/ successful allotment | No. of Hong Kong Offer Shares applied for | Maximum Amount payable(2) on application/ successful allotment | No. of Hong Kong Offer Shares applied for | Maximum Amount payable(2) on application/ successful allotment | No. of Hong Kong Offer Shares applied for | Maximum Amount payable(2) on application/ successful allotment |
|---|---|---|---|---|---|---|---|
| | *HK$* | | *HK$* | | *HK$* | | *HK$* |
| 100 | 3,883.78 | 2,000 | 77,675.54 | 10,000 | 388,377.68 | 80,000 | 3,107,021.45 |
| 200 | 7,767.55 | 2,500 | 97,094.42 | 15,000 | 582,566.53 | 90,000 | 3,495,399.14 |
| 300 | 11,651.33 | 3,000 | 116,513.30 | 20,000 | 776,755.36 | 100,000 | 3,883,776.83 |
| 400 | 15,535.11 | 3,500 | 135,932.18 | 25,000 | 970,944.20 | 150,000 | 5,825,665.23 |
| 500 | 19,418.89 | 4,000 | 155,351.07 | 30,000 | 1,165,133.04 | 200,000 | 7,767,553.66 |
| 600 | 23,302.65 | 4,500 | 174,769.96 | 35,000 | 1,359,321.89 | 250,000 | 9,709,442.07 |
| 700 | 27,186.44 | 5,000 | 194,188.84 | 40,000 | 1,553,510.74 | 300,000 | 11,651,330.48 |
| 800 | 31,070.22 | 6,000 | 233,026.61 | 45,000 | 1,747,699.58 | 400,000 | 15,535,107.30 |
| 900 | 34,953.99 | 7,000 | 271,864.38 | 50,000 | 1,941,888.41 | 500,000 | 19,418,884.13 |
| 1,000 | 38,837.77 | 8,000 | 310,702.15 | 60,000 | 2,330,266.10 | 600,000 | 23,302,660.96 |
| 1,500 | 58,256.66 | 9,000 | 349,539.91 | 70,000 | 2,718,643.78 | 750,000(1) | 29,128,326.19 |

(1) Maximum number of Hong Kong Offer Shares you may apply for.

(2) This is 50% of the Hong Kong Offer Shares initially offered, and the amount payable is inclusive of the brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy. If your application is successful, the brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the White Form eIPO service provider (for applications made through the White Form eIPO service) and the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

***If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.batelab.com.***

If there is any change in the following expected timetable of the Hong Kong Public Offering, the Company will issue an announcement in Hong Kong to be published on the Company's website at **www.batelab.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

Hong Kong Public Offering commences . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .9:00 a.m.
on Monday, December 18, 2023

Latest time for completing electronic applications under **White Form eIPO** service through the designated website at **www.eipo.com.hk**[2] . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .11:30 a.m.
on Thursday, December 21, 2023

Application lists of the Hong Kong Public Offering open[3] . . . . . . . . . . . . . . . . .11:45 a.m.
on Thursday, December 21, 2023

Latest time to (a) lodge completing payments of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (b) giving **electronic application instructions** to HKSCC[4] . . . . . . . . . . . . . . . . . . . . . . .12:00 noon
on Thursday, December 21, 2023

If you are instructing your broker or custodian who is a HKSCC Participant and will submit an EIPO application on your behalf through HKSCC's FINI system in accordance with your instruction, you are advised to contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

Application lists of the Hong Kong Public Offering close[3] . . . . . . . . . . . . . . . .12:00 noon
on Thursday, December 21, 2023

Expected Price Determination Date[5] . . . . . . . . . . . . . . . . . . . . .Friday, December 22, 2023

Announcement of the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares to be published on the websites of our Company at **www.batelab.com**[6] and the Stock Exchange at **www.hkexnews.hk** at or before . . . . . . . . . . . . . . . . . . . . . .11:00 p.m. on Wednesday,
December 27, 2023

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers or Hong Kong business registration numbers, where appropriate) to be available through a variety of channels, including:

- in the announcement to be posted on our website and the website of the Stock Exchange at **www.batelab.com** and **www.hkexnews.hk** respectively at or before . . . . . . . . . . . . . . . . . . . . 11:00 p.m. on Wednesday, December 27, 2023

- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**) with a "search by ID" function from . . . . . . . . . . . . . . . . . . . . . . . . . . .11:00 p.m. on Wednesday, December 27, 2023 to 12:00 midnight on Tuesday, January 2, 2024

- from the allocation results telephone enquiry by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on . . . . . . . . . . . . . . . . . . . . . . . . . . . . Thursday, December 28, 2023 Friday, December 29, 2023 Tuesday, January 2, 2024 and Wednesday, January 3, 2024

H Share certificates in respect of wholly or partially successful applications to be dispatched or deposited into CCASS on or before[7][9] . . . . . . . . . . .Wednesday, December 27, 2023

**White Form** e-Refund payment instructions/refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the maximum Offer Price per Offer Share initially paid on application (if applicable) or wholly or partially unsuccessful applications to be dispatched/collected on or before[8][9] . . . . . . . . . . . . . . . . .Thursday, December 28, 2023

Dealings in the H Shares on the Main Board of the Stock Exchange to commence at . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .9:00 a.m. on Thursday, December 28, 2023

*Notes:*

(1) All dates and times refer to Hong Kong local dates and times, except as otherwise stated.

(2) You will not be permitted to submit your application under the **White Form eIPO** service through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is/are a "black" rainstorm warning signal, a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, December 21, 2023, the application lists will not open and close on that day. See the section headed "How to Apply for Hong Kong Offer Shares – E. Severe Weather Arrangements".

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via HKSCC's FINI system should refer to the section headed "How to Apply for Hong Kong Offer Shares – A. Application for Hong Kong Offer Shares – 2. Application Channels".

(5) The Price Determination Date is expected to be on or around Friday, December 22, 2023, but in any event, no later than 12:00 noon on Friday, December 22, 2023. If, for any reason, the Offer Price is not agreed between the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and us by 12:00 noon on Friday, December 22, 2023, the Global Offering will not proceed and will lapse.

(6) None of the websites or any of the information contained on the websites forms part of this prospectus.

(7) The H Share certificates will only become valid evidence of title at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in "Underwriting – Underwriting Arrangements and Expenses – The Hong Kong Public Offering – Grounds for Termination" has not been exercised. Investors who trade the H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid evidence of title do so entirely at their own risk.

(8) **White Form** e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.

(9) Applicants who have applied on **White Form eIPO** service for 500,000 or more Hong Kong Offer Shares may collect any refund cheques (where applicable) and/or H Share certificates in person from our H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, December 28, 2023 or any other places or date as notified by us as the date of dispatch/collection of H Share certificates/**White Form** e-Refund payment instructions/refund cheques. Applicants being individuals who are eligible for personal collection may not authorize any other person to collect on their behalf. Individuals must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

Applicants who have applied for Hong Kong Offer Shares through **HKSCC EIPO** channel should refer to "How to Apply for Hong Kong Offer Shares – D. Despatch/Collection of H Share Certificates and Refund of Application Monies" for details.

Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of **White Form** e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.

The H Share certificates and/or refund cheques for applicants who have applied for less than 500,000 Hong Kong Offer Shares and any uncollected H Share certificates and/or refund cheques will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the sections headed "How to Apply for Hong Kong Offer Shares – D. Despatch/Collection of H Share Certificates and Refund of Application Monies".

The above expected timetable is a summary only. For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, see "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares", respectively.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, our Company will make an announcement as soon as practicable thereafter.

**IMPORTANT NOTICE TO INVESTORS**

***This prospectus is issued by us solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of making, and does not constitute, an offer or a solicitation of an offer to subscribe for or buy any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.***

***You should rely only on the information contained in this prospectus to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers or representatives, or any other person or party involved in the Global Offering.***

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***This summary aims to give you an overview of the information contained in this prospectus. Since it is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares.***

***There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors." You should read that section carefully before you decide to invest in the Offer Shares.***

## OVERVIEW

We are one of the analog IC patterned wafer providers with a prominent market position in China. Our deliverable products are analog IC patterned wafers with completed built-on circuits, which can then be fabricated into individual IC chips after standard and straightforward packaging and testing steps performed by our downstream customers at their discretion or using our available packaging and testing solutions. Frost & Sullivan has advised that the analog IC patterned wafer market is fragmented as the top five providers in aggregate accounting for just 5.0% market share in China in 2022. According to the same source, we are the largest provider of analog IC patterned wafers in China in terms of revenue in 2022, accounting for a market share of 1.7% of the total market size of RMB21.3 billion in China in the same year.

The integrated circuit, or IC, is a miniature electronic device or component that combines multiple elements to form a complete electronic circuit. Serving as the fundamental building blocks and central components of the global information technology industry, ICs can be further segmented by delivery forms (including patterned wafers and chips) and functions (including digital ICs and analog ICs).

- *Patterned wafers*. Patterned wafers are wafers with built-on circuits. Each piece of patterned wafers contains a number of dies, which can be easily turned into chips after subsequent packaging and testing by downstream customers. Compared to chips, patterned wafers provide downstream customers with a cost-effective manner to launch new products, flexible packaging and assembling options and design flexibility.

- *Analog ICs*. Analog ICs, as opposed to digital ICs, modulate real-world signals, such as sound, temperature, pressure or images, by conditioning them, amplifying them and often converting them into a stream of digital data that can be processed by other semiconductor devices. Analog ICs are also used to manage power usage in electronic equipment by converting, distributing, storing, discharging, isolating and measuring electrical energy.

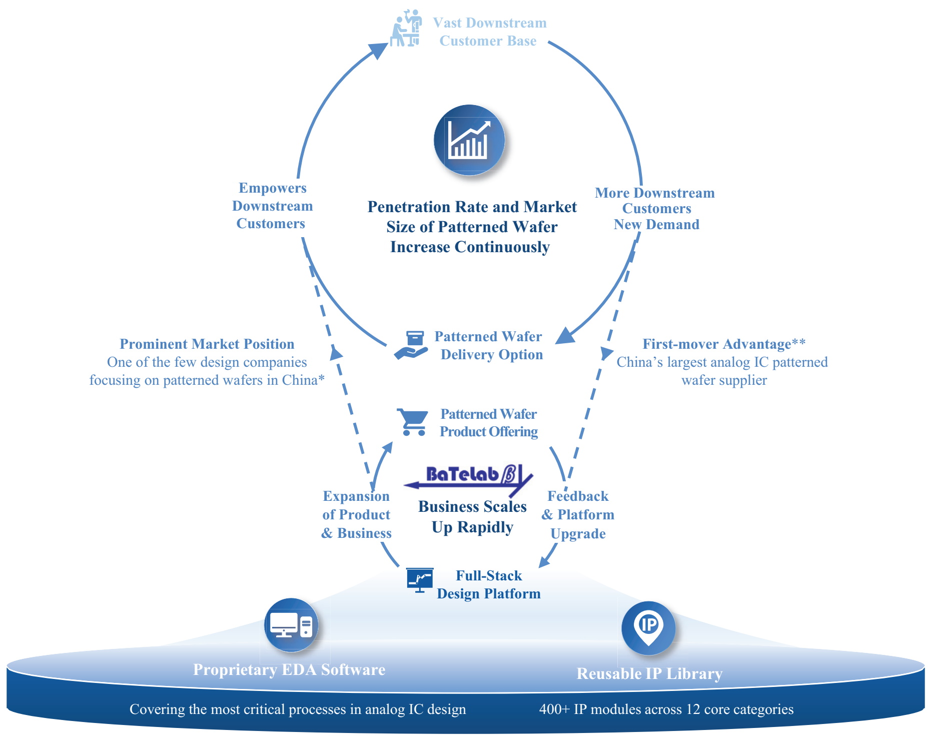
The production of IC products consists of three stages, namely design, manufacturing, and packaging and testing. After determining the anticipated functionality of ICs, the design engineer creates layouts combining numerous electronic elements, including transistors, resistors, and capacitors, to realize the desired functions. As the design process generally involves a large volume of IC elements and complicated processes including schematic editing, layout editing and circuit simulation, design tools provided by upstream EDA software and IP companies are widely used to assist in the design process. When an analog IC design becomes available, a photomask is prepared based on the layout. Manufacturers then use the photomask to engrave the circuits on a blank silicon wafer, fabricating the blank wafer into a patterned wafer that contains multiple copies of the same analog IC dies. The analog IC patterned wafers are then sliced into individual dies, and each die is turned into an individual chip product after the packaging and testing process.

In the early years during the development of the IC industry, most IC companies operated with an IDM model, where they performed the whole process of design, manufacturing, packaging, testing and subsequent sales of the finished products. After the 1980s, with the continuous upgrade of IC products and differentiated sets of technology and skills required in each stage, a high degree of division of labor has gradually derived in the IC industry. Nowadays, according to Frost & Sullivan, a majority of IC design companies operate with a fabless model, where they focus on the design of IC products while cooperating with business partners for the manufacturing, packaging and testing processes. Moreover, considering the fragmented analog IC market and to ensure centralized management of sales requests and demands from downstream customers, it is common for analog IC design companies like us to collaborate with professional distributors for marketing and sales of products. Despite the substantial collaboration with upstream and downstream business partners, analog IC design companies can achieve higher profitability as the IC design stage is at the core of the entire value chain with high economic value and generates the most added value in a final product, according to Frost & Sullivan.

Based on our insights in the long-tail analog IC market as well as our full-stack design capabilities, we strategically focus on the design and provision of patterned wafers. Unlike traditional IC companies operating with a fabless model that relies on third-party EDA software and IP providers, according to Frost & Sullivan, we have developed the only full-stack design platform in China integrating the entire analog IC design chain, including EDA, IP and design, enabling our efficient product development and standardized high-performance patterned wafer delivery, as well as ensuring our competitive advantages in the industry. As one of the few IC design companies in China that focus on patterned wafer designs which require substantial collaboration with upstream and downstream business partners, according to Frost & Sullivan, we are dedicated to meeting the rapidly growing market demand for patterned wafers against the backdrop of the increasingly granular division of labor in the IC industry and have maintained a prominent position in the Chinese patterned wafer market.

We offer approximately 400 types of diversified industrial grade analog IC patterned wafer products across seven sub-categories, namely switching regulators, multi-channel ICs and PMICs, linear regulators, battery management ICs, monitoring and modulating ICs, driver ICs, and linear products, in the power management category and the signal chain category as of the Latest Practicable Date. Our general-purpose, standardized analog IC patterned wafers are adaptable to a variety of end products in different application scenarios, and enable cost-efficient development and manufacturing of high-performance industrial grade IC chips for a wide range of downstream customers, including chip design companies, commercial distributors, brand-name manufacturers and ODMs. Our products have empowered numerous downstream customers, including well-known brand-name manufacturers and industry-leading chip design companies, in various application fields, such as automotive electronics, healthcare, industrial automation, industrial Internet of Things, industrial lighting, instrumentation, communications, electric power, energy storage and consumer electronics. According to Frost & Sullivan, the vast majority of chips made from our analog IC patterned wafers can achieve performance metrics comparable to those of leading international manufacturers. In 2020, 2021 and 2022, we successfully launched eight, 45 and 157 analog IC patterned wafer products, respectively, representing a CAGR of 343.0%, which demonstrated the fastest expansion of analog IC product offerings in China, according to Frost & Sullivan. These new products had driven most of our revenue increase during the Track Record Period. During the Track Record Period, we generated substantial amount of revenue from downstream customers (including direct sale customers and the ultimate end customers through distributors, but excluding distributors) engaging in industrial and automotive sectors. Our sales generated from downstream customers (including direct sale customers and the ultimate end customers through distributors, but excluding distributors) who have cooperated with us for at least three years accounted for over 50% of our total sales during such periods.

According to Frost & Sullivan, most of the IC design companies in China use imported EDA software tools and commercial IP modules designed by third parties, or develop their own IP modules by using the imported third-party EDA software tools. Unlike traditional IC companies operating with a fabless model that relies on third-party EDA software and IP providers, according to Frost & Sullivan, we have built the only full-stack analog IC design platform in China integrating the entire analog IC design chain, including EDA, IP and design. This provides us with a one-stop solution of analog IC design, enabling our effective product development and standardized high-performance patterned wafer delivery, as well as ensuring our competitive advantages in the industry. Our platform has achieved technical breakthroughs in both EDA software and IP module design, empowering efficient standardized design of analog IC products.




Benefiting from our powerful platform and rich product offerings, our business scale has expanded rapidly without compromising profitability and operational efficiency, making us a prominent force in terms of growth and profitability in China's analog IC industry. During the Track Record Period, our revenue increased from RMB88.7 million in 2020 to RMB212.7 million in 2021 and further to RMB352.5 million in 2022, representing a CAGR of 99.3%, and increased by 26.1% from RMB162.1 million for the six months ended June 30, 2022 to RMB204.4 million for the six months ended June 30, 2023. Despite the high growth of revenue, we consistently maintained high gross profit margin at 54.9%, 56.4%, 56.5%, 57.4% and 55.2% in 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, respectively. Contributed by the high gross profit margin and operational efficiency, our gross profit increased from RMB48.7 million in 2020 to RMB120.0 million in 2021 and further to RMB199.3 million in 2022, representing a CAGR of 102.2%, and increased by 21.3% from RMB93.1 million for the six months ended June 30, 2022 to RMB112.9 million for the six months ended June 30, 2023. Our net profit increased from RMB14.0 million in 2020 to RMB57.0 million in 2021 and further to RMB95.3 million in 2022, representing a CAGR of 160.9%, and increased by 7.3% from RMB42.8 million for the six months ended June 30, 2022 to RMB45.9 million for the six months ended June 30, 2023. Our adjusted net profit

* Requiring substantial collaboration with upstream and downstream business partners.

** First-mover advantage refers to an advantage gained by a company that first introduces a product to the market. As one of the few IC design companies in China focusing on patterned wafer designs, we take a leading role in the commercialization of analog IC patterned wafers. We have gained first-mover advantages from our prominent market position, and become the largest analog IC patterned wafer provider in China.

(Non-HKFRS measure) increased by 32.5% from RMB42.8 million for the six months ended June 30, 2022 to RMB56.6 million for the six months ended June 30, 2023. See "– Summary of Key Financial Information – Non-HKFRS Measure."

## COMPETITIVE STRENGTHS

We believe the following strengths have set us apart from our competitors. We (i) enjoy a prominent market position in China's patterned wafer industry; (ii) have developed a differentiated analog IC design platform; (iii) possess an ever-expanding high-performance industrial grade product portfolio; (iv) have a diversified and loyal downstream customer base; and (v) maintain a management and R&D team with forerunning spirit and extensive experience. See "Business – Competitive Strengths."

## OUR STRATEGIES

We have formulated various strategies to become China's leading provider of all major types of analog IC patterned wafer products accompanying our downstream customers' full lifecycle success. We plan to (i) extend our technology leadership; (ii) grow and enrich our product offerings; (iii) broaden our customer base and deepen the relationships with customers; and (iv) pursue strategic investments and acquisitions. See "Business – Our Strategies."

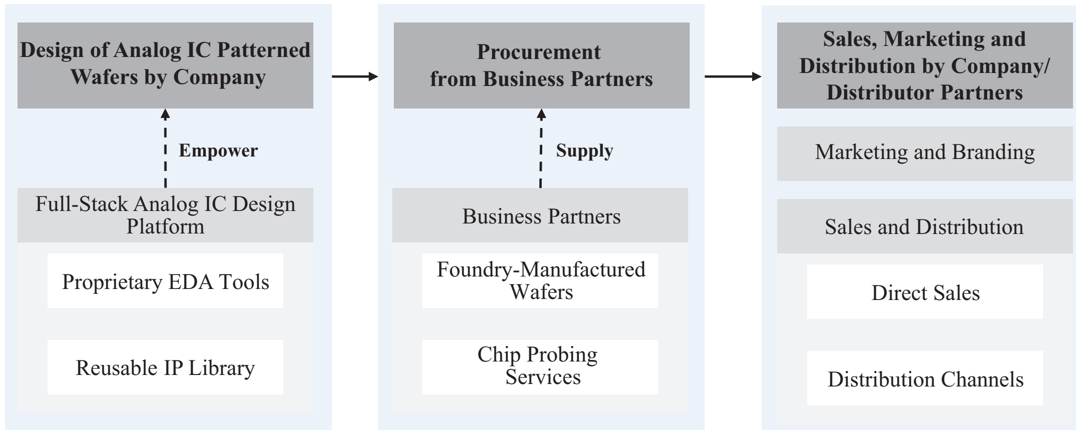
## OUR BUSINESS MODEL

### Overview

We are one of the analog IC patterned wafer providers with a prominent market position in China. Leveraging our full-stack analog IC design platform, we primarily focus on the design and provision of industrial grade analog IC patterned wafers that have achieved reliability and stability in accordance with internationally recognized standards. Empowered by proprietary EDA software tools and reusable IP library, we have effectively improved the product design efficiency, and are able to supply downstream customers with quality products.

We operate with a fabless model, a typical operation model adopted by many IC design companies focusing on the design process and outsource the IC manufacturing to foundries. We have established strong and long-term cooperation with a commercial patterned wafer channel partner for procurement of foundry-manufactured wafers with completed built-on circuits designed by us. This way, we are able to leverage the patterned wafer channel partner's diversified foundry supplier base and customer base, and thus are provided with an effective way to secure foundries' manufacturing capacity with relatively competitive prices. Once the foundry-manufactured wafers are ready, our business partner, Nantong Yourui Semiconductor Co., Ltd. (南通優睿半導體有限公司) which is a major chip probing service provider, conducts inspection and testing work to ensure the quality of the delivered products. As we enter the sales, marketing and distribution stage, to meet the needs of the downstream customers, capture better market opportunities in the long-tail analog IC sector and increase our market share, in addition to direct sales, we primarily partner with well-known distributors for branding, marketing and subsequent sales of our analog IC patterned wafers.

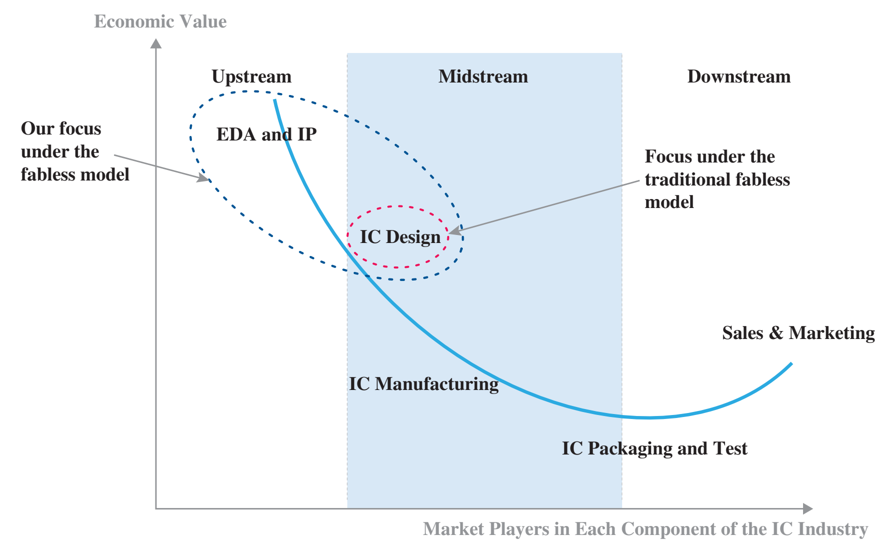
The following flowchart illustrates our business model:




**Fabless Model**

We operate with a fabless model, where companies focus on designing their own IC products and outsource IC manufacturing to foundries. The IC industry has developed to a high degree of division of labor, and each of the market players on the IC value chain, including service and solution providers of supporting technologies and tools (such as EDA software and IP), IC manufacturing, packaging and test companies, and distributors and system manufacturers, requires a different set of skills. Meanwhile, with more and more types of IC chips coming out, there has been a trend of intricate division of labor within the field of IC design. IC chip design companies tend to cooperate with patterned wafer design companies on a variety of products, but only focus on design, sales and marketing of limited key products of their own. Therefore, it is more cost-effective for IC chip design companies not to internalize R&D and design of all products in spite of similar skillsets required for design of IC chips and patterned wafers. Although IC design companies operating with a fabless model and focusing on patterned wafers generally need to collaborate with upstream and downstream market players, as IC design is at the core of the entire value chain with high economic value, and generates the most added value in a final product, IC design companies usually achieve higher profitability than most of the other market players on the IC value chain, according to Frost & Sullivan.

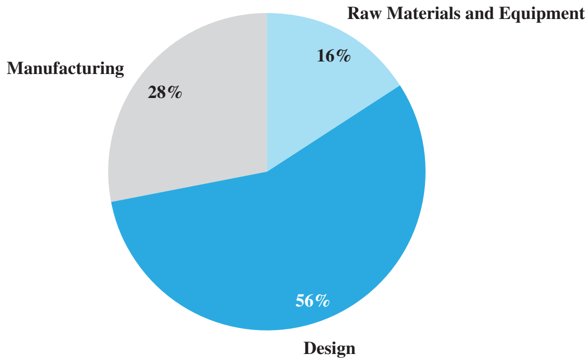
According to Frost & Sullivan, the economic value of each component of the IC industry is defined as the average profitability and efficiency of generating profits of market players in each component. Return-on-equity (ROE) is considered a reasonable metric to measure such profitability and efficiency of generating profits. The following chart illustrates the economic value of market players in each component of the IC industry:




*Source: Frost & Sullivan Report*

According to Frost & Sullivan, the economic value of EDA and IP providers is the highest among all market players in the IC industry, as EDA software and IP modules are critical and lay the foundation to IC design. Followed by IC design companies, the economic value of which is also high as IC design directly affects the performance of IC products. The economic value of IC manufacturers is slightly lower than that of IC design companies but higher than that of distributors, because IC manufacturing capabilities are also essential to the completion and subsequent sales of IC products. Assembling and testing companies have the lowest economic value, because the assembling and testing processes have limited add-on value and do not have high requirements of specific technical skills. Our fabless model and our possession of the only full-stack analog IC design platform in China that has achieved technical breakthroughs in both EDA software and IP module design have collectively enabled us to take up the two components with the highest economic value in the entire value chain.

The following figure illustrates the value-add proportions of an IC chip:




| Stage | Activities | Value-add Proportion |
|---|---|---|
| Raw Materials and Equipment | • Raw Materials | 5% |
| | • Equipment | 11% |
| Design | • EDA/IP | 6% |
| | • IC Design | 50% |
| Manufacturing | • Wafer Fabrication | 24% |
| | • Assembly, Packaging & Testing | 4% |
| **Total** | | **100%** |

*Source: Frost & Sullivan Report*

## OUR PRODUCT OFFERINGS

We offer a portfolio of high-performance industrial grade analog IC patterned wafers with refined built-on electronic circuits designed by us. Our general-purpose, standardized analog IC patterned wafers are adaptable to a variety of end products in different application scenarios. Our products are applied in different industry verticals, including automotive electronics, healthcare, industrial automation, industrial Internet of Things, industrial lighting, instrumentation, communications, electric power, energy storage and consumer electronics. Dies are function units on patterned wafers. Each patterned wafer, depending on the functionality of its built-on electronic circuit, manufacturing processes, and qualification rate, contains different number of dies. Each die can be easily turned into chip products after subsequent packaging and testing by downstream customers. Therefore, the price of our patterned wafer products is based on the selling price of each die times the number of qualified dies on each patterned wafer. According to Frost & Sullivan, it is consistent with the practice of industry peers to count the selling price and quantity of products in the form of dies.

We perform design of our patterned wafer products leveraging our full-stack analog IC design platform, which equips us with strong design capabilities and a semi-automatic way of design. As of the Latest Practicable Date, we had built up a broad portfolio covered approximately 400 types of analog IC patterned wafer products that are integral and critical components to a wide variety of electronic equipment. We first divide our products into two major categories, namely power management products and signal chain products, and then divide them into seven sub-categories, namely switching regulators, multi-channel ICs and PMICs, linear regulators, battery management ICs, monitoring and modulating ICs, driver ICs, and linear products, based on their functions. Products within the same sub-categories are further divided into different types according to their performance parameters, such as input voltages and output amperage. There are multiple types of products in the same sub-category. Each type of product has a unique code for identification purpose.

For a detailed description of each of the sub-categories of our products, see "Business – Our Product Offerings – Overview."

## Our Operational Highlights

In 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, we sold 17.1 million, 37.4 million, 87.5 million, 42.3 million and 52.9 million of qualified dies, respectively, the details of which are set forth as follows:

| | Year ended December 31, | | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | | 2022 | | 2023 | |
| | Sales Volume | | Sales Volume | | Sales Volume | | CAGR[(1)] | Sales Volume | | Sales Volume | |
| | *('000)* | *%* | *('000)* | *%* | *('000)* | *%* | | *('000)* | *%* | *('000)* | *%* |
| **Power management products** | **16,966** | **99.0** | **34,220** | **91.5** | **72,880** | **83.3** | **107.3%** | **35,422** | **83.8** | **45,253** | **85.5** |
| Switching regulators | 10,240 | 59.7 | 26,354 | 70.5 | 53,729 | 61.4 | 129.1% | 26,406 | 62.5 | 33,567 | 63.4 |
| Multi-channel ICs and PMICs | 1,226 | 7.2 | 1,895 | 5.1 | 3,495 | 4.0 | 68.8% | 834 | 2.0 | 3,904 | 7.4 |
| Others[(2)] | 5,500 | 32.1 | 5,971 | 16.0 | 15,656 | 17.9 | 68.7% | 8,182 | 19.3 | 7,782 | 14.7 |
| **Signal chain products** | **177** | **1.0** | **3,183** | **8.5** | **14,596** | **16.7** | **808.1%** | **6,847** | **16.2** | **7,685** | **14.5** |
| Linear products | 177 | 1.0 | 3,183 | 8.5 | 14,596 | 16.7 | 808.1% | 6,847 | 16.2 | 7,685 | 14.5 |

*Notes:*

(1) CAGR only refers to the growth rate from the year ended December 31, 2020 to the year ended December 31, 2022.

(2) Others mainly include linear regulators, battery management ICs, monitoring and modulating ICs and driver ICs.

During the Track Record Period, we generally experienced overall constant increases in the sales volume of our power management products and signal chain products, resulting from the continuous launch of new product types driven by our initiatives and capabilities to design new products as well as the increasing demands from our downstream customers. We experienced some fluctuations in the percentage of each sub-category of our products during the Track Record Period, which was primarily due to a shift in our product mix.

- *Power management products*. The sales volume of our power management products experienced significant growth during the Track Record Period, primarily due to the constant increase in the sales volume of switching regulators driven by our continuous launch of new types of products.

- *Signal chain products*. The sales volume of our signal chain products increased during the Track Record Period, primarily resulting from our efforts to launch new products as well as the increasing demands from downstream customers.

In 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, the average selling price of the qualified dies was RMB5.2, RMB5.7, RMB4.0, RMB3.8 and RMB3.9, respectively, the details of which are set forth as follows:

| | Year ended December 31, | | | | Six months ended June 30, | |
|---|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | CAGR[1] | 2022 | 2023 |
| | *(RMB)* | *(RMB)* | *(RMB)* | | *(RMB)* | *(RMB)* |
| **Power management products** | **5.1** | **5.6** | **4.0** | **-4.3%** | **3.8** | **4.0** |
| Switching regulators | 2.8 | 3.8 | 2.8 | 0% | 3.0 | 2.3 |
| Multi-channel ICs and PMICs | 36.2 | 42.1 | 31.4 | -4.6% | 44.0 | 21.9 |
| Others[2] | 2.6 | 2.3 | 2.3 | -4.0% | 2.3 | 2.4 |
| **Signal chain products** | **9.3** | **6.2** | **4.0** | **-24.5%** | **4.2** | **3.2** |
| Linear products | 9.3 | 6.2 | 4.0 | -24.5% | 4.2 | 3.2 |

*Notes:*

(1) CAGR only refers to the growth rate from the year ended December 31, 2020 to the year ended December 31, 2022.

(2) Others mainly include linear regulators, battery management ICs, monitoring and modulating ICs and driver ICs.

During the Track Record Period, each type of the qualified dies had a relatively stable selling price. The decreasing trend in the average selling price of our power management products and signal chain products was primarily due to changes in our product mix driven by downstream customer demand.

- *Power management products*. The average selling price of our power management products in 2020 and 2021 were at a relatively higher level as compared to that in 2022, primarily attributable to downstream customers' higher demand. The global semiconductor industry experienced a supply shortage from the second half of 2020 to the first half of 2021, during which period downstream customers had an overall higher demand for analog IC products than usual in order to maintain a sufficient inventory level. In particular, products with high selling prices experienced a faster sales volume increase than products with low selling prices, primarily because (i) downstream customers were more willing than usual to pay a premium for products with high selling prices in order to cope with the global supply shortage, and (ii) with the COVID-19 pandemic slowing down the import of international products and accelerating the replacement of imported products with domestic substitutes, the suppliers of domestic substitutes with high selling prices were more limited than those of low selling prices given the higher reliability and more complex functions generally required for the products with high selling prices. All of these contributed to the high demand of our products with high average selling prices during the same period. When the global supply shortage has been eased since the second half of 2021, we experienced a decrease in the revenue contribution by our products with high average selling prices. The average selling price of our power management products increased from the six months ended June 30, 2022 to the six months ended June 30, 2023, primarily attributable to an increase in the portion of revenue contribution by multi-channel ICs and PMICs, the sub-category of products with the highest average selling price.

- *Signal chain products*. The average selling price of our signal chain products experienced a constant decrease during the Track Record Period due to an increase in the portion of revenue contribution of the types of products with a relatively lower average selling price as compared to the other types of products resulting from increasing market demand.

For a detailed analysis of the average selling price of each of the sub-categories, see "Business – Our Product Offerings – Our Operational Highlights."

**U.S.-China Trade Tensions and Its Impact**

In 2017, the U.S. and PRC governments entered into negotiations to address various trade-related issues between the two countries. Since then, the two countries have been engaged in protracted discussions over the government acts, policies and practices relating to technology transfer, intellectual property and innovation, which led to the imposition by the U.S. of high tariffs in 2018 and 2019 on imports of certain Chinese-origin products. These tariffs are still in place. In addition, the U.S. has recently implemented various export control measures intended to slow the pace at which China acquires certain advanced U.S. technology.

During the Track Record Period and up to the Latest Practicable Date, all of our revenue was derived from China and, to the best knowledge of our Directors, our products were offered to downstream customers in China. We do not currently export our products directly or indirectly to the U.S. Moreover, unlike most of the IC design company peers who rely on the U.S. imported EDA software tools and IPs, our EDA software tools and IP modules are self-developed. As advised by Jacobson Burton Kelley PLLC ("**JBK**"), our legal advisor as to U.S. foreign investment, export controls, sanctions laws and import law, our products were not subject to any U.S. sanctions or any export controls administered by BIS during the Track Record Period and up to the Latest Practicable Date.

## OUR ANALOG IC DESIGN PLATFORM

Integrating the entire analog IC design chain, including EDA, IP and design, we have built the only full-stack analog IC design platform in China, according to Frost & Sullivan. Our analog IC design platform is self-developed and wholly owned by us. With an extensive coverage of components, our platform comprehensively covers schematic editing, layout editing and simulation, the three most critical processes in analog IC design, equipping us with capabilities of full-stack analog IC design. Our successful breakthrough of the two underlying technical barriers, EDA software development and complementary IP modules, realizing system-level simulation and performance modeling. Together, our full-stack analog IC design platform has enabled us with large-scale design capability, and effectively lowered our internal barrier to IC design.

Our EDA software tools and technologies enable us to conduct EDA-assisted design of an array of analog IC patterned wafers and carry out day-to-day research and development. Our EDA software tools support graphical layout design, assisted IC design based on machine learning, and optimized IC simulation. Specifically, our EDA software records and retains our R&D personnel's historic trial designs and the final designs, and perform analytical comparison to generate design route and personalized suggestions for our R&D personnel, and thereby aligning the design characteristics among different personnel to the largest extent. As a result, our design is not dependent on any individual R&D personnel. Besides, our EDA software tools are deeply integrated with the IP library, and different IP modules can be retrieved from the IP library for simulation tests during the design process. All of these features have distinguished us from our competitors and greatly improve our design efficiency.

During our development of EDA software tools, we take into account the compatibility of these tools with mature manufacturing processes of foundries. We input the readily available design rules and parameters from the foundries into our EDA software through a reserved interface. This way, we do not need to upgrade our EDA software every time the cooperating foundries update their manufacturing processes. Given that the design rules we follow are mature, optimized and stable and are not prone to frequent iterations, our EDA software is not dependent on any single foundry technology, nor is it required to contain specific technologies to meet certain foundries' requirements.

As of the Latest Practicable Date, we have amassed more than 400 IP modules covering 12 core categories of analog IC design and adaptable to nine core processing technologies, representing the most comprehensive IP coverage among all analog IC design companies in China. Almost all of our IP modules are reusable and can be widely and readily applied to the design of many types of complex analog IC patterned wafers. As our IP modules are basic, generic and extensive, our IC design engineers can readily reuse them for similar but different types of products, making the design process efficient and cost-effective.

For more detailed descriptions of our analog IC design platform and its features and synergies, see "Business – Our Analog IC Design Platform."

## COMPETITIVE LANDSCAPE

According to Frost & Sullivan, we enjoy a prominent position in the analog IC patterned wafer market in China, ranking the first in terms of revenue generated from analog IC patterned wafers in 2022 with a market share of 1.7%. The analog IC patterned wafer market in China is a relatively fragmented market, with the aggregate market share of the top five companies accounting for only 5.0% in 2022. Small scaled patterned wafer providers may fail to meet the increasing demands of downstream customers arising from the more and more diverse use scenarios of patterned wafers, enabling the top players in the market to achieve significant first mover advantages. As a result, the market share of leading companies is expected to further expand. See "Industry Overview."

## OUR CUSTOMERS AND SUPPLIERS

Our customers primarily include companies principally engaged in distribution and sales of electronic components, semiconductors and modular circuits. In each year/period during the Track Record Period, revenue contributed from our five largest customers accounted for 99.9%, 99.9%, 100.0% and 100.0% of our total revenue in 2020, 2021 and 2022 and for the six months ended June 30, 2023, respectively, while the largest customer contributed 54.1%, 54.7%, 44.3% and 42.2% of our total revenue, respectively, for the same periods. See "Business – Our Customers." In particular, during the Track Record Period, we generated revenue primarily from sales of patterned wafers to our distributor partners. We primarily partnered with two distributors during the Track Record Period, namely Arrow, a global leading IC distributor, and Customer A, a local IC distributor. In 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, our aggregate revenue generated from our two largest distributor partners during the Track Record Period, Arrow and Customer A, amounted to RMB74.2 million, RMB192.2 million, RMB282.7 million, RMB132.1 million and RMB168.2 million, respectively, representing 83.7%, 90.4%, 80.2%, 81.5% and 82.3%, respectively, of our total revenue for each year, and 87.9%, 100.0%, 100.0%, 100.0% and 100.0%, respectively, of our total sales to distributors in the same periods. Due to their significant revenue contribution, any decrease in sales from, or loss of, one or more of them would harm our business, operating results, financial condition, and cash flows. See "Business – Our Customers – Relationship with Our Two Largest Customers."

Our suppliers primarily include companies with business operations in R&D, manufacturing or sales of wafers and relevant components and devices, chip verification design, test development, application development and testing equipment development. In each year/period during the Track Record Period, our purchases from our five largest suppliers accounted for 98.6%, 99.1%, 97.5% and 99.4% of our total purchases in 2020, 2021 and 2022 and for the six months ended June 30, 2023, respectively. See "Business – Our Suppliers." In particular, during the Track Record Period, we primarily procured foundry-manufactured wafers from Supplier A, our wafer channel partner and largest supplier in each year/period during the Track Record Period. In 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, our purchases from Supplier A were RMB78.6 million, RMB122.3 million, RMB214.8 million, RMB100.7 million and RMB160.3 million, respectively, representing 87.9%, 89.4%, 75.7%, 87.9% and 88.5%, respectively, of our total purchases for the same periods. As our procurement of foundry-manufactured wafers primarily derived from our wafer channel partner Supplier A during the Track Record Period, if our relationship with Supplier A is terminated, interrupted, or modified in any way adverse to us, there may be material interruptions to our operations and business. See "Business – Our Suppliers – Relationship with Supplier A."

## RISK FACTORS

Our business and the Global Offering involve certain risks as set out in "Risk Factors" in this prospectus. These risks can be broadly categorized into: (i) risks relating to our business and industry; (ii) risks relating to doing business in China; and (iii) risks relating to the Global Offering. You should read that section in its entirety carefully before you decide to invest in our H Shares. Some of the major risks we face include the following:

- Our business growth and prospects are affected by our ability to continuously innovate and iterate our existing products and to expand our product mix and penetrate new markets.

- A significant proportion of our revenue was derived from our distributor partners, including Arrow and Customer A, during the Track Record Period. Any decrease in sales from, or loss of, one or more of our distributor partners would have negative impacts on our results of operations.

- We procured all of our foundry-manufactured wafers from a commercial patterned wafer channel partner during the Track Record Period. Due to the material reliance we had on our patterned wafer channel partner, any decrease in purchase from, or loss of, our patterned wafer channel partner would have negative impacts on our results of operations.

- Our inability to continuously develop our technological capabilities and improve our analog IC design platform could make our products uncompetitive and obsolete, which may impede our ability to address the requirements in technology segments that are expected to contribute to our growth.

- Rapid technological changes in the industries and markets to which our products are sold require us to constantly develop new technologies and products.

- Our business, financial condition and results of operations may be materially and adversely affected by international policies and international export controls and economic sanctions.

- Our products are primarily offered to downstream customers of certain industries in the PRC. Factors that adversely affect these industries in the PRC may have a negative impact on our business and operational results.

- Our historical growth may not be indicative of our future growth. If we are unable to manage our growth or execute our business strategies effectively, our results of operations and business prospects may be materially and adversely affected.

- Decreases in downstream customers' demand for analog IC products may lead to a decrease in the selling price of our patterned wafer products, which may result in a decrease in our revenue.

## LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, we had not been and were not a party to any legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors. To the best knowledge of our Directors, our business operations had been carried out in compliance with applicable laws and regulations in all material aspects during the Track Record Period and up to the Latest Practicable Date.

See "Business – Employees – Social Insurance and Housing Provident Fund Contributions" and "Business – Land and Properties" in this prospectus for a description of certain legal matters relating to our compliance with PRC employment and real property related laws and regulations which we consider would not have a material adverse effect on our business, financial condition, or results of operations. We are of the view that we have in place adequate internal control measures to ensure ongoing compliance with applicable laws and regulations.

## RELATIONSHIP WITH OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

Immediately upon completion of the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, Mr. Li Zhen, Mr. Li Yi, Backward Electronic and Backward Partnership will hold in aggregate approximately 25.73% of our Company's total share capital.

As of the Latest Practicable Date, Backward Partnership was owned as to 41.63% by Backward Electronic as general partner, which in turn was owned as to 53.50% by Mr. Li Zhen. Each of Backward Electronic and Backward Partnership is an investment holding entity with no business activity. Mr. Li Zhen is our executive Director and chairman of the Board. Mr. Zhang Guangping is our executive Director and general manager. Mr. Li Yi is our executive Director, deputy general manager, head of the financial department and one of our joint company secretaries. Pursuant to the Concert Party Agreement, Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi agreed and confirmed, among others, that from the date when they became direct and/or indirect Shareholders of our Company to such date when all of them cease to be directly or indirectly interested in our Company, they had been and would continue to be acting in concert. Pursuant to the SFO, each of Mr. Li Zhen, Mr. Zhang Guangping, Mr. Li Yi, Backward Electronic and Backward Partnership is deemed to be interested in the Shares held by each other. Accordingly, Mr. Li Zhen, Mr. Zhang Guangping, Mr. Li Yi, Backward Electronic and Backward Partnership constitute our Single Largest Group of Shareholders under the Listing Rules.

## OUR PRE-IPO INVESTORS

We have concluded several rounds of Pre-IPO Investments with a broad and diverse base of Pre-IPO Investors. For further details of the identity and background of the Pre-IPO Investors, and the principal terms of the Pre-IPO Investments, see “History, Development and Corporate Structure – Pre-IPO Investments.”

## SUMMARY OF KEY FINANCIAL INFORMATION

The summary historical data of financial information set forth below have been derived from, and should be read in conjunction with, our audited financial statements, including the accompanying notes, set forth in the Accountants’ Report attached as Appendix I to this prospectus, as well as the information set forth in “Financial Information.” Our financial information was prepared in accordance with HKFRS.

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

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | *RMB'000* | *% of Revenue* | *RMB'000* | *% of Revenue* | *RMB'000* | *% of Revenue* | *RMB'000* *(Unaudited)* | *% of Revenue* | *RMB'000* | *% of Revenue* |
| **Revenue** | 88,720 | 100.0 | 212,711 | 100.0 | 352,510 | 100.0 | 162,065 | 100.0 | 204,422 | 100.0 |
| Cost of sales | (39,971) | (45.1) | (92,711) | (43.6) | (153,186) | (43.5) | (68,990) | (42.6) | (91,527) | (44.8) |
| **Gross profit** | 48,749 | 54.9 | 120,000 | 56.4 | 199,324 | 56.5 | 93,075 | 57.4 | 112,895 | 55.2 |
| **Profit before taxation** | 13,995 | 15.8 | 56,969 | 26.8 | 96,824 | 27.5 | 42,761 | 26.4 | 45,864 | 22.4 |
| **Profit for the year/period** | 13,995 | 15.8 | 56,969 | 26.8 | 95,262 | 27.0 | 42,761 | 26.4 | 45,864 | 22.4 |

#### *Non-HKFRS Measure*

To supplement our historical financial information which are presented in accordance with HKFRS, we also use adjusted net profit (Non-HKFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, HKFRS. We believe that this non-HKFRS measure facilitates comparisons of operating performance from period to period by eliminating potential impacts of certain items. We believe that this measure provides useful information to investors and others in understanding and evaluating our results of operations in the same manner as it helps our management. However, our presentation of adjusted net profit (Non-HKFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of this non-HKFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under HKFRS.

We define adjusted net profit (Non-HKFRS measure) as profit for the year/period adjusted by adding back listing expenses and share-based payments. Listing expenses are expenses relating to the Global Offering. Share-based payments are non-cash in nature.

The following table reconciles our adjusted net profit (Non-HKFRS measure) for the year/period presented to profit for the year/period:

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* *(Unaudited)* | *RMB'000* |
| **Profit for the year/period** | 13,995 | 56,969 | 95,262 | 42,761 | 45,864 |
| Add: | | | | | |
| Listing expenses | – | – | – | – | 785 |
| Share-based payments | – | – | – | – | 9,995 |
| **Adjusted net profit (non-HKFRS measure)** | 13,995 | 56,969 | 95,262 | 42,761 | 56,644 |

During the Track Record Period, our net profit increased from RMB14.0 million in 2020 to RMB57.0 million in 2021 and further to RMB95.3 million in 2022. Furthermore, our net profit increased from RMB42.8 million for the six months ended June 30, 2022 to RMB45.9 million for the six months ended June 30, 2023. Our continuous increase in net profit during the Track Record Period was primarily attributable to an increase in revenue resulting from an increase in sales of power management products and signal chain products. See "Financial Information – Discussion of Results of Operations."

***Revenue by Business Line***

During the Track Record Period, we generated our revenue primarily from sales of power management products and signal chain products. The following table sets forth a breakdown of our revenue by business line, in absolute amounts and as a percentage of our revenue, for the periods indicated:

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | *RMB'000* | *% of Revenue* | *RMB'000* | *% of Revenue* | *RMB'000* | *% of Revenue* | *RMB'000* *(Unaudited)* | *% of Revenue* | *RMB'000* | *% of Revenue* |
| Sales of power management products | 87,075 | 98.1 | 192,899 | 90.7 | 294,797 | 83.6 | 133,228 | 82.2 | 179,596 | 87.9 |
| – Switching regulators | 28,453 | 32.1 | 99,445 | 46.8 | 149,500 | 42.4 | 77,804 | 48.0 | 75,701 | 37.1 |
| – Multi-channel ICs and PMICs | 44,362 | 50.0 | 79,832 | 37.5 | 109,794 | 31.1 | 36,705 | 22.6 | 85,283 | 41.7 |
| – Others[(1)] | 14,260 | 16.1 | 13,622 | 6.4 | 35,503 | 10.1 | 18,719 | 11.6 | 18,612 | 9.1 |

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | *RMB'000* | *% of Revenue* | *RMB'000* | *% of Revenue* | *RMB'000* | *% of Revenue* | *RMB'000 (Unaudited)* | *% of Revenue* | *RMB'000* | *% of Revenue* |
| Sales of signal chain products | 1,645 | 1.9 | 19,812 | 9.3 | 57,713 | 16.4 | 28,837 | 17.8 | 24,826 | 12.1 |
| – Linear products | 1,645 | 1.9 | 19,812 | 9.3 | 57,713 | 16.4 | 28,837 | 17.8 | 24,826 | 12.1 |
| **Total** | 88,720 | 100.0 | 212,711 | 100.0 | 352,510 | 100.0 | 162,065 | 100.0 | 204,422 | 100.0 |

*Note:*

(1) Others mainly include linear regulators, battery management ICs, monitoring and modulating ICs and driver ICs.

*Power Management Products*

Our power management products help downstream customers manage power across different voltage and/or current levels, including AC-DC and DC-DC switching regulators, multi-channel ICs and PMICs, linear regulators, battery management ICs, monitoring and modulating ICs, and driver ICs. Revenue generated from sales of power management products accounted for 98.1%, 90.7%, 83.6%, 82.2% and 87.9%, respectively, of our revenue in 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023.

Our revenue generated from sales of power management products increased by 121.5% from RMB87.1 million in 2020 to RMB192.9 million in 2021. Such increase was primarily due to (i) an increase in our sales volume of power management products from 17.0 million units in 2020 to 34.2 million units in 2021, which was driven by the increased types of power management products we sold from 61 in 2020 to 84 in 2021; and (ii) an increase in the average selling price from RMB5.1 in 2020 to RMB5.6 in 2021.

Our revenue generated from sales of power management products increased by 52.8% from RMB192.9 million in 2021 to RMB294.8 million in 2022. Such increase was primarily due to an increase in our sales volume of power management products from 34.2 million units in 2021 to 72.9 million units in 2022, which was driven by the increased types of power management products we sold from 84 in 2021 to 232 in 2022, and was partially offset by the decrease in average selling price from RMB5.6 in 2021 to RMB4.0 in 2022.

Our revenue generated from sales of power management products increased by 34.8% from RMB133.2 million for the six months ended June 30, 2022 to RMB179.6 million for the six months ended June 30, 2023. Such increase was primarily due to (i) an increase in our sales volume of power management products from 35.4 million units for the six months ended June 30, 2022 to 45.3 million units for the six months ended June 30, 2023, which was driven by the increased types of power management products we sold from 157 for the six months ended June 30, 2022 to 291 for the six months ended June 30, 2023; and (ii) an increase in average selling price from RMB3.8 for the six months ended June 30, 2022 to RMB4.0 for the six months ended June 30, 2023, primarily attributable to an increase in the portion of revenue contribution of multi-channel ICs and PMICs, the type of products with the highest average selling price.

*Signal Chain Products*

Our signal chain products include products that sense, condition and measure real-world signals to allow information or signal to be transferred or converted for further processing and control. Our signal chain products are all linear products. Revenue generated from sales of signal chain products accounted for 1.9%, 9.3%, 16.4%, 17.8% and 12.1%, respectively, of our revenue in 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023.

Our revenue generated from sales of signal chain products increased by 1,104.4% from RMB1.6 million in 2020 to RMB19.8 million in 2021. Such increase was primarily due to an increase in our sales volume of signal chain products from 0.2 million units in 2020 to 3.2 million units in 2021, which was driven by the increased types of signal chain products we sold from one in 2020 to 23 in 2021, and was partially offset by the decrease in the average selling price from RMB9.3 in 2020 to RMB6.2 in 2021.

Our revenue generated from sales of signal chain products increased by 191.3% from RMB19.8 million in 2021 to RMB57.7 million in 2022. Such increase was primarily due to an increase in our sales volume of signal chain products from 3.2 million units in 2021 to 14.6 million units in 2022, which was driven by the increased types of signal chain products we sold from 23 in 2021 to 32 in 2022, and was partially offset by the decrease in average selling price from RMB6.2 in 2021 to RMB4.0 in 2022.

Our revenue generated from sales of signal chain products decreased by 13.9% from RMB28.8 million for the six months ended June 30, 2022 to RMB24.8 million for the six months ended June 30, 2023. Such decrease was primarily due to a decrease in average selling price of linear products from RMB4.2 for the six months ended June 30, 2022 to RMB3.2 for the six months ended June 30, 2023, and was partially offset by an increase in our sales volume of signal chain products from 6.8 million units for the six months ended June 30, 2022 to 7.7 million units for the six months ended June 30, 2023, which was driven by the increased types of signal chain products we sold from 30 for the six months ended June 30, 2022 to 36 for the six months ended June 30, 2023.

See "Financial Information – Description of Major Components of our Results of Operations – Revenue – Revenue by Business Line" and "Financial Information – Discussion of Results of Operations."

***Gross Profit and Gross Profit Margin***

Our gross profit represents our revenue less our cost of sales. Our gross profit margin represents our gross profit divided by our revenue, expressed as a percentage. The table below sets forth a breakdown of our gross profit and gross profit margin by business line for the periods indicated:

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | Gross Profit | Gross Profit Margin | Gross Profit | Gross Profit Margin | Gross Profit | Gross Profit Margin | Gross Profit | Gross Profit Margin | Gross Profit | Gross Profit Margin |
| | *RMB'000* | % | *RMB'000* | % | *RMB'000* | % | *RMB'000* | % | *RMB'000* | % |
| | | | | | | | *(Unaudited)* | | | |
| Sales of power management products | 47,257 | 54.3 | 106,460 | 55.2 | 163,668 | 55.5 | 75,362 | 56.6 | 97,822 | 54.5 |
| – Switching regulators | 19,147 | 67.3 | 65,088 | 65.5 | 90,219 | 60.3 | 47,445 | 61.0 | 44,131 | 58.3 |
| – Multi-channel ICs and PMICs | 18,057 | 40.7 | 32,441 | 40.6 | 50,865 | 46.3 | 15,648 | 42.6 | 42,159 | 49.4 |
| – Others[1] | 10,053 | 70.5 | 8,931 | 65.6 | 22,584 | 63.6 | 12,269 | 65.5 | 11,532 | 62.0 |
| Sales of signal chain products | 1,492 | 90.7 | 13,540 | 68.3 | 35,656 | 61.8 | 17,713 | 61.4 | 15,073 | 60.7 |
| – Linear products | 1,492 | 90.7 | 13,540 | 68.3 | 35,656 | 61.8 | 17,713 | 61.4 | 15,073 | 60.7 |
| **Total** | 48,749 | 54.9 | 120,000 | 56.4 | 199,324 | 56.5 | 93,075 | 57.4 | 112,895 | 55.2 |

*Note:*

(1) Others mainly include linear regulators, battery management ICs, monitoring and modulating ICs and driver ICs.

During the Track Record Period, we maintained high gross profit margin due to (i) the high entry barriers for our competitors to provide similar industrial grade analog IC patterned wafers with high reliability and stability. As a result, there were limited competing products in the domestic market; and (ii) we provided high-performance industrial grade analog IC patterned wafers cost-effectively with our full-stack analog IC design platform. Our overall gross profit and gross profit margin largely depend on our product mix, as we normally provide multi-variety products in small batches to our customers.

*Power Management Products*

Our gross profit of sales of power management products increased from RMB47.3 million in 2020 to RMB106.5 million in 2021. Our gross profit margin of sales of power management products increased slightly from 54.3% in 2020 to 55.2% in 2021, primarily due to an increase in sales volume of switching regulators, which had relatively high gross profit margin compared with multi-channel ICs and PMICs.

Our gross profit of sales of power management products increased from RMB106.5 million in 2021 to RMB163.7 million in 2022. The gross profit margin of sales of power management products remained relatively stable at 55.2% in 2021 and 55.5% in 2022.

Our gross profit of sales of power management products increased from RMB75.4 million for the six months ended June 30, 2022 to RMB97.8 million for the six months ended June 30, 2023. The gross profit margin of sales of power management products decreased from 56.6% for the six months ended June 30, 2022 to 54.5% for the six months ended June 30, 2023, primarily due to an increase in sales volume of multi-channel ICs and PMICs from 0.8 million units for the six months ended June 30, 2022 to 3.9 million units for the six months ended June 30, 2023. The gross profit margin of multi-channel ICs and PMICs is lower compared with other power management products because the multi-channel ICs and PMICs we sold were mainly SoC products with higher unit costs.

*Signal Chain Products*

Our gross profit of sales of signal chain products increased from RMB1.5 million in 2020 to RMB13.5 million in 2021. The gross profit margin of sales of signal chain products decreased from 90.7% in 2020 to 68.3% in 2021, primarily due to our concentrated sales of one type of industrial grade signal chain product in 2020, which had a high unit selling price as there were limited competing products in the domestic market due to the high entry barrier for competitors to provide similar signal chain products with the advanced technological specifications we were able to offer. In 2021, we expanded our product portfolio and offered 23 types of signal chain products to respond to our customers' growing demand, and the overall gross profit margin decreased due to the more diversified product mix.

Our gross profit of sales of signal chain products increased from RMB13.5 million in 2021 to RMB35.7 million in 2022. The gross profit margin of sales of signal chain products decreased from 68.3% in 2021 to 61.8% in 2022, primarily due to the new types of signal chain products we offered to meet our customers' demands had a relatively lower gross profit margin compared with the signal chain products we provided in 2021.

Our gross profit of sales of signal chain products decreased from RMB17.7 million for the six months ended June 30, 2022 to RMB15.1 million for the six months ended June 30, 2023. The gross profit margin of sales of signal chain products decreased from 61.4% for the six months ended June 30, 2022 to 60.7% for the six months ended June 30, 2023, primarily due to the relatively lower gross profit margin of the new types of linear products we offered to meet our customers' demands for the six months ended June 30, 2023 compared with the linear products we provided for the six months ended June 30, 2022.

See "Financial Information – Description of Major Components of our Results of Operations – Gross Profit and Gross Profit Margin" and "Financial Information – Discussion of Results of Operations."

**Summary of Statements of Financial Position**

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Total non-current assets | 6,529 | 45,136 | 65,612 | 65,377 |
| Total current assets | 165,123 | 310,916 | 529,916 | 771,491 |
| Total current liabilities | 31,796 | 51,322 | 195,188 | 382,285 |
| Total non-current liabilities | 106,049 | 4,157 | 4,505 | 2,889 |
| Net current assets | 133,327 | 259,594 | 334,728 | 389,206 |
| Net assets | 33,807 | 300,573 | 395,835 | 451,694 |

Our net assets increased significantly from RMB33.8 million as of December 31, 2020 to RMB300.6 million as of December 31, 2021, primarily due to (i) an increase in reserves of RMB230.2 million as a result of the voluntary termination in December 2021 of financial instruments issued to investors with Preferred Rights who entered into investment agreements with us in or prior to 2021, which derecognized the redemption liabilities and reclassified the corresponding carrying amount to equity. See "Financial Information – Discussion of Certain Items of Statements of Financial Position – Financial Instruments Issued to Investors" for details; and (ii) an increase in share capital of RMB45.0 million as a result of share capital increase by share premium transfer. Our net assets increased from RMB300.6 million as of December 31, 2021 to RMB395.8 million as of December 31, 2022, primarily due to an increase in reserves of RMB95.3 million, primarily attributable to an increase in profit and total comprehensive income of the year. Our net assets increased from RMB395.8 million as of December 31, 2022 to RMB451.7 million as of June 30, 2023, primarily due to an increase in reserves of RMB55.9 million, primarily attributable to an increase in profit and total comprehensive income of the year.

Our net current assets increased from RMB133.3 million as of December 31, 2020 to RMB259.6 million as of December 31, 2021, primarily due to an increase in cash and cash equivalents mainly as a result of the capital contributions by investors and proceeds from our operating activities. Our net current assets increased from RMB259.6 million as of December 31, 2021 to RMB334.7 million as of December 31, 2022, primarily due to (i) an increase in trade and other receivables; (ii) a decrease in payment for the purchase of property, plant and equipment; and (iii) an increase in cash and cash equivalents mainly due to proceeds from our operating activities. Our net current assets increased from RMB334.7 million as of December 31, 2022 to RMB389.2 million as of June 30, 2023, primarily due to (i) an increase in prepayments due to our increasing procurement volume of foundry-manufactured wafers and the increased listing expenses; (ii) an increase in pledged bank deposits as a guarantee to issue bank acceptance bills; (iii) an increase in inventories due to the growth in our sales volume. This was partially offset by an increase in trade and other payables, including primarily bills payable.

**Summary of Statements of Cash Flow**

| | Years ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | *(Unaudited)* | |
| Net cash (used in)/generated from operating activities | (41,493) | 8,805 | (31,416) | 7,888 | 50,116 |
| Net cash (used in)/generated from investing activities | (48,886) | 19,602 | (15,480) | (63,830) | (5,201) |
| Net cash generated from/(used in) financing activities | 91,065 | 104,936 | 62,625 | (7,392) | 5 |
| **Net increase/(decrease) in cash and cash equivalents** | 686 | 133,343 | 15,729 | (63,334) | 44,920 |
| Cash and cash equivalents at January 1 | 12,749 | 13,435 | 146,778 | 146,778 | 162,507 |
| **Cash and cash equivalents at December 31/June 30** | 13,435 | 146,778 | 162,507 | 83,444 | 207,427 |

We had net cash outflow from operating activities for the years ended December 31, 2020 and 2022. The net cash outflow from operating activities for the year ended December 31, 2020 was primarily due to an increase in inventories due to the growth of our sales volume and an increase in prepayments due to our increased prepayments to suppliers primarily for the procurement of raw materials. The net cash outflow from operating activities for the year ended December 31, 2022 was primarily due to (a) an increase in prepayments due to our increased procurement volume of raw materials which led to an increase in prepayments to suppliers; (b) an increase in trade and other receivables due to the revenue growth for both sales of power management products and signal chain products; (c) an increase in pledged bank deposits as a guarantee to issue bank acceptance bills; and (d) an increase in inventories due to the growth of our sales volume.

During the Track Record Period, we financed our cash requirements primarily through cash generated from operating activities, capital contributions by investors and bank loans. In the future, we expect to continue relying on cash flows from operations, net proceeds from the Global Offering, and other debt to fund our working capital needs. See "Financial Information – Liquidity and Capital Resources."

**Summary of Key Financial Ratios**

The following table sets forth certain of our key financial ratios as of and for the year/period indicated:

| | As of and for the year ended December 31, | | | As of and for the six months ended June 30, |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** |
| Gross profit margin | 54.9% | 56.4% | 56.5% | 55.2% |
| Current ratio | 5.2 | 6.1 | 2.7 | 2.0 |
| Quick ratio | 3.8 | 5.0 | 2.3 | 1.7 |
| Gearing ratio | 59.2% | 10.1% | 24.1% | 23.8% |
| Return on equity | 70.0% | 34.1% | 27.4% | 10.8% |
| Return on assets | 12.0% | 21.6% | 20.0% | 6.4% |

Our current ratio increased from 5.2 times as of December 31, 2020 to 6.1 times as of December 31, 2021 and our quick ratio increased from 3.8 times as of December 31, 2020 to 5.0 times as of December 31, 2021, primarily due to the increase in current assets outpaced the increase in current liabilities. The increase in current assets was primarily due to (i) an increase in cash and cash equivalents of RMB133.3 million, mainly due to the proceeds we received from the redeemed wealth management products at the end of 2021, the capital contributions by investors and proceeds from our operating activities; and (ii) an increase in prepayments of RMB43.7 million. Our current ratio decreased from 6.1 times as of December 31, 2021 to 2.7 times as of December 31, 2022 and our quick ratio decreased from 5.0 times as of December 31, 2021 to 2.3 times as of December 31, 2022, primarily due to the increase in current liabilities outpaced the increase in current assets. The increase in current liabilities was primarily due to (i) an increase in trade and other payables of RMB77.5 million; and (ii) an increase in loans and borrowings of RMB65.0 million. Our current ratio decreased from 2.7 times as of December 31, 2022 to 2.0 times as of June 30, 2023 and our quick ratio decreased from 2.3 times as of December 31, 2022 to 1.7 times as of June 30, 2023, primarily due to the increase in current liabilities outpaced the increase in current assets. The increase in current liabilities was primarily due to an increase in trade and other payables of RMB174.2 million and an increase in loans and borrowings of RMB11.9 million.

Our gearing ratio decreased from 59.2% as of December 31, 2020 to 10.1% as of December 31, 2021, primarily due to an increase in total equity as a result of termination of financial instruments issued to investors. Our gearing ratio increased from 10.1% as of December 31, 2021 to 24.1% as of December 31, 2022, primarily due to an increase in our loans and borrowings. Our gearing ratio remained relatively stable at 24.1% as of December 31, 2022 and 23.8% as of June 30, 2023.

For further details, see "Financial Information – Key Financial Ratios."

## RECENT DEVELOPMENT

### No Material Adverse Change

Based on the Company's unaudited management accounts, our revenue and net profit for the nine months ended September 30, 2023 increased as compared to the same period in 2022 due to an increasing demand from our downstream customers as well as the continuous launch of new products. In addition, the number of qualified dies sold increased from approximately 66 million for the nine months ended September 30, 2022 to approximately 84 million for the same period in 2023.

Our Directors have confirmed that, up to the date of this prospectus, there had been no material adverse change in our financial or trading position or prospects since June 30, 2023, being the end date of our latest audited financial statements, and there had been no event since June 30, 2023 that would materially affect the information shown in the Accountants' Report set out in Appendix I.

### Equity Transfers in 2023

Pursuant to the equity transfer agreements dated June 20, 2023, Backward Electronic agreed to transfer 4.81% and 0.02% of the equity interest in our Company to BYD Company Limited and Shenzhen Chuangqi Kaiying Venture Capital Partnership (Limited partnership), respectively, at a consideration of RMB50 million and RMB250,000. The considerations were determined after arm' length negotiations between the relevant parties and were fully settled on June 21, 2023. See "History, Development and Corporate Structure – Corporate Development – Our Company – Equity Transfers in 2023."

## COVID-19 PANDEMIC AND EFFECTS ON OUR BUSINESS

The COVID-19 pandemic has caused and may continue to cause an adverse impact on the economy and social conditions, which may have an indirect impact on the industries we operate in, and in turn may adversely affect our business operations and future prospects. Despite the adverse impact caused by COVID-19 pandemic, we were able to sustain our strong growth momentum during the Track Record Period. Especially during the year ended December 31, 2022, when many local governments across the PRC reimposed quarantine measures and restrictive policies to contain the highly-transmissible Omicron variant, our quarterly revenue nevertheless increased steadily from RMB78.0 million in the first quarter to RMB84.1 million in the second quarter, and further increased to RMB95.5 million in the third quarter and remained stable at RMB94.9 million in the fourth quarter, respectively. This is primarily because the manufacturing and chip probing services of our suppliers were not interrupted, and our chip probing service provider was able to deliver our products directly to our customer in Shanghai, which would otherwise be impracticable for us during such period. While we did not experience material adverse impact from COVID-19 during the Track Record Period and up to the Latest Practicable Date and do not expect COVID-19 to have significant adverse impact on our business operations or financial position in the long run, we are uncertain as to when the COVID-19 pandemic will be completely contained nor can we guarantee whether the COVID-19 pandemic will impact on our business operations in the future. See "Risk Factors – Risks Relating to Our Business and Industry – We may experience additional challenges related to the COVID-19 pandemic."

## GLOBAL OFFERING STATISTICS

The statistics in the following table are based on the assumptions that 15,000,000 H Shares will be issued pursuant to the Global Offering and the Over-allotment Option is not exercised:

| | **Based on an Offer Price of HK$27.47** | **Based on an Offer Price of HK$38.45** |
|---|---|---|
| Market capitalization of our Shares(1) | HK$1.65 billion | HK$2.31 billion |
| Market capitalization of our H Shares(2) | HK$412.05 million | HK$576.75 million |
| Unaudited pro forma adjusted net tangible assets of the Company per Share(3) | HK$14.12 | HK$16.73 |

*Notes:*

(1) The calculation of market capitalization is based on 60,000,000 Shares expected to be in issue immediately upon completion of the Global Offering.

(2) The calculation of the market capitalization of our H Shares is based on the 15,000,000 H Shares expected to be in issue immediately upon completion of the Global Offering.

(3) The unaudited pro forma adjusted net tangible assets of the Company per Share is calculated based on 60,000,000 Shares immediately following the completion of the Global Offering and assuming that the Global Offering had been completed on June 30, 2023 without taking into account of any Shares which may be issued upon the exercise of the Over-allotment Option. The unaudited pro forma adjusted net tangible assets of the Company per Share is converted into Hong Kong dollars at an exchange rate of HK$1.00 to RMB0.91045, being the PBOC rate prevailing on the Latest Practicable Date.

## DIVIDENDS

No dividend had been paid or declared by our Company during the Track Record Period. There is no assurance that dividends of any amount will be declared or be distributed in any year. Although currently we do not have a formal dividend policy or a fixed dividend distribution ratio, our Board may declare dividends in the future after taking into account various factors, including our future earnings and cash inflows, future plan for use of funds, long-term development of our business, statutory reserves, discretionary common reserve funds, legal and regulatory restrictions, and other factors which our Directors consider relevant. See "Financial Information – Dividends."

## FUTURE PLANS AND USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$429.2 million from the Global Offering, after deducting the estimated underwriting commissions and other estimated offering expenses payable by us in connection with the Global Offering, assuming that an Offer Price of HK$32.96 per Share (being the mid-point of the indicative Offer Price range stated in this prospectus) and assuming that the Over-allotment Option is not exercised.

We intend to use the net proceeds as follows:

- approximately 30%, or HK$128.8 million, is expected to be used for enhancing our R&D and innovation capabilities, including (i) approximately 20%, or HK$85.8 million, is expected to be used to invest in R&D infrastructure and upgrade our R&D center, (ii) approximately 5%, or HK$21.5 million, is expected to be used to upgrade our R&D technology, and (iii) approximately 5%, or HK$21.5 million, is expected to be used to expand our R&D team to support our R&D center upgrade and increase our competitive advantages in the industry;

- approximately 30%, or HK$128.9 million, is expected to be used to further enrich our product portfolio and expand our business, including (i) approximately 20%, or HK$85.9 million, is expected to be used to improve and upgrade our analog IC product line, and (ii) approximately 10%, or HK$43.0 million, is expected to be used to develop a mixed-signal IC product line;

- approximately 10%, or HK$42.9 million, is expected to be used to expand our customer base and strengthen our relationship with customers, including (i) approximately 5%, or HK$21.5 million, is expected to be used to establish two sales centers in the pearl river delta region and central China, and (ii) approximately 5%, or HK$21.4 million, is expected to be used to maintain customer relationship and develop new customers;

- approximately 20%, or HK$85.8 million, is expected to be used for strategic investments and/or acquisition to achieve our long-term growth strategies; and

- approximately 10%, or HK$42.8 million, is expected to be used for working capital and general corporate purposes.

## LISTING EXPENSES

Based on the mid-point Offer Price of HK$32.96 per Share, the total estimated listing expenses in relation to the Global Offering are RMB59.4 million (HK$65.2 million), assuming the Over-allotment Option is not exercised, which constitute approximately 13.2% of the gross proceeds. Our total listing expenses consist of (i) underwriting-related expenses of RMB22.5 million (HK$24.7 million); and (ii) non-underwriting-related expenses of RMB36.9 million (HK$40.5 million), including (a) fees payable to our legal advisors and Reporting Accountants of RMB24.3 million (HK$26.7 million) and (b) other fees and expenses, including sponsors fees and the fees of other professional parties, of RMB12.6 million (HK$13.8 million). During the Track Record Period, we incurred listing expenses of RMB18.4 million, of which RMB0.8 million was recognized in our statements of profit or loss in the six months ended June 30, 2023, and RMB17.6 million was recognized as prepayments in our statements of financial position as of June 30, 2023, to be accounted for as a deduction from equity upon the Listing. Subsequent to the Track Record Period, we expect to incur listing expenses of RMB41.0 million (HK$45.0 million) prior to and upon completion of the Global Offering, of which RMB3.3 million (HK$3.6 million) is expected to be recognized as expenses in our statements of profit or loss, and RMB37.7 million (HK$41.4 million) is expected to be accounted for as a deduction from equity upon the Listing. The listing expenses to be incurred subsequent to the Track Record Period consist of (i) underwriting-related expenses of RMB22.5 million (HK$24.7 million), and (ii) non-underwriting-related expenses of RMB18.5 million (HK$20.3 million), including (a) fees payable to our legal advisors and Reporting Accountants of RMB11.0 million (HK$12.1 million) and (b) other fees and expenses of RMB7.5 million (HK$8.2 million). The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

## FILING WITH THE CSRC

On February 17, 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 "**Overseas Listing Trial Measures**") and relevant supporting guidelines, which came into effect on March 31, 2023. The Overseas Listing Trial Measures comprehensively improve and reform the previous regulatory regime for overseas offering and listing of PRC domestic companies' securities and regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities. Any domestic company that is deemed to conduct overseas offering and listing activities shall file with the CSRC in accordance with the Overseas Listing Trial Measures.

As advised by our PRC Legal Advisors, the Global Offering will be considered a direct overseas offering and listing activity by a PRC domestic company under the Overseas Listing Trial Measures. Pursuant to the Overseas Listing Trial Measures, where an issuer submits an application for overseas offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted.

On June 27, 2023, we submitted the required documents to the CSRC, and on September 5, 2023, the CSRC issued the notification on completion of the filing procedures for the Listing and the Global Offering. As advised by our PRC Legal Advisor, no other approvals from the CSRC are required to be obtained for the Listing and the Global Offering.

***In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed "Glossary of Technical Terms" in this prospectus.***

## DEFINITIONS

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| "Accountants' Report" | the accountants' report for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023 prepared by KPMG, the text of which is set out in Appendix I to this prospectus; |
| "AFRC" | the Accounting and Financial Reporting Council established by section 6(1) of the Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong), formerly known as the Financial Reporting Council; |
| "Arrow" | Arrow (China) Electronics Trading Co., Ltd (艾睿(中國)電子貿易有限公司), a company incorporated in the PRC with limited liability on May 16, 2005, one of our distributor partners; |
| "Articles of Association" or "Articles" | the articles of association of our Company adopted on May 15, 2023 which shall become effective as of the date on which the H Shares are listed on the Stock Exchange, as amended from time to time, a summary of which is set out in "Summary of Articles of Association" in Appendix V to this prospectus; |
| "associate(s)" | has the meaning ascribed to it under the Listing Rules; |
| "Audit Committee" | the audit committee of our Board; |
| "Backward Electronic" | Suzhou Backward Electronic Co., Ltd. (蘇州貝克瓦特電子有限公司), a company established in the PRC with limited liability on January 13, 2009 and a member of our Single Largest Group of Shareholders, which is owned as to 53.50% by Mr. Li Zhen, 39.50% by Mr. Zhang Guangping and 7.00% by Mr. Li Yi; |

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| "Backward Partnership" | Suzhou Backward Investment Partnership (Limited Partnership) (蘇州貝克瓦特投資合夥企業(有限合夥)), a general partnership established in the PRC on May 12, 2015 and a member of our Single Largest Group of Shareholders, which is owned as to approximately 41.63% by Backward Electronic, 24.98% by Mr. Li Zhen, 16.65% by Mr. Li Yi, 5.58% by Mr. Xiao Bin (肖斌), 5.58% by Mr. Wei Yong (韋勇) and 5.58% by Mr. Shi Chao (石超); |
| "Board" or "Board of Directors" | the board of Directors; |
| "business day" | a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong; |
| "Capital Market Intermediaries" or "capital market intermediary(ies)" | the capital market intermediaries participating in the Global Offering and has the meaning ascribed thereto under the Listing Rules; |
| "China" or "PRC" | The People's Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires otherwise, references in this prospectus to "China" and the "PRC" do not apply to Hong Kong, the Macau Special Administrative Region and Taiwan Region; |
| "close associate(s)" | has the meaning ascribed to it under the Listing Rules; |
| "Companies Ordinance" | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time; |
| "Companies (Winding Up and Miscellaneous Provisions) Ordinance" | the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time; |
| "Company" | BaTeLab Co., Ltd. (蘇州貝克微電子股份有限公司) (formerly known as BaTeLab Co., Ltd. (蘇州貝克微電子有限公司)), a limited liability company established in the PRC on November 12, 2010 which was converted into a joint stock company with limited liability on November 15, 2021; |

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| "Company Law" or "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; |
| "Concert Party Agreement" | the acting in concert agreement dated March 31, 2022 and executed by Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi, details of which are set out in "History, Development and Corporate Structure"; |
| "connected person(s)" | has the meaning ascribed to it under the Listing Rules; |
| "connected transaction(s)" | has the meaning ascribed to it under the Listing Rules; |
| "Deed of Indemnity" | the deed of indemnity dated December 2, 2023 executed by our Single Largest Group of Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries (if applicable)), as further described in "Statutory and General Information – D. Other Information – 1. Tax and indemnities" in Appendix VI to this prospectus; |
| "Deed of Non-competition" | the deed of non-competition dated December 2, 2023 and executed by our Single Largest Group of Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries (if applicable)), details of which are set out in the section headed "Relationship with Our Single Largest Group of Shareholders – Deed of Non-competition" in this prospectus; |
| "Director(s)" | the director(s) of our Company; |
| "EIT Law" | the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), as enacted by the NPC on March 16, 2007 and effective on January 1, 2008, as amended, supplemented or otherwise modified from time to time; |
| "ESG" | environmental, social and governance; |
| "Exchange Participant(s)" | a person: (a) who, in accordance with the Rules of the Exchange, may trade on or through the Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Stock Exchange as a person who may trade on or through the Stock Exchange; |

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| "Extreme Conditions" | any extreme conditions caused by a super typhoon as announced by the government of Hong Kong; |
| "FINI" | "Fast Interface for New Issuance", an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all new listings; |
| "Frost & Sullivan" | Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party; |
| "Frost & Sullivan Report" | an independent market research report commissioned by us and prepared by Frost & Sullivan for the purpose of this prospectus; |
| "Global Offering" | the Hong Kong Public Offering and the International Offering; |
| "H Share(s)" | ordinary shares of our Company which an application has been made for listing and permission to trade on the Stock Exchange with a nominal value of RMB1.00 each; |
| "H Share Registrar" | Computershare Hong Kong Investor Services Limited; |
| "HK$" or "HKD" | Hong Kong dollars, the lawful currency of Hong Kong; |
| "**HKSCC EIPO**" | the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your designated HKSCC Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by instructing your broker or custodian who is a clearing participant or a custodian participant under HKSCC to give **electronic application instructions** via HKSCC's FINI system to apply for the Hong Kong Offer Shares on your behalf; |
| "HKSCC Nominees" | HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC; |

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| "HKSCC Operational Procedures" | the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operation and functions of CCASS, as from time to time in force; |
| "HKSCC Participant" | a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant; |
| "Hong Kong" or "HK" | the Hong Kong Special Administrative Region of the PRC; |
| "Hong Kong Offer Shares" | the 1,500,000 H Shares initially being offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus); |
| "Hong Kong Public Offering" | the offer for subscription of the Hong Kong Offer Shares to the public in Hong Kong; |
| "Hong Kong Underwriters" | the underwriters of the Hong Kong Public Offering whose names are set out in the section headed "Underwriting – Hong Kong Underwriters" in this prospectus; |
| "Hong Kong Underwriting Agreement" | the underwriting agreement dated December 15, 2023 relating to the Hong Kong Public Offering entered into among our Company, the Single Largest Group of Shareholders, the Sole Sponsor, the Sole Overall Coordinator and the Hong Kong Underwriters, as further described in the section headed "Underwriting – The Hong Kong Public Offering" in this prospectus; |
| "Independent Third Party(ies)" | individuals or company(ies), who or which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is not a connected person of our Company within the meaning of the Listing Rules; |

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| "International Offer Shares" | comprising 13,500,000 H Shares being initially offered for subscription and purchased at the Offer Price under the International Offering together with, where relevant, any additional H Shares which may be issued by us pursuant to the exercise of the Over-allotment Option, subject to reallocation as described under the section headed "Structure of the Global Offering" in this prospectus; |
| "International Offering" | the conditional placing of the International Offer Shares at the Offer Price outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as further described in the section headed "Structure of the Global Offering" in this prospectus; |
| "International Underwriters" | the underwriters of the International Offering; |
| "International Underwriting Agreement" | the international underwriting agreement relating to the International Offering and expected to be entered into by, among others, our Company, the Single Largest Group of Shareholders, the Sole Overall Coordinator and the International Underwriters on or about the Price Determination Date, as further described in the section headed "Underwriting – The International Offering" in this prospectus; |
| "Joint Bookrunners" | the joint bookrunners as named in the section headed "Directors, Supervisors and Parties Involved in the Global Offering" of this prospectus; |
| "Joint Global Coordinators" | the joint global coordinators as named in the section headed "Directors, Supervisors and Parties Involved in the Global Offering" of this prospectus; |
| "Joint Lead Managers" | the joint lead managers as named in the section headed "Directors, Supervisors and Parties Involved in the Global Offering" of this prospectus; |
| "Latest Practicable Date" | December 10, 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication; |
| "Listing" | the listing of our H Shares on the Main Board; |

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| "Listing Committee" | the listing committee of the Stock Exchange; |
| "Listing Date" | the date, expected to be on or about December 28, 2023 on which our H Shares are listed on the Stock Exchange and from which dealings in our H Shares are permitted to commence on the Stock Exchange; |
| "Listing Rules" | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented or otherwise modified from time to time; |
| "Main Board" | the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM (formerly known as the Growth Enterprise Market) of the Stock Exchange; |
| "Mr. Li Yi" | Mr. Li Yi (李一), our executive Director, deputy general manager, head of the financial department, joint company secretary and one of our co-founders and a member of our Single Largest Group of Shareholders; |
| "Mr. Li Zhen" | Mr. Li Zhen (李真), our executive Director, chairman of our Board and one of our co-founders and a member of our Single Largest Group of Shareholders; |
| "Mr. Zhang Guangping" | Mr. Zhang Guangping (張廣平), our executive Director, general manager and one of our co-founders and a member of our Single Largest Group of Shareholders; |
| "Nomination Committee" | the nomination committee of our Board; |
| "Offer Price" | the final offer price per H Share (exclusive of brokerage fee of 1.0%, AFRC transaction levy of 0.00015%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.00565%) at which the H Share are to be subscribed for and issued pursuant to the Global Offering, to be determined as described in section headed "Structure of the Global Offering" in this prospectus; |
| "Offer Share(s)" | the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional H Shares which may be issued by us pursuant to the exercise of the Over-allotment Option; |

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| "Over-allotment Option" | the option to be granted by our Company to and exercisable by the Sole Overall Coordinator (on behalf of the International Underwriters), pursuant to which our Company may be required to allot and issue up to an aggregate of 2,250,000 additional H Shares to cover over-allocations in the International Offering, if any, details of which are described in the section headed "Structure of the Global Offering – Over-allotment Option" in this prospectus; |
| "PRC government" | the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and organizations of such government or, as the context requires, any of them; |
| "PRC Legal Advisors" | King & Wood Mallesons, our legal advisors as to PRC laws in connection with the Global Offering; |
| "Pre-IPO Investment(s)" | the pre-IPO investment(s) in our Company, details of which are set out in "History, Development and Corporate Structure—Pre-IPO Investments" in this prospectus; |
| "Pre-IPO Investor(s)" | the investor(s) of the Pre-IPO Investments; |
| "Price Determination Date" | the date on which the Offer Price is to be fixed; |
| "Regulation S" | Regulation S under the U.S. Securities Act; |
| "Remuneration and Evaluation Committee" | the remuneration and evaluation committee of our Board; |
| "RMB" | Renminbi, the lawful currency of the PRC; |
| "Share(s)" | ordinary share(s) with par value RMB1.00 each in the share capital of the Company; |
| "Shareholder(s)" | holder(s) of our Share(s); |
| "Single Largest Group of Shareholder(s)" | refers to Mr. Li Zhen, Mr. Zhang Guangping, Mr. Li Yi, Backward Electronic and Backward Partnership; |

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| "Sole Overall Coordinator" or "Sole Sponsor" | China International Capital Corporation Hong Kong Securities Limited; |
| "SSE STAR Market" | Shanghai Stock Exchange Science and Technology Innovation Board; |
| "Stabilizing Manager" | China International Capital Corporation Hong Kong Securities Limited; |
| "State Council" | the State Council of the PRC (中華人民共和國國務院); |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited; |
| "Strategy Committee" | the strategy committee of our Board; |
| "subsidiary(ies)" | has the meaning ascribed to it under the Listing Rules; |
| "substantial shareholder(s)" | has the meaning ascribed to it under the Listing Rules; |
| "Supervisor(s)" | the supervisor(s) of our Company; |
| "Track Record Period" | the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023; |
| "Underwriters" | the Hong Kong Underwriters and the International Underwriters; |
| "Underwriting Agreements" | the Hong Kong Underwriting Agreement and the International Underwriting Agreement; |
| "Unlisted Domestic Share(s)" | ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, which are offered by a domestic company but not listed or quoted for trading on any domestic trading venues; |
| "U.S." or "United States" | the United States of America, its territories, its possessions and all areas subject to its jurisdiction; |

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| "U.S. Securities Act" | United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time; |
| "we," "us" or "our" | the Company; |
| "**White Form eIPO**" | the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **White Form eIPO** Service Provider, **www.eipo.com.hk**; |
| "**White Form eIPO** Service Provider" | Computershare Hong Kong Investor Services Limited; |

## ACRONYMS

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| "CAGR" | compounded annual growth rate, which is calculated by dividing the amount at the end of the period by the amount of the beginning of that period, raising the result to an exponent of one divided by the number of years in the period, and subtracting one from the subsequent result; |
| "CCASS" | the Central Clearing and Settlement System established and operated by HKSCC; |
| "CNIPA" | China National Intellectual Property Administration (國家知識產權局); |
| "CSDC" | China Securities Depositary and Clearing Corporation Limited (中國證券登記結算有限責任公司); |
| "CSRC" | China Securities Regulatory Commission (中國證券監督管理委員會); |
| "HKFRS" | Hong Kong Financial Reporting Standards; |
| "HKSCC" | Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited; |
| "IASB" | International Accounting Standards Board; |
| "IDMC" | independent data monitoring committee; |
| "MIIT" | the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部); |
| "MOF" | the Ministry of Finance of the PRC (中華人民共和國財政部); |
| "MOFCOM" or "Ministry of Commerce" | the Ministry of Commerce of the PRC (中華人民共和國商務部); |
| "MOST" | the Ministry of Science and Technology of the PRC (中華人民共和國科學技術部); |
| "NASDAQ" | the Nasdaq Global Select Market in the United States; |

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| "NDRC" | the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會); |
| "PBOC" | the People's Bank of China (中國人民銀行), the central bank of the PRC; |
| "PCT" | the Patent Cooperation Treaty; |
| "Renminbi" or "RMB" | the lawful currency of the PRC; |
| "R&D" | research and development; |
| "SAFE" | the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局); |
| "SAMR" | the State Administration for Market Regulation (國家市場監督管理總局); |
| "Securities and Futures Commission" or "SFC" | the Securities and Futures Commission of Hong Kong; |
| "SFO" | the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time; |
| "STA" | the State Taxation Administration of the PRC (中華人民共和國國家稅務總局); and |
| "VAT" | value-added tax. |

*For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities have been included in the prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are provided for identification purposes only.*

*Certain amounts and percentage figures included in this prospectus were subjected to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be arithmetic aggregation of the figures preceding them.*

*For the purpose of this prospectus, references to "provinces" of China include provinces, municipalities under direct administration of the central government and provincial-level autonomous regions.*

***This glossary contains explanations of certain terms used in this prospectus in connection with our Company and our business. The terminology contained in this glossary and their given meanings may not correspond to standard industry meaning or usage of these terms.***

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| "AC" | alternating current, an electric current which periodically reverses direction and changes its magnitude continuously with time in contrast to direct current, which flows only in one direction; |
| "amplifier" | an electronic device that can increase the power of a signal. It is a two-port electronic circuit that uses electric power from a power supply to increase the amplitude (magnitude of the voltage or current) of a signal applied to its input terminals, producing a proportionally greater amplitude signal at its output; |
| "chip probing" | a test of the electrical parameters of the chip, each chip in the wafer being tested in order to remove defective parts to reduce the cost of subsequent packaging; |
| "CoB" | Chip-on-Board, a method of circuit board manufacturing in which the ICs (e.g. microprocessors) are attached (wired, bonded directly) to a printed circuit board, and covered by a blob of epoxy; |
| "DC" | direct current, a one-directional flow of electric charge; |
| "DFN" | dual flat no-lead package, a small square-shaped or rectangular surface-mount plastic package with no leads, near chip scale package with a low profile, moderate thermal dissipation, and good electrical performance; |
| "die" | a small block of semiconducting material on which a given functional circuit is fabricated; |
| "EDA" | electronic design automation, a category of software tools for designing electronic systems such as ICs and printed circuit boards. The tools work together in a design flow that chip designers use to design and analyze entire semiconductor chips; |

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| "electrification" | the process of powering by electricity and, in many contexts, the introduction of such power by changing over from an earlier power source; |
| "fabless" | the design and sale of hardware devices and semiconductor chips while outsourcing their manufacturing services to a specialized manufacturer called a semiconductor foundry; |
| "foundry" | a factory that produces metal castings; |
| "IDM" | integrated device manufacturer, a company that takes charge of design, manufacturing, packaging, testing and subsequent sales of the finished products; |
| "integrated circuit" or "IC" | a small unit or package which is made as a single indivisible structure (such as a chip) and is electrically equivalent to a conventional circuit of many separate components; |
| "Internet of Things" | the physical objects (or groups of such objects) with sensors, processing ability, software and other technologies that connect and exchange data with other devices and systems over the Internet or other communications networks; |
| "IP" or "IP module" | intellectual property, which, in the context of IC design, refers to a reusable and verified IC layout design with a defined function; |
| "LCD" | liquid-crystal display, a flat-panel display or other electronically modulated optical device that uses the light-modulating properties of liquid crystals combined with polarizers; |
| "LED" | light-emitting diode, a semiconductor diode that emits light when voltage is applied; |
| "lithium" | a metal chemical element, of which the element symbol is Li; |
| "microcontroller units" | a single IC that is typically used for a specific application and designed to implement certain tasks. It contains one or more CPUs (processor cores) along with memory and programmable input/output peripherals; |

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| "Moore's Law" | the observation that the number of transistors in an IC doubles about every two years, named after Gordon Moore; |
| "ODM" | original design manufacturer, a company that designs and manufactures a product that is eventually rebranded by another firm for sale; |
| "OLED" | organic light-emitting diode, a light-emitting diode in which the emissive electroluminescent layer is a film of organic compound that emits light in response to an electric current; |
| "patterned wafer" | a wafer with built-on circuits, which are unpackaged when sold. A patterned wafer contains a number of dies, which can be easily turned into chips after subsequent packaging and testing by downstream customers; |
| "PMIC" | power management integrated circuit, a class of ICs that perform various functions related to power requirements. PMICs are commonly used to power small and battery-powered devices, as integrating multiple functions into a single chip provides higher space utilization rate and system power efficiency; |
| "signal chain" | a series of signal-conditioning electronic components that receive input (data acquired from sampling either real-time phenomena or from stored data) sequentially, with the output of one portion of the chain supplying input to the next; |
| "SiP" | System-in-Package, a number of ICs enclosed in one or more chip carrier packages that may be stacked using package on package; |
| "SoC" | System-on-Chip, an IC that integrates most or all components of a computer or other electronic system. These components almost always include on-chip central processing unit, memory interfaces, input or output devices, input or output interfaces, and secondary storage interfaces, often alongside other components such as radio modems and a graphics processing unit; |

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| "SOP" | small-outline package, a surface-mounted IC package which occupies an area about 30-50% less than an equivalent dual in-line package, with a typical thickness being 70% less; |
| "SOT" | small-outline transistor, a family of small footprint, discrete surface mount transistor commonly used in consumer electronics; |
| "topology" | a form taken by the network of interconnections of the circuit components. Different specific values or ratings of the components are regarded as being the same topology; |
| "verification" | a method to verify the correctness of a circuit and evaluate and confirm the initial design plan and to ensure the design satisfies the needs of downstream customers and conforms to the design initiatives; |
| "wafer" | a thin slice of semiconductor, such as a crystalline silicon (c-Si), used for the fabrication of ICs; and |
| "wafer channel partner" | a company that provides IC product production management services to IC design companies. |

***We have included in this prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.***

This prospectus contains certain forward-looking statements and information relating to our Company 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 prospectus, the words “aim,” “anticipate,” “believe,” “could,” “expect,” “going forward,” “intend,” “may,” “ought to,” “plan,” “project,” “seek,” “should,” “will,” “would” and the negative of these words and other similar expressions, as they relate to our Company 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 prospectus. 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 ability to continuously innovate and iterate our existing products and to expand our product mix and penetrate new markets;
- our response to technological developments and ability to continue to develop technological capabilities to improve our analog IC design platform;
- the industries trend of our downstream customers of industries including automotive electronics, healthcare, industrial automation, industrial Internet of Things, industrial lighting, instrumentation, communications, electric power, energy storage and consumer electronics and their demand for analog IC patterned wafers;
- the operations of our distributors and the third-party channel partners and service providers we rely on for materials, supplies and storage;
- estimates of our costs, expenses, future revenues, capital expenditures and our needs for additional financing;
- our ability to attract and retain the co-founders, senior management and key employees;
- future developments, trends, conditions, standards, requirements and competitive landscape in the industry and markets in which we operate;

- changes to regulatory and operating conditions in the industry and markets in which we operate;

- our strategies, plans, objectives and goals and our ability to successfully implement them;

- our financial condition and operating results and performance; and

- general political and economic conditions.

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 prospectus, 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 prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

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

***An investment in our H Shares involves significant risks. You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, as well as our financial statements and the related notes, and the "Financial Information" section, before making an investment in our H Shares. These risks and uncertainties could materially and adversely affect our business, financial conditions, results of operations or prospects. The trading price of our H Shares may decline due to any of these risks and uncertainties, and you may lose all or part of your investment. You should pay particular attention to the fact that we are a PRC company and are governed by a legal and regulatory environment which may differ significantly from those prevailing in other jurisdictions. 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 will not be updated after the date hereof, and is subject to the cautionary statements in "Forward-looking Statements" in this prospectus.***

## RISKS RELATING TO OUR BUSINESS AND INDUSTRY

**Our business growth and prospects are affected by our ability to continuously innovate and iterate our existing products and to expand our product mix and penetrate new markets.**

Our future success significantly depends on our ability to continue to innovate and improve our existing products, and design and expand our product mix. Product design, development, innovation and iteration is often a complex, time-consuming and costly process involving significant investment in R&D with no assurance of return on investment. There can be no assurance that we will be able to develop and introduce new and improved products in a timely or efficient manner or that new and improved products, if developed, will achieve market acceptance. In addition, our downstream customers generally impose very high quality and reliability standards on our products, which may be difficult or costly to satisfy. Any inability to satisfy the quality and reliability standards of downstream customers or comply with industry standards and technical requirements may adversely affect demand for our products and our results of operations.

Our growth is also dependent on the ability of us and our distributors to identify and penetrate new markets where we and our distributors have limited experience yet require significant investments, resources and technological advancements in order to compete effectively, and there can be no assurance that we will achieve success in these markets. There can be no assurance that the markets we serve and/or target based on our business strategy will grow in the future, that our existing and new products will meet the requirements of these markets, that our products, or the end-products in which our products are used, will achieve downstream customer acceptance in these markets, that competitors will not force price reductions or take market share from us, or that we can achieve or maintain adequate gross margins or profits in these markets.

**A significant proportion of our revenue was derived from our distributor partners, including Arrow and Customer A, during the Track Record Period. Any decrease in sales from, or loss of, one or more of our distributor partners would have negative impacts on our results of operations.**

We rely on third-party professional distributors for marketing, branding and sales of our products. During the Track Record Period, a significant proportion of our revenue was derived from sales to our distributors. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, our total sales to distributors amounted to RMB84.4 million, RMB192.2 million, RMB282.7 million, RMB132.1 million and RMB168.2 million, respectively, accounting for 95.2%, 90.4%, 80.2%, 81.5% and 82.3%, respectively, of our revenue for the corresponding periods. Our sales to two largest distributors for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023 amounted to RMB74.2 million, RMB192.2 million, RMB282.7 million, RMB132.1 million and RMB168.2 million, respectively, representing 83.7%, 90.4%, 80.2%, 81.5% and 82.3%, respectively, of our total revenue for the corresponding periods, and 87.9%, 100.0%, 100.0%, 100.0% and 100.0%, respectively, of our total sales to distributors in the same periods. See "Business – Our Customers – Relationship with Our Two Largest Customers." Given the significant revenue contribution, any decrease in sales from, or loss of, one or more of our distributors without a corresponding increase in sales from other distributors due to the changes of nature in the distributors' business models or for any other reasons would harm our business, operating results, financial condition, and cash flows.

In particular, our sales volumes depend on the performance of our distributors in marketing our products. The effectiveness of our distributors in selling and distributing our products may be affected by a number of factors, many of which are out of our control, including:

- our distributors' strategies in promoting our products;
- our distributors' own business and financial performance;
- our distributors' abilities to expand downstream customer base and penetrate into new markets;
- our distributors' strategies to extend geographical coverage of our products;
- our distributors' willingness to maintain relationships with us; and
- our ability to maintain and expand our distribution network.

In the event our distributors fail to effectively sell and distribute our products, or prioritize promotion of competing product lines over our products, it could result in a significant decrease in our sales volume, which may materially and adversely affect our business, financial condition and results of operations.

Moreover, we may not be able to enter into new or renewal agreements with our distributors as we cannot guarantee that we are able to offer more favorable commercial terms as compared to our competitors, including more attractive discounts and credit periods. The loss of our distributors could adversely affect our sales volume. There is no assurance that our current or future contracts with our distributors can be renewed or negotiated on terms and prices equivalent to or better than current terms and prices. Any disruption in our relationships with our distributors could affect our ability to maintain and grow our sales volume, which could materially and adversely affect our business, results of operations and financial position. In addition, there can be no assurance that we will be able to develop new relationships with additional distributors or maintain or increase collaboration with our existing distributors or that our incentives provided to our distributors will be effective in generating more sales for us. We are also exposed to the risk that distributors may seek to impose unfavorable terms on us in the future, such as longer credit periods. Credit arrangement with our distributors adds pressure on our working capital and exposes us to the risks of default and bad debts.

**We procured all of our foundry-manufactured wafers from a commercial patterned wafer channel partner during the Track Record Period. Due to the material reliance we had on our patterned wafer channel partner, any decrease in purchase from, or loss of, our patterned wafer channel partner would have negative impacts on our results of operations.**

During the Track Record Period, we procured all of our foundry-manufactured wafers from a commercial patterned wafer channel partner, namely Supplier A. In 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, our purchases from Supplier A were RMB78.6 million, RMB122.3 million, RMB214.8 million, RMB100.7 million and RMB160.3 million respectively, representing 87.9%, 89.4%, 75.7%, 87.9% and 88.5%, respectively, of our total purchases for the same periods. See "Business – Our Suppliers – Relationship with Supplier A." Given the predominance of Supplier A in terms of our purchase amount, any decrease in purchase from, or loss of, our wafer channel partner would have negative impacts on our results of operations.

During periods of increasing demand and volatile lead times, our patterned wafer channel partner can become over committed and therefore unable to meet all of their customer demand requirements, thereby causing inconsistencies in availability of supply. In addition, issues due to our patterned wafer channel partner may lead to potential product liability of us. Further, we cannot directly control delivery schedules for our products, which could lead to product shortages, quality assurance problems, increases in the cost of our products and delays in delivering our products.

Besides, if the foundries by which our products are manufactured are unable or unwilling to produce adequate supplies of products conforming to our quality standards, our business and relationships with our downstream customers could be adversely affected. As the manufacture of patterned wafer products is a highly complex and precise process, finding alternate capable foundries or initiating internal manufacturing for our products may not be economically feasible.

**Our inability to continuously develop our technological capabilities and improve our analog IC design platform could make our products uncompetitive and obsolete, which may impede our ability to address the requirements in technology segments that are expected to contribute to our growth.**

We have invested and expect to continue to invest in the design and R&D for new and existing products and technologies, as well as our proprietary EDA software tools and reusable IP library, to timely respond to technological developments in markets we operate in. These investments may involve significant time, risks and uncertainties, including the risk that the expenses associated with these investments may affect our margins and operating results and that such investments may not generate sufficient revenue to offset liabilities assumed and expenses associated with these new investments. We believe that we must continue to invest a significant amount of time and resources in our design and R&D efforts, including retaining sufficient and experienced R&D talents, to maintain and improve our competitive position. If we do not achieve the benefits anticipated from these investments, or if the achievement of these benefits is delayed, our revenue and operating results may be adversely affected.

In addition, if we are unable to respond quickly and successfully to technological developments, we may lose our competitive position, and our products or technologies may become obsolete and fall behind on technologies. To compete successfully, we must develop new products and improve our existing products and processes on a schedule that keeps pace with technological developments. The market must also accept our new and improved products. In addition, considering that more and more analog IC patterned wafer design companies may choose to develop in-house EDA software and accumulate IP libraries to increase their competitiveness, our analog IC design platform must be enhanced periodically to reduce the likelihood that a competitor surpasses the capabilities and products we offer. We cannot guarantee that we will be successful in keeping pace with all, or any, of the above, or that our self-developed EDA tools will maintain its competitiveness down the road vis-a-vis commercial tools.

**Rapid technological changes in the industries and markets to which our products are sold require us to constantly develop new technologies and products.**

Our business strategy is to focus on the design and provision of high-performance patterned wafer products. Part of this strategy involves addressing the needs across a variety vertical markets, including automotive electronics, healthcare, industrial automation, industrial Internet of Things, industrial lighting, instrumentation, communications, electric power, energy storage and consumer electronics. Each of these markets require technologies, expertise, and marketing and operations infrastructure that are application-specific. Our inability to develop or maintain these market specific capabilities could impede our ability to expand our business in these categories and ultimately affect our future growth.

**Our business, financial condition and results of operations may be materially and adversely affected by international policies and international export controls and economic sanctions.**

Certain foreign jurisdictions have imposed or may impose export controls, economic sanctions or other trade-related measures in various forms (such as heavy tariffs or harsh trade conditions) against certain countries, individuals and legal entities, which, from time to time, prohibit or restrict export and import activities to a certain extent. Export controls and economic sanctions laws or regulations could change in a way that could affect our business, exports or sales in other countries and/or could result in restrictions, penalties or fines. For instance, the recent U.S.-China trade tensions have led to the introduction of high tariffs on a host of goods trading between the two countries, including high-technology goods, semiconductors, and electronics. The trade tensions between the two countries have been rising and there is a possibility that the extent and scale of trade restrictions between the two countries be escalated if the U.S. and China fail to reach any agreement to settle the issues. 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 being 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.

During the Track Record Period, our products are offered to our downstream customers in the PRC only. There is, however, no assurance that our downstream customers will not engage in export sale of their semiconductor products (which contain our patterned wafers) into the U.S. or other countries and that the export sale of the semiconductor products of our downstream customers into the U.S. or other countries will not be subject to the restrictions introduced by the U.S. Furthermore, if we export our products to other countries which are subject to sanctions or export controls in the future and/or if the scope of the export controls or sanctions are expanded, our business, financial condition and results of operations may be materially and adversely affected.

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

**Our products are primarily offered to downstream customers of certain industries in the PRC. Factors that adversely affect these industries in the PRC may have a negative impact on our business and operational results.**

Our products are primarily offered to downstream customers of industries including automotive electronics, healthcare, industrial automation, industrial Internet of Things, industrial lighting, instrumentation, communications, electric power, energy storage and consumer electronics (the "major industries") in the PRC. Therefore, factors that adversely affect these industries in the PRC could 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 the major industries in the PRC;
- a downturn in general economic conditions in the PRC or major countries/regions that import products of the major industries from the PRC;
- increasing level of competition from manufacturers of the major industries in other countries/regions;
- the reduction or elimination of preferential tax treatments and economic incentives for manufacturers of the major industries in the PRC;
- regulatory restrictions, trade disputes, industry-specific quotas, tariffs, non-tariff barriers and taxes that may have the effect of limiting exports of the major industries from the PRC;
- appreciation in the value of RMB against the currencies of other countries and regions that import products of the major industries from the PRC; and
- rising material and labor costs in the PRC relating to manufacturing in the major industries.

**Our historical growth may not be indicative of our future growth. If we are unable to manage our growth or execute our business strategies effectively, our results of operations and business prospects may be materially and adversely affected.**

We experienced fast growth in our revenue during the Track Record Period. In 2020, 2021 and 2022, our revenue was RMB88.7 million, RMB212.7 million and RMB352.5 million, respectively, representing a CAGR of 99.3%. Furthermore, our revenue increased by 26.1% from RMB162.1 million for the six months ended June 30, 2022 to RMB204.4 million for the six months ended June 30, 2023. We cannot assure you that we are able to sustain our historical growth rate for various reasons, including uncertainty of our continuous offerings of quality products to attract our downstream customers, failure of our marketing strategies and intensified competition within the analog IC patterned wafer industry in China.

In addition, we plan to continue to invest substantial financial, management and operational resources to sustain our growth. However, we cannot assure you that we will be able to continually obtain these resources in the future. For instance, we may not be able to obtain additional internal and external capital to support our business growth on commercially acceptable terms, or to retain and attract sufficient number of competent staff to support our business development.

Our revenue, expenses and operating results may vary from period to period due to various factors beyond our control, including the economic growth, development of analog IC patterned wafer industry, as well as changes in laws, regulations and rules applicable to the analog IC patterned wafer industry in China. Any unfavorable change in the factors above may prevent us from maintaining our historical growth rate. As a result of these, and other factors, we cannot assure you that our future revenues will increase or that we will continue to be profitable. Accordingly, investors should not rely on our historical results as an indication of our future financial or operating performance.

**Decreases in downstream customers' demand for analog IC products may lead to a decrease in the selling price of our patterned wafer products, which may result in a decrease in our revenue.**

During the Track Record Period, our revenue was primarily generated from sales of power management products and signal chain products offered to downstream customers in industries including automotive electronics, healthcare, industrial automation, industrial Internet of Things, industrial lighting, instrumentation, communications, electric power, energy storage and consumer electronics. Any deterioration in, or a slowdown in the growth of, such end markets resulting in a substantial decrease in the demand for analog IC products and our patterned wafers could adversely affect our revenue. In addition, decreases in downstream customers' demand for our analog IC products may lead to a decrease in the selling price of our products, which may increase our pricing pressure and in turn, may negatively impact our revenue, margin and earnings.

**We may be exposed to credit risk arising from our trade receivables. Failure to collect our trade receivables in a timely manner or at all could have a material and adverse impact on our business, financial condition, liquidity and prospects.**

During the Track Record Period, our trade receivables primarily represent receivables from customers for sales of analog IC patterned wafer products. As of December 31, 2020, 2021 and 2022 and June 30, 2023, our trade receivables amounted to RMB18.0 million, RMB27.8 million, RMB64.9 million and RMB45.0 million, respectively. The credit period granted to our customers was generally 30 days to 90 days from the date of invoice. We generally recovered trade receivables within three months. See "Financial Information – Discussion of Certain Items of Statements of Financial Position – Trade and Other Receivables" in this prospectus.

We cannot assure you that we will be able to collect all or any of our trade receivables on time, or at all. Our customers may face unexpected circumstance. For example, our trade receivables turnover days increased from 39.4 days in 2021 to 48.0 days in 2022 due to extended payment period for our largest customer located in Shanghai resulting from the resurgence of COVID-19 variants in China in 2022. As a result, we may not be able to receive such customers' payment of uncollected debts in full, or at all, and may be exposed to credit risk. The occurrence of such event would materially and adversely affect our financial condition and results of operations.

**If we need to recognize significant impairment losses on our prepayments, our results of operations and financial condition may be adversely affected.**

During the Track Record Period, our prepayments primarily consisted of prepayment for the purchase of raw materials. As of December 31, 2020, 2021 and 2022 and June 30, 2023, our prepayments amounted to RMB32.2 million, RMB75.9 million, RMB202.8 million and RMB302.7 million, respectively. During the Track Record Period, impairment losses in respect to prepayments were limited, as prepayments were mainly made to reputable suppliers. However, we cannot assure we may not incur impairment loss relating to prepayments in the future. If we need to recognize significant impairment losses on our prepayments, our results of operations and financial condition may be adversely affected.

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

Our products are based on industry standards that are continually evolving. Our ability to compete in the future will depend on our ability to identify and ensure compliance with these evolving industry standards. The emergence of new industry standards could render our products incompatible with products designed and developed by other analog IC design companies. As a result, we could be required to invest significant time and effort and may incur significant expense to redesign our products to ensure compliance with relevant standards. If our products are not in compliance with prevailing industry standards or requirements, we could miss opportunities to achieve crucial design wins which in turn could have a material adverse effect on our business, operations and financial results.

**Our business is concentrated in the PRC and is susceptible to any policy changes affecting the semiconductor industry which may materially and adversely affect our business.**

During the Track Record Period, all of our business operations were based in China and all of our revenue was derived from our sales in China. As such, we are dependent on policies affecting the semiconductor industry in China. In recent years, China has been promoting and reshaping its domestic semiconductor industry through policy changes, leading to its semiconductor industry growing at a fast pace over the past few years. Many semiconductor companies, including us, have leveraged on such favorable policies. As such, our future prospects, success and continuous growth depend and will continue to depend on the strong support of the PRC government to the semiconductor industry in the foreseeable years. However, we cannot assure you that the PRC government will continue to promote and implement favorable policies for the semiconductor industry, or maintain the policies currently in effect to the semiconductor industry, and in turn, favorable to us. As a result, if such policies change or discontinue in the future, our financial performance and future business growth could be materially and adversely affected.

**We have limited control over the operations of our distributors. Our business may be negatively affected due to risks relating to the acts of our distributors and their potential breach of distribution agreements.**

We rely on third-party professional distributors for marketing, branding and sales of our products. There can be no assurance that we will be successful in detecting any non-compliance of our distributors with the provisions of their distribution agreements. Non-compliance by our distributors could negatively affect our brand reputation and disrupt our sales.

Furthermore, we may be exposed to the risks of fraud or other misconducts committed by our distributors. Fraud or other misconduct by our distributors may involve engaging in unauthorized misrepresentation to our downstream customers, misappropriating third-party intellectual property and other proprietary rights and engaging in bribery or other unlawful payments. In any such event, we could, as a result, incur liability to our downstream customers for fraud or misconduct committed by such distributor. Any claims could subject us to costly litigation and impose a significant strain on our financial resources and attention of management personnel regardless of whether the claims have merit, any of which could result in complaints from our downstream customers, regulatory and legal liabilities, as well as serious harm to our reputation.

**The third-party foundries from which we procure manufacturing services may be unable to obtain the materials and components necessary for our business operations in a timely manner and at a reasonable cost, or experience disruption in providing manufacturing services, which may adversely affect our revenue and profitability.**

The semiconductor industry has experienced a very large expansion of fabrication capacity and production worldwide over time. As a result of increasing demand from semiconductor and other manufacturers, availability of certain basic materials and supplies, such as chemicals, gases, polysilicon, silicon wafers, ultra-pure metals, lead frames and molding compounds, and subcontract services, like epitaxial growth and ion implantation, have from time to time, over the past several years, been in short supply and could come into short supply again if overall industry demand continues to increase in the future. In addition, from time to time natural disasters can lead to a shortage of some of the above materials due to disruption of the manufacturer’s production. Any shortage in supplies could affect the price of the above basic materials, in particular silicon, and could reasonably affect our results of operations. Furthermore, as raw material purchase price is not only affected by the above materials and supplies, but also by the manufacture processes, technologies and services provided by the foundries, insufficient volume to secure priority ordering and technologies at foundries or any disruption of foundry services could occur as a result of production constraints on the foundries from which we procure manufacturing services, which could have a materially adverse effect on our business operations and our results of operations.

**We face substantial competition that requires us to respond rapidly to product development and pricing pressures.**

We face intense technological and pricing competition in the markets in which we operate. We expect this competition will continue to increase from large competitors and from small competitors serving niche markets, and also from emerging companies that sell products into the same markets in which we operate. For example, we may face increased competition as a result of China actively promoting and reshaping its domestic semiconductor industry through policy changes and investment. Certain competitors possess sufficient financial, technical and management resources to develop and market products that may compete favorably against our products, and business integration among our competitors may allow them to compete more effectively. The price and product development pressures that result from competition may lead to reduced profit margins and lost business opportunities in the event that we are unable to match the price declines or cost efficiencies, or meet the technological, product, support, software or manufacturing advancements of our competitors.

**Our patterned wafer products may be subject to warranty, indemnity and/or product liability claims, which could result in significant costs and damage to our business, reputation and downstream customer relationships, market acceptance of our products, financial conditions, results of operations and prospects.**

Patterned wafer products are highly complex and may contain defects that affect their quality or performance. Failures in our products could result in damage to our reputation for reliability and increase our legal or financial exposure to third parties. If any of our products contain defects, we may be required to incur additional development and remediation costs pursuant to warranty and indemnification provisions in our contracts and purchase orders. These problems may divert our technical and other resources from other product development efforts and could result in claims against us by our downstream customers, including liability for costs and expenses associated with product defects, including recalls, which may adversely impact our operating results. We may also be subject to third parties' alleging damages resulting from use of our products. Those users may seek indemnification from us. In certain cases, our potential indemnification liability may be significant.

Further, we offer our products to downstream customers in industries such as automotive electronics, healthcare, industrial automation, industrial Internet of Things, industrial lighting, instrumentation, communications, electric power, energy storage and consumer electronics, where failure of the systems in which our products are integrated could cause damage to property or persons. We may be subject to product liability claims if our products, or the integration of our products, cause system failures. Any product liability claim, whether or not determined in our favor, could result in significant expense, divert the efforts of our technical and management personnel, and harm our business. In addition, if any of our products contain defects, or have reliability, quality or compatibility problems not capable of being resolved, our reputation may be damaged, which could make it more difficult for us to offer our products to downstream customers and which could also adversely affect our operating results.

**Our operational performance depends in part on our ability to enforce our intellectual property rights and to maintain freedom to operate in all jurisdictions where we conduct business.**

We regard our patents, proprietary rights of IC layout designs, trademarks, copyrights, domain names, know-how, proprietary technologies and similar intellectual property as critical to our success, and we rely on a combination of intellectual property laws and contractual arrangements, including confidentiality agreements with all of our employees, suppliers and distributors to protect our proprietary rights and to maintain freedom to operate in all jurisdictions where we conduct business. See "Business – Intellectual Property." Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated, or such intellectual property may not be sufficient to provide us with competitive advantages.

It may be difficult to maintain and enforce intellectual property rights in China. Statutory laws and regulations are subject to judicial interpretation and enforcement and may not be applied consistently. Confidentiality, invention assignment and non-compete provisions may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in all relevant jurisdictions. Preventing any unauthorized use of our intellectual property is difficult and costly and the steps we take may be inadequate to prevent the misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources. We can provide no assurance that we will prevail in such litigation. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. To the extent that our employees use intellectual property owned by others in their work for us, disputes may arise as to the rights in related know-how and inventions. Any failure in protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

**We may be unable to adequately protect our proprietary rights, which may impact our ability to compete effectively.**

Our success depends in part on our proprietary technology. While we attempt to protect our proprietary technology through patents, trademarks, copyrights and trade secret protection, we believe that our success also depends on increasing our technological expertise, continuing our development of new products and providing comprehensive support to our downstream customers. However, we may be unable to protect our technology in all instances, or our competitors may develop similar or more competitive technology independently. We currently hold a number of patents, proprietary rights of IC layout designs, software copyrights and trademarks in China, and pending applications for patents, trademarks and IC layout proprietary rights in China, Hong Kong and internationally. However, other parties may challenge or attempt to invalidate or circumvent any proprietary rights the PRC or foreign governments issue to us or these governments may fail to issue patents or proprietary rights for pending applications. In addition, the rights granted or anticipated under any of our proprietary rights or pending patent and proprietary right applications may be narrower than we expect or provide no competitive advantages. Furthermore, effective patent, trademark, copyright and trade secret protection may be unavailable, limited or not applied for in certain foreign countries. We may incur significant legal costs to protect our intellectual property.

We also seek to protect our proprietary technology, including technology that may not be patented or patentable, in part by confidentiality agreements and, if applicable, inventors' rights agreements with our collaborators, advisors, employees and consultants. We cannot assure you that these agreements will always be entered into or will not be breached or that we will have adequate remedies for any breach.

We cannot assure you that we will not receive notices of claims of infringement and misappropriation of other parties' proprietary rights in the future. In the event of an adverse decision in a patent, trademark, copyright or trade secret action, we could be required to withdraw the product or products found to be infringing from the market or redesign products offered for sale or under development. Whether or not these infringement claims are successfully asserted, we would likely incur significant costs and diversion of our resources with respect to the defense of these claims. In the event of an adverse outcome in any litigation, we may be required to pay substantial damages, including enhanced damages for willful infringement, and incur significant attorneys' fees, as well as indemnify downstream customers for damages they might suffer if the products they purchase from us infringe intellectual property rights of others. We could also be required to stop our manufacture, use, sale or importation of infringing products, expend significant resources to develop or acquire non-infringing technology, discontinue the use of some processes, or obtain licenses to intellectual property rights covering products and technology that we may, or have been found to, infringe or misappropriate such intellectual property rights.

**Expiration of, or changes to, certain government incentives, government grants and preferential tax treatments which we are entitled to could adversely affect our financial condition and results of operations.**

During the Track Record Period, we recorded government grants of RMB1.2 million, RMB2.2 million, RMB0.7 million and RMB4.3 million in 2020, 2021 and 2022 and for the six months ended June 30, 2023, respectively, which mainly consist of subsidies received from government in support of our R&D projects and activities carried out in IC industry and high-technology advancement. In addition, we benefited from preferential tax treatments from the PRC government during the Track Record Period. We qualified as high-technology enterprise and were entitled to a preferential income tax rate of 15% for the Track Record Period. According to the Circular on Improving the Policy on Extra Super-deduction of R&D Expenses (《關於完善研究開發費用稅前加計扣除政策的通知》) promulgated by the STA, the MOF and the MOST, effective from January 1, 2016 onwards, enterprises carrying out R&D activities are entitled to claim super-deduction of R&D expenses amounting to 50% of its research and development expenses in determining its tax assessable profits for the year. The super-deduction ratio of R&D expenses increased from 50% to 75%, effective from January 1, 2018 to December 31, 2020, according to the new tax incentives policy, the Notice of Increasing the Ratio of the Super-deduction of R&D Expenses (《關於提高研究開發費用稅前加計扣除比例的通知》) promulgated by the STA, the MOF and the MOST in September 2018. The applicable period of this policy was subsequently extended to December 31, 2023, pursuant to the Announcement of the MOF and the STA on Extending the Implementation Period of Some Preferential Tax Policies (《財政部 稅務總局關於延長部分稅收優惠政策執行期限的公告》) issued on March 15, 2021. The ratio of the super-deduction of R&D expenses has been further increased to 100% for enterprises entitled to 75% super-deduction of R&D expenses during the period from October 1, 2022 to June 30, 2023, and such enterprises are allowed to deduct the full amount of equipment and appliances newly purchased during the period from October 1, 2022 to June 30, 2023 from the taxable income amount on a one-off basis in the current year, according to the Announcement on Increasing Super-deduction in Support of Scientific and Technological Innovation (《關於加大支持科技創新稅前扣除力度的公告》) promulgated by the STA, the MOF and the MOST in September 2022. According to the Announcement of the MOF and the STA on Further Improving the Pre-tax Deduction Policy for R&D Expenses (2023) (《財政部 稅務總局關於進一步完善研發費用稅前加計扣除政策的公告(2023)》), where R&D expenses actually incurred by an enterprise when it conducts any R&D activity have not been included in the current profit and loss, from January 1, 2023 onwards, 100% of the amount of R&D expenses actually incurred in this year shall be deducted from the amount of taxable income in this year, and where intangible assets have been formed, 200% of the costs of the intangible assets shall be amortized before tax. We have claimed super-deduction of R&D expenses upon above mentioned regulations in ascertaining our tax assessable profits for the Track Record Period. We cannot assure that we will continue to receive government grants at the same level or at all, or that we will continue to enjoy the current preferential tax treatments, in which case our business, financial condition and result of operations may be materially and adversely affected.

**We depend on the continued services and performance of our co-founders, senior management and other key employees, including core R&D personnel and skilled engineers. If we are unable to recruit, retain and motivate any of them, our business, operating results and financial condition may be adversely affected.**

Our future performance depends on the continued services and contributions of our co-founders, senior management and other key employees, to oversee and execute our business plans, identify and pursue new opportunities and innovations, perform effective product design, and R&D. We also rely on our experienced management team to ensure smooth business operations, including maintenance of distributor and supplier relationships, and management of our operations. Any loss of service 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.

From time to time, there may be changes in our senior management team, resulting from the hiring or departure of executives, which could also disrupt our business. Hiring suitable replacements and integrating them within our business also require significant amounts 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 the analog IC sector. However, we cannot assure you that we will be able to develop or retain qualified staff or other highly skilled employees that we will need in order to achieve our strategic objectives.

**We had net operating cash outflows during the Track Record Period and there is no assurance that we can generate net cash inflow in the future. If we cannot improve our liquidity and capital resources, it may expose us to liquidity risk and our business and financial condition and prospects may be materially and adversely affected.**

For the years ended December 31, 2020 and 2022, we had net cash flows used in operating activities of RMB41.5 million and RMB31.4 million, respectively. For a detailed analysis on our operating cash flow, see "Financial Information – Liquidity and Capital Resources" in this prospectus. It is possible that our operating cash flow will continue to be subject to our prospective business activities and/or other matters beyond our control, such as market competition and changes to the macroeconomic environment. If we are not able to generate net cash inflows, we would need to seek adequate financing from sources such as equity or equity-linked instruments and external debt, which may not be available on terms favorable or commercially reasonable to us or at all. If we are unable to maintain adequate working capital or obtain sufficient equity or debt financings to meet our capital needs, we may be unable to continue our operations according to our strategic plans, and our business, financial position and results of operations may be materially and adversely affected.

**We may not have sufficient insurance coverage to cover our potential liability or losses and as a result, our business, financial conditions, results of operations and prospects may be materially and adversely affected should any such liability or losses arise.**

We face various risks in connection with our business, and may lack adequate insurance coverage or have no relevant insurance coverage. Insurance companies in China do not currently offer as extensive insurance products as insurance companies in other more developed economies do. As such, we cannot insure against certain risks related to our assets or business even if we desire to.

As of the Latest Practicable Date, we had not obtained any business liability or disruption insurance to cover our operations. See "Business – Insurance." We have determined that the costs of insuring against these risks, and the difficulties associated with acquiring such insurances on commercially reasonable terms render these insurances impractical for our business. However, any uninsured occurrence of including, among others, business disruption, material litigation, natural disaster or significant damages to our uninsured devices or facilities may result in our incurring substantial costs and the diversion of resources, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

**We partner with a third-party chip probing service provider for inspection and testing of foundry-manufactured wafers and storage of our inventory. Any disruption in the operation of our chip probing service provider could adversely affect our business.**

We partner with a third-party chip probing service provider for inspection and testing on the delivered foundry-manufactured wafer and storage of our inventory, as our inventory management is standardized through our digital warehousing system across our escrow warehouse at our chip probing service provider's plant located in Shanghai. There can be no assurance that we will be able to continue to maintain good relationship or renew our agreements with the chip probing service provider on commercially reasonable terms, if at all. If we fail to continue our cooperation with the chip probing service provider, or if their business or operations are interrupted or fail due to factors beyond our control, including geological events such volcanic eruptions, earthquakes, hurricanes or other such natural disasters, and we fail to find comparable alternatives on reasonable terms, our business may be materially and adversely affected.

**We may not be able to obtain additional funding on acceptable terms or at all, which may affect our ability to expand our business or meet unforeseen contingencies.**

To grow our business and remain competitive, we may require additional capital from time to time for our daily operations. Our ability to obtain additional capital is subject to a variety of uncertainties, including:

- our market position and competitiveness in the analog IC industry;
- our future profitability, overall financial condition, results of operations and cash flows;
- general market conditions for capital-raising activities by our competitors in China; and
- economic, political and other conditions in China and internationally.

We may be unable to obtain additional capital in a timely manner or on acceptable terms, or at all. In addition, our future capital or other business needs could require us to sell additional equity securities. The sale of additional equity or equity-linked securities could dilute our Shareholders' shareholding interest. In case the capital required for our expansion could not be raised through the issuance of equity or equity-linked securities, we may need to incur additional indebtedness, which will lead to increased debt service obligations and could result in operating and financing covenants that may restrict our operations or our ability to pay dividends to our Shareholders. Our profitability would also be adversely affected if the increase in interest expenses could not be passed on to our downstream customers.

**We may not be able to implement our planned growth or development if we are unable to obtain sufficient financial resources to meet our future capital requirements.**

Capital requirements are difficult to plan in the highly dynamic, cyclical and rapidly changing semiconductor industry. From time to time and increasingly so for the next few years, we will continue to need significant capital to fund our operations and manage our capacity in accordance with market demand. Our continued ability to obtain sufficient external financing is subject to a variety of uncertainties, including but not limited to, our future financial condition, results of operations and cash flow, general market conditions for financing activities, market conditions for financing activities of semiconductor companies, and social, economic, financial, political and other conditions in the PRC and elsewhere. Sufficient external financing may not be available to us on a timely basis, on reasonable market terms, or at all. As a result, we may be forced to curtail our expansion and modification plans or delay the deployment of new or expanded product lines until we obtain such financing.

**If we are unable to manage fluctuations in cash flow, our business and financial condition may be adversely affected.**

Our working capital requirements and cash flows are subject to changes due to certain factors, including:

- fluctuations in the revenue from our operating activities;
- fluctuations in the collection of receivables;
- timing and the size of payables;
- timing and size of capital expenditures; and
- the repayment schedules of our debt obligations.

If we are unable to manage fluctuations in cash flow, we may not be able to fulfill our obligations under our business and operational agreements, and our operating results and financial condition may be materially adversely affected.

**Share-based compensation expenses may cause shareholding dilution to our existing Shareholders and potentially have a material and adverse effect on our financial performance.**

During the Track Record Period, we made share-based payments to our R&D director, Mr. Shi Chao, in relation to the capital injection agreement between Backward Partnership and him, for his contribution to us and providing him with an incentive for outstanding future performance. For the years ended December 31, 2020, 2021, 2022 and the six months ended June 30, 2023, our share-based payments was nil, nil, nil and RMB10.0 million, respectively. To further incentivize our directors, senior management and key employees to contribute to us, we may grant additional share-based compensation in the future. Issuance of additional Shares with respect to such share-based payment may dilute the shareholding percentage of our existing Shareholders. Expenses incurred with respect to such share-based payment may also increase our operating expenses and therefore have a material and adverse effect on our financial performance.

**We may fail to maintain and predict inventory levels in line with demand for our products, which could cause us to face the risk of obsolescence for our inventories or lose sales.**

Our inventories consist of raw materials and finished goods. We have taken measures to optimize our inventory level and conduct regular inventory check to reduce the risk of inventory obsolescence. See "Business – Inventory Management."

As of December 31, 2020, 2021, 2022 and June 30, 2023, we had inventories of RMB44.4 million, RMB56.5 million, RMB76.3 million and RMB130.4 million, respectively. During the Track Record Period, we made provision for inventories amounting to RMB2.0 million, RMB3.0 million, RMB1.9 million and RMB2.8 million, respectively, for each of the years ended December 31, 2020, 2021 and 2022, and for the six months ended June 30, 2023. For the same periods, our inventory turnover days were 261.9 days, 198.6 days, 158.2 days and 203.3 days, respectively. As our business expands, our inventory level may increase and our inventory obsolescence risk may also increase accordingly. We cannot guarantee that we will be able to maintain proper inventory levels for our raw materials and finished goods. We maintain our inventory levels based on our internal forecasts of customers' 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 of our raw materials or finished goods. Excess inventory levels may increase our inventory holding costs, risk of inventory obsolescence or write-offs. Conversely, we may not be able to maintain an adequate inventory level and may lose sales and market share to our competitors. There is no assurance that information relating to the business plans or sales results of our distributors would be reported to us by our distributors timely and accurately. Therefore, our business prospects, financial condition and results of operations may be materially and 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 of our customers, suppliers and business partners. See "Business – Data Privacy and Information Security Risk Management." The secure maintenance of such information is critical. Despite our security 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.

**We may be subject to claims by third parties for intellectual property infringement.**

We depend to a large extent on our ability to effectively develop and maintain intellectual property rights relating to our business. However, we cannot assure you that our competitors and other third parties will not bring legal claims against us for infringing on their patents, copyrights, trademarks or other intellectual property rights, whether such claims are valid or otherwise. The intellectual property laws in China, which cover the validity, enforceability and scope of protection of intellectual property rights, are evolving, and litigation is becoming a more commonly pursued method for resolving commercial disputes. Given the foregoing and the increasing competition in the market, we are exposed to a higher litigation risk. Any intellectual property lawsuits against us, whether successful or not, may harm our brand and reputation.

Defending against intellectual property claims is costly and can impose a significant burden on our management and resources. Further, there is no guarantee that we can obtain favorable judgment in all legal cases, in which case we may need to pay damages or be forced to cease using certain technologies or content that are critical to our products. Any resulting liabilities or expenses or any changes to our products that we have to make to limit future liabilities may have a material adverse effect on our business, results of operations and prospects.

**We are subject to risks relating to litigation and disputes, which could adversely affect our business, prospects, results of operations and financial condition.**

We may be subject to disputes or claims of various types brought by our competitors, employees, suppliers, customers, business partners or governmental entities against us relating to contractual disputes, labor disputes, intellectual property infringements or disputes involving misconducts of our employees. Such claims and disputes may evolve into litigations and damage our reputation and goodwill, thereby adversely affecting our customer base. We cannot guarantee that we will not be subject to legal proceedings in the ordinary course of business. Litigation is distractive and expensive as it may cause us to incur defense costs, utilize a significant portion of our resources and divert management team's attention from our day-to-day operations, any of which could harm our business. In addition, we may need to spend a significant amount to settle claims or pay damages if we lose a lawsuit, which could have a material and adverse effect on our business, financial condition and results of operations.

**We may be subject to additional contributions of social insurance and housing provident fund and late payments and fines imposed by relevant governmental authorities.**

As advised by our PRC Legal Advisors, an employer that has not made social insurance contributions at a rate and based on an amount prescribed by the law, or at all, may be ordered by social insurance contributions collection institutions to rectify the non-compliance and pay the required contributions within a stipulated deadline and be subject to a late payment fee of up to 0.05% per day. If the employer still fails to rectify the failure to make social insurance contributions within the stipulated deadline, it may be subject to a fine ranging from one to three times of the amount overdue. In addition, an employer that has not made housing provident fund contributions at a rate and based on an amount prescribed by the law, or at all, may be ordered by the housing provident fund management center to rectify the non-compliance and pay the required contributions within a stipulated deadline. If the employer still fails to rectify the failure to make housing provident contributions within the stipulated deadline, it may be subject to the court's compulsory enforcement.

During the Track Record Period and up to the Latest Practicable Date, we did not make full social insurance and housing provident fund contribution for our employees in accordance with relevant laws and regulations. For details, see "Business – Employees." We cannot assure you that the competent government authorities will not require us to pay the outstanding amount and impose late payment fees or fines on us. If we are subject to investigations related to non-compliance with labor laws and are imposed severe penalties or incur significant legal fees in connection with labor law disputes or investigations, our business, financial condition and results of operations may be adversely affected.

**We may be liable for failure to register and file our lease agreements, which may subject us to penalties.**

Pursuant to the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》), 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 obtained the registration of lease agreements for three of our leased properties in China, one of which was in the process of registration. See "Business – Land and Properties." We cannot assure you that the lessors will cooperate and complete the registration in a timely manner. Our PRC Legal Advisors have advised us that failure to complete the registration and filing of lease agreements will not affect the validity of the lease agreements under PRC laws, but we may be subject to a maximum penalty of RMB10,000 for each non-registered lease if we fail to register such lease agreements within the time frame prescribed by the relevant PRC government authorities. As a result, any imposition of fines due to such failure may adversely affect our business operations and financial condition.

**Our operations may be delayed or interrupted and our business could suffer if we or the third-party foundries we cooperate with fail, or are alleged to have failed, to comply with any existing or new environmental, occupational or safety regulations.**

We are subject to a variety of Chinese environmental, occupational or safety regulations relating to the use, discharge and disposal of toxic or otherwise hazardous materials used in our production processes and may be subject to the same regulations relating to the production processes of third-party foundries we cooperate with, as we operate with a "fabless" model, focusing on the design process and outsource the IC manufacturing to foundries. Any failure or any claim that we or the third-party foundries we cooperate with have failed to comply with these regulations could cause delays in our production and capacity expansion and affect our public image, either of which could harm our business. In addition, any failure of us, or the third-party foundries we cooperate with, to comply with these regulations could subject us to substantial fines or other liabilities or require us to suspend or adversely modify our operations.

We may become subject to legislation, regulation, or treaty obligations designed to address global climate change, air quality in the PRC, and other environmental concerns. Compliance with any new rules could be costly, causing us to incur additional energy and environmental costs, as well as costs for defending and resolving legal claims.

**Our brand is integral to our success. If we fail to effectively maintain, promote and enhance our brand, our business and competitive advantage may be harmed.**

We believe that maintaining, promoting and enhancing our brand is critical to maintaining and expanding our business. Maintaining and enhancing our brand depends largely on our ability to continue to provide quality products, which we cannot assure you we will do successfully. Quality issues, product performance, reliability and stability of our products as well as price may harm our reputation and brand, and we may introduce new products which might be poorly received by our downstream customers. Additionally, if downstream customers have a negative experience using our products, such an encounter may affect our brand and reputation within the industry. What's more, we believe the importance of brand recognition will increase as competition in our market increases. In addition to our ability to provide reliable and useful products at competitive prices, the successful promotion of our brand will also depend on the effectiveness of our marketing efforts. We cannot assure you that our marketing spends will lead to increased revenue, and even if so, such increases in revenue may not be sufficient to offset expenses we incur in building and maintaining our reputation and brand name.

**The markets for semiconductor products are cyclical. Increased production may lead to overcapacity and lower prices, and conversely, we may not be able to satisfy unexpected demand for our products, which may affect our results of operations.**

The cyclical nature of the semiconductor industry has resulted in periods when demand for our products has increased or decreased rapidly. The demand for our products is subject to the strength of major industries our downstream customers operate in, including automotive electronics, healthcare, industrial automation, industrial Internet of Things, industrial lighting, instrumentation, communications, electric power, energy storage and consumer electronics. If we expand our business operations too rapidly and that demand does not materialize at the pace at which we expect, or declines, our operating results may be adversely affected as a result of increased operating expenses, reduced margins or underutilization of capacity. Conversely, during periods of rapid increases in demand, our available capacity may not be sufficient to satisfy the demand. In addition, we may not be able to expand our workforce and operations in a sufficiently timely manner, procure adequate resources and raw materials, locate suitable third-party suppliers, or respond effectively to changes in demand for our existing products or to demand for new products requested by our downstream customers, and our current or future business could be materially and adversely affected.

**We are subject to changing laws, regulations and social trends regarding environmental, social and governance risks, increasing both our costs and the risk of non-compliance.**

We are or will be subject to rules and regulations by various governing bodies, including, for example, once we have become a public company, the Stock Exchange and the SFC, which are charged with the protection of investors and the oversight of companies whose securities are publicly traded, as well as the various regulatory authorities in China, and to new and evolving regulatory measures under applicable laws. We may also be subject to the changing social trends on the concerns regarding environmental, social and governance risks. Our efforts to comply with new and changing laws, regulations and social trends have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Moreover, because these laws, regulations and standards are subject to varying interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. If we fail to address and comply with these regulations and any subsequent changes, we may be subject to penalties and our business may be harmed.

**We may experience additional challenges related to the COVID-19 pandemic.**

The outbreak of COVID-19, a highly contagious disease known to cause respiratory illness, had caused an adverse impact on the economy and social conditions since late 2019, and had an impact on our industry and caused temporary suspension of some of our business operations, including our design and R&D activities. As of the date of this prospectus, there is still uncertainty as to the future development of the COVID-19 pandemic. There could be a resurgence of the disease and infections could increase again across the country. The continuation or any future recurrence of COVID-19 may adversely affect our business operations, such as reducing working capacity of our employees. Such occurrences may affect our ability to conduct our business operations.

The status of the COVID-19 pandemic is affected by factors beyond our control. We cannot guarantee that any mitigation measures we may take will be sufficient against the effects of a global pandemic. In the event that we are unable to minimize the negative effects of any future recurrence of COVID-19 on our business, we may experience material adverse effects on our financial statements and results of operations.

**We may be subject to natural disasters, acts of war or terrorism or other factors beyond our control.**

Natural disasters, acts of war, terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions where we conduct our business. Our operations may be under the threat of floods, earthquakes, sandstorms, snowstorms, fire or drought, power, water or fuel shortages, failures, malfunction and breakdown of information management systems, unexpected maintenance or technical problems, or are susceptible to potential wars or terrorist attacks. Serious natural disasters may result in loss of lives, injury, destruction of assets and disruption of our business and operations. Acts of war or terrorism may also injure our employees, cause loss of lives, disrupt our business network and destroy our markets. Any of these factors and other factors beyond our control could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial conditions and results of operations.

## RISKS RELATING TO DOING BUSINESS IN CHINA

### Our business is affected by changes in China's economic, political or social conditions or government policies.

All of our business, assets and operations are located in China, and therefore, our business, financial condition, results of operations and prospects are affected to a large extent by the general political, economic and social developments in China. Similar to many other countries and regions, China regulates its economy through imposing and adjusting industrial, fiscal or monetary policies from time to time. Our business has been and would continue to be affected by China's economy, which in turn is increasingly influenced by the global economy. The uncertainties in the global economy and the geo-political or social environment in various regions around the world would continue to influence China's economic growth and may cause uncertainties in our prospects. Future changes in economic, political, social, and regulatory conditions may continue to influence our business, financial condition, results of operations and prospects.

### Holders of our H Shares may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our H Shares.

As is customary with all major economies, China has tax treaties or similar arrangements with jurisdictions across the world. Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between China and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are resident enterprises outside of the PRC, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is subject to 10% (or a lower rate) PRC income tax if such gain is regarded as income derived from sources within the PRC unless a treaty or similar arrangement otherwise provides. Under 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》) and its implementation rules, dividends from sources within the PRC paid to foreign individual investors who are not residents in the PRC are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to

20% PRC income tax, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws. Although our business operations are in China, it is unclear whether dividends we pay with respect to our H Shares, or the gain realized from the transfer of our H Shares, would be treated as income derived from sources within the PRC and as a result be subject to PRC income tax. If PRC income tax is imposed on gains realized through the transfer of our H Shares or on dividends paid to our non-resident investors, the value of your investment in our Shares may be adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with the PRC may not qualify for benefits under such tax treaties or arrangements.

**Restrictions on the remittance of Renminbi into and out of China and governmental control of currency conversion may limit our ability to pay dividends and other obligations, and affect the value of your investment.**

The conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. As we may convert our revenue in Renminbi into other currencies to meet our foreign currency obligations, such as payments of dividends on our Shares, there is no assurance that we will have sufficient foreign exchange to meet these requirements. Under 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, any changes to these foreign exchange policies that prevent us from obtaining sufficient foreign currencies may affect our ability to pay dividends in foreign currencies to our Shareholders.

## RISKS RELATING TO THE GLOBAL OFFERING

**There has been no prior public market for our H Shares and an active trading market for our H Shares may not develop.**

No public market currently exists for our H Shares. The initial Offer Price for our H Shares to the public will be the result of negotiations between our Company and the Sole Overall Coordinator (on behalf of the Underwriters), and the Offer Price may differ significantly from the market price of our H Shares following the Global Offering. We have applied to the Stock Exchange for the listing of, and permission to deal in, the H Shares. A listing on the Stock Exchange, however, does not guarantee that an active and liquid trading market for our H Shares will develop, or if it does develop, that it will be sustained following the Global Offering, or that the market price of the H Shares will rise following the Global Offering.

**The market price and trading volume of our H Shares may be volatile, which could result in substantial losses for investors who purchase our H Shares in the Global Offering.**

The market price and trading volume of our H Shares may be highly volatile. Several factors beyond our control such as variations in our revenue, earnings and cash flow, strategic alliances, the addition or departure of key personnel, litigation, the removal of the restrictions on H share transactions or volatility in market prices and changes in demand for our products may cause significant and sudden changes to the market price and trading volume of our H Shares. Furthermore, the market price of our H Shares could also decline 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, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. New shares or share-linked securities issued by our Company may also confer rights and privileges that take priority over those conferred by the H Shares. The Stock Exchange and other securities markets have, from time to time, experienced significant price and trading volume volatility that is not related to the operating performance of any particular company. This volatility may also materially and adversely affect the market price of our H Shares.

**Since there will be a gap of several days between the pricing and trading of our H Shares, holders of our H Shares are subject to the risk that the price of our H Shares may fall during the period before trading of our H Shares begins.**

The initial price of our H Shares sold in the Global Offering is expected to be determined on the Price Determination Date. However, the H Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the H Shares during that period. Accordingly, Shareholders are subject to the risk that the price of the H Shares could be lower than the Offer Price when trading begins as a result of adverse market conditions or adverse developments that may occur between the time of sale and the time of initial trading.

**Potential investors will experience immediate and substantial dilution as a result of the Global Offering.**

Potential investors will pay a price per H Share in the Global Offering that substantially exceeds the per H Share value of our tangible assets after subtracting our total liabilities as of June 30, 2023. Therefore, purchasers of our H Shares in the Global Offering will experience a substantial immediate dilution in pro forma net tangible assets, and our existing Shareholders will receive an increase in the pro forma adjusted net tangible assets per Share on their Shares. As a result, if we were to distribute our net tangible assets to the Shareholders immediately following the Global Offering, potential investors would receive less than the amount they paid for their H Shares. For more information, see "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus.

**The filing or regulatory review of the Global Offering by the CSRC or other PRC government authorities may be required under PRC laws.**

On February 17, 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 "Overseas Listing Trial Measures") and relevant supporting guidelines, which came into effect on March 31, 2023. The Overseas Listing Trial Measures comprehensively improve and reform the previous regulatory regime for overseas offering and listing of PRC domestic companies' securities and regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities. Any domestic company that is deemed to conduct overseas offering and listing activities shall file with the CSRC in accordance with the Overseas Listing Trial Measures.

As advised by our PRC Legal Advisors, the Global Offering will be considered a direct overseas offering and listing activity by a PRC domestic company under the Overseas Listing Trial Measures. Pursuant to the Overseas Listing Trial Measures, where an issuer submits an application for Global Offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted.

We submitted the required filing documents with the CSRC on June 27, 2023. On September 5, 2023, the CSRC issued the notification on completion of the filing procedures for the Listing and the Global Offering. As advised by our PRC Legal Advisor, no other approvals from the CSRC are required to be obtained for the Listing or the Global Offering. A rescission of any such approval or filing obtained by us would subject us to sanctions by the CSRC or other PRC regulatory authorities, and such failure may materially adversely affect our ability to finance the development of our business. Furthermore, if the filing procedure with the CSRC under the Overseas Listing Trial Measures is required for any future offerings, listing or any other capital raising activities, we cannot guarantee that we could complete such filing procedure in a timely manner, or at all.

**We cannot guarantee the accuracy of facts, forecasts and other statistics obtained from official government sources or other sources contained in this prospectus.**

Certain facts, statistics and data contained in this prospectus relating to China, Hong Kong and the industries in which we operate have been derived from various official government publications, industry associations, independent research institutions, third party reports and/or other publicly available sources we generally believe to be reliable. Such information has not been prepared or independently verified by us, the underwriters or any of our or their respective affiliates or advisors, and we cannot guarantee the quality or reliability of such source materials.

Therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside of China and Hong Kong. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the statistics herein may be inaccurate or incomparable to statistics produced with respect to other economies and should not be relied upon. Furthermore, we cannot assure you 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, you should give due consideration as to how much weight or importance you should attach to or place on such facts, forecasts or statistics.

**There is no assurance whether and when we will pay dividends, which is subject to restrictions under PRC law.**

No dividend had been paid or declared by our Company during the Track Record Period. Under the applicable PRC laws, the payment of dividends may be subject to certain limitations. The calculation of our profit under applicable accounting standards differs in certain respects from the calculation under HKFRS. As a result, we may not be able to pay a dividend in a given year even if we were profitable as determined under HKFRS. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the PRC laws and regulations and requires approval at our shareholders' meeting. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution.

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

This prospectus contains certain forward-looking statements and information relating to us 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 prospectus, the words "aim," "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "going forward," "intend," "ought to," "may," "might," "plan," "potential," "predict," "project," "seek," "should," "will," "would" and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, business 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 prospectus. Should one or more of these risks or uncertainties materialize, or if any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this prospectus. Whether actual results will conform to our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations that our plans or objectives will be achieved, and investors should not place undue reliance on such forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section. Subject to the ongoing disclosure obligations of the Listing Rules or other requirements of the Stock Exchange, we do not intend publicly to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise.

**You should read this entire prospectus carefully and should not consider or rely on any particular statements in published media reports without carefully considering the risks and other information contained in this prospectus.**

Prior to the publication of this prospectus, and subsequent to the date of this prospectus but prior to the completion of the Global Offering, there may have been or may be press and media coverage regarding us, our business, our industry and the Global Offering. Such press and media coverage may include references to information that do not appear in this prospectus or is inaccurate. We have not authorized the publication of any such information contained in such press and media coverage. Therefore, we make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the press or media and do not accept any responsibility for the accuracy or completeness of any financial information or forward-looking statements contained therein. To the extent that any of such information is inconsistent or conflicts with the contents of this prospectus, we expressly disclaim responsibility for them. Accordingly, prospective investors should only rely on information included in this prospectus and not on any of the information in press articles or other media coverage in deciding whether or not to invest in our Global Offering. By applying to purchase our H Shares in the Global Offering, you will be deemed to have agreed that you have not and will not rely on any information other than that contained in this prospectus, the Global Offering, and any formal announcements made by us in Hong Kong in relation to our Global Offering.

In preparation for the Listing, our Company has 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, an issuer must have sufficient management presence in Hong Kong and, in normal circumstances, at least two of the issuer's executive directors must be ordinarily resident in Hong Kong.

Currently, all of our executive Directors reside in the PRC and for the foreseeable future will not be ordinarily resident in Hong Kong. Our Company's business operations and assets are primarily conducted and located in the PRC, and it would be practically difficult and commercially unnecessary for us to relocate two of our executive Directors to Hong Kong, or to appoint additional executive Directors solely for the purpose of satisfying Rules 8.12 and 19A.15 of the Listing Rules, primarily on the basis that, as our headquarters, principal business operations and assets are located in the PRC, our management is best able to attend to its function by being based in the PRC. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from compliance with Rules 8.12 and 19A.15 of the Listing Rules subject to, among others, the following conditions:

(a) pursuant to Rule 3.05 of the Listing Rules, we have appointed two authorized representatives, namely Mr. Li Zhen, our executive Director and chairman of the Board, and Mr. Cheung Kai Cheong Willie ("**Mr. Cheung**"), one of our joint company secretaries, who will act as our Company's principal channel of communication with the Stock Exchange. Mr. Cheung is ordinarily resident in Hong Kong. Although Mr. Li Zhen resides in the PRC, he possesses valid travel documents and is able to renew such travel documents when they expire to travel to Hong Kong. Each of our authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and/or email (where available). Each of our authorized representatives is authorized to communicate on our behalf with the Stock Exchange. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance and Mr. Cheung has also been authorized to accept service of legal process and notices in Hong Kong on behalf of our Company;

(b) both of our authorized representatives have means to contact all 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 matters. Our Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required. Each of our Directors has provided his/her respective mobile phone numbers, office phone numbers, fax numbers and/or email addresses (where available) to our authorized representatives. In the event that a Director expects to travel, he/she will provide the phone number of the place of his/her accommodation to our authorized representatives or maintain an open line of communication via his/her mobile phone. Each of our Directors and authorized representatives has provided his/her mobile phone numbers, office phone numbers, fax numbers and/or email addresses (where available) to the Stock Exchange;

(c) pursuant to Rules 3A.19 and 19A.05 of the Listing Rules, we have appointed Somerley Capital Limited as our compliance advisor (the "**Compliance Advisor**"), which shall have access at all times to our authorized representatives, Directors, senior management and other officers of our Company, and will act as an additional channel of communication between the Stock Exchange and us; and

(d) meetings between the Stock Exchange and our Directors could be arranged through our authorized representatives or the Compliance Advisor, or directly with our Directors within a reasonable time frame. We will promptly inform the Stock Exchange of any changes of our authorized representatives and/or the Compliance Advisor.

## JOINT COMPANY SECRETARIES

According to Rules 3.28 and 8.17 of the Listing Rules and the Guidance Letter HKEX-GL108-20 issued by the Stock Exchange, the secretary of an issuer must be a person who has the requisite knowledge and experience to discharge the functions of the company secretary and is either (i) a member of the Hong Kong Chartered Governance Institute, a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong) or a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong); or (ii) an individual who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of a company secretary.

According to the Guidance Letter HKEX-GL108-20, the waiver under Rule 3.28 of the Listing Rules will be granted for a fixed period of time, but in any case, will not exceed three years from the Listing Date (the "**Waiver Period**") and on the conditions that (i) the company secretary in question must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 and is appointed as a joint company secretary throughout the Waiver Period; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by our Company.

We have appointed Mr. Li Yi and Mr. Cheung as our joint company secretaries. Mr. Li Yi served as our general manager from November 2010 to January 2021. He has been serving as our Director since December 15, 2015, the deputy general manager and the head of our financial department since January 15, 2021, the secretary of the Board since November 12, 2021. He was re-designated as our executive Director on April 27, 2023. Mr. Li Yi was appointed as a joint company secretary on June 1, 2023. Mr. Li Yi is primarily responsible for the daily operations, financial management and company secretarial matters of our Company and assisting the operation of the Board. Our Directors are of the view that, having regard to Mr. Li Yi's thorough understanding of the overall business operations and corporate governance matters of our Company, he is considered as a suitable person to act as a company secretary of our Company. In addition, as our headquarters and principal business operations are substantially based and conducted in the PRC, our Directors believe that it is necessary to appoint Mr. Li Yi as a company secretary whose presence in the headquarters of our Company enables him to attend the day-to-day corporate secretarial matters of our Company and to take the necessary actions in an effective and efficient manner.

However, given that Mr. Li Yi does not possess a qualification stipulated in Rule 3.28(1) of the Listing Rules nor the "relevant experience" set out in Rule 3.28(2) of the Listing Rules, he is not able to solely fulfill the requirements as a company secretary of a listed issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules. In order to provide support to Mr. Li Yi, we have appointed Mr. Cheung, a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom, who is qualified under Rule 3.28 of the Listing Rules, to act as the other joint company secretary to closely work with and provide support to Mr. Li Yi during the Waiver Period so as to enable Mr. Li Yi to acquire the relevant experience (as required under Rule 3.28(2) of the Listing Rules) to duly discharge his duties as a company secretary of a listed issuer.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Mr. Li Yi as our joint company secretary on the condition that Mr. Li Yi will be assisted by Mr. Cheung as our joint company secretary throughout the Waiver Period. Being a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom and by virtue of his experience in corporate secretarial practice, Mr. Cheung is, in our Directors' opinion, a qualified and suitable person to render assistance to Mr. Li Yi so as to enable him to acquire the relevant experience (as required under Rule 3.28(2) of the Listing Rules) to duly discharge his duties. In addition, Mr. Li Yi will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance his knowledge of the Listing Rules during the Waiver Period. Our Company will further ensure that Mr. Li Yi has access to the relevant training and support that would enhance his understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange.

Such waiver will be revoked immediately if and when Mr. Cheung ceases to provide such assistance or our Company commits any material breaches of the Listing Rules during the Waiver Period. Before the expiry of such three-year period, we will liaise with the Stock Exchange to enable it to assess the then experience of Mr. Li Yi, having had the benefit of Mr. Cheung's assistance for three years, will have acquired the relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

The biographical information of Mr. Li Yi and Mr. Cheung is set out in "Directors, Supervisors and Senior Management" in this prospectus.

## WAIVER FROM STRICT COMPLIANCE WITH RULE 10.04 OF THE LISTING RULES AND WRITTEN CONSENT UNDER PARAGRAPH 5(2) OF APPENDIX 6 TO THE LISTING RULES IN RELATION TO ALLOCATION TO THE CLOSE ASSOCIATES OF THE EXISTING MINORITY SHAREHOLDERS

Rule 10.04 of the Listing Rules provides that a person who is an existing shareholder of the issuer may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the conditions in Rules 10.03(1) and (2) of the Listing Rules are fulfilled.

The conditions in Rules 10.03(1) and (2) of the Listing Rules are as follows: (i) no securities are offered to the existing shareholders on a preferential basis and no preferential treatment is given to them in the allocation of the securities; and (ii) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved.

Paragraph 5(2) of Appendix 6 to the Listing Rules provides that, unless with the prior written consent of the Stock Exchange, no allocations will be permitted to directors or existing shareholders of the applicant or their close associates, whether in their own names or through nominees unless the conditions set out in Rules 10.03 and 10.04 of the Listing Rules are fulfilled.

It is expected that the close associates of certain existing minority shareholders of our Company may participate in the Global Offering as placees (the "**Existing Minority Shareholders**").

We have applied to the Stock Exchange for a waiver from strict compliance with Rule 10.04 of the Listing Rules and sought a written consent from the Stock Exchange under paragraph 5(2) of Appendix 6 to the Listing Rules, and the Stock Exchange has granted us such waiver and consent to permit the close associates of the Existing Minority Shareholders to be allocated Offer Shares in the Global Offering as placees on the following grounds which are consistent with the conditions as set out in the Stock Exchange Guidance Letter 85-16 (**HKEX-GL85-16**):

(1) The Sole Sponsor confirms that each of the Existing Minority Shareholders controls less than 5% of the Company's voting rights before Listing.

(2) The Sole Sponsor confirms that each of the Existing Minority Shareholders is not and will not be a core connected person of the Company or any close associate of any such core connected person immediately prior to or following the completion of the Global Offering.

(3) The Sole Sponsor confirms that each of the Existing Minority Shareholders has no power to appoint directors of the Company (other than as a shareholder of the Company pursuant to the Articles of Association) and does not have any other special rights upon Listing.

(4) The Sole Sponsor confirms that the Existing Minority Shareholders and their close associates will be a part of the public, and allocation of H Shares to the Existing Minority Shareholders and/or their close associates will not affect the Company's ability to satisfy the public float percentage requirement under Rule 8.08 of the Listing Rules.

(5) Based on (i) the discussions with the Company and the Sole Overall Coordinator; and (ii) the confirmation provided to the Stock Exchange by the Company and the Sole Overall Coordinator (confirmation mentioned in paragraphs (6) and (7) below), and to the best of its knowledge and belief, the Sole Sponsor confirms to the Stock Exchange that it has no reason to believe that the Existing Minority Shareholders or their close associates received any preferential treatment in the IPO allocation as placees by virtue of their relationship with the Company.

(6) The Company confirms to the Stock Exchange that no preferential treatment has been, nor will be, given to the Existing Minority Shareholders or their close associates by virtue of their relationship with the Company in any allocation in the placing tranche.

(7) The Sole Overall Coordinator confirms to the Stock Exchange that to the best of its knowledge and belief, no preferential treatment has been, nor will be, given to the Existing Minority Shareholders or their close associates by virtue of their relationship with the Company in any allocation in the placing tranche.

(8) The relevant information in respect of the allocation to such close associates of the Existing Minority Shareholders will be disclosed in the allotment results announcement.

Our Company expects to satisfy all the conditions set out in paragraph 4.20 of Guidance Letter HKEX-GL85-16 so that no actual or perceived preference will be given to the Existing Minority Shareholders due to their existing shareholdings in our Company.

## DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors (including any proposed director who is named as such in this prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) (as amended) and the Listing Rules for the purpose of giving information to the public with regard to our Company. Our Directors confirm, having made all reasonable enquiries, that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus misleading.

## CSRC FILING

We submitted the filing documents to the CSRC for the Global Offering on June 27, 2023 and completed the filing on September 5, 2023. In granting this filing notification, the CSRC does not accept responsibility for our financial soundness, or for the accuracy of any of the statements made or opinions expressed in this prospectus.

## INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus sets out the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of initially 1,500,000 Offer Shares and the International Offering of initially 13,500,000 Offer Shares (subject, in each, to reallocation on the basis as set out in the section headed "Structure of the Global Offering" as well as to the Over-allotment Option (in the case of the International Offering)).

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of their respective directors, officers, agents, employees or advisors or any other party involved in the Global Offering.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

See the section headed "Structure of the Global Offering" for details of the structure of the Global Offering, including its conditions and the arrangements relating to the Over-allotment Option and stabilization.

## UNDERWRITING

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to us and the Sole Overall Coordinator (on behalf of the Underwriters) agreeing on the Offer Price. An International Underwriting Agreement relating to the International Offering is expected to be entered into on or around the Price Determination Date, subject to the determination of the pricing of the Offer Shares. The Global Offering is managed by the Sole Overall Coordinator.

If, for any reason, the Offer Price is not agreed among us and the Sole Overall Coordinator (on behalf of the Underwriters), the Global Offering will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting".

## RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Hong Kong Offer Shares to, confirm that he is aware of the restrictions on the offer and sale of the Hong Kong Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the H Shares outside Hong Kong or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation for subscription. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered and sold, directly or indirectly, in the PRC.

## PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares".

## STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering".

## OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set out in the section headed "Structure of the Global Offering".

## APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including the additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option).

Except as otherwise disclosed in this prospectus, no part of our Share or debt securities is listed on or dealt in on the Stock Exchange or any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the H Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

## COMMENCEMENT OF DEALINGS IN THE H SHARES

Dealings in the H Shares on the Stock Exchange are expected to commence at 9:00 a.m. on the Listing Date. The H Shares will be traded in board lots of 100 H Shares each. The stock code of the H Shares will be 2149.

## H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the H Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable the H Shares to be admitted into CCASS.

## H SHARE REGISTER AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Global Offering will be registered on our H Share register of members to be maintained in Hong Kong. Our principal register of members will be maintained by us in the PRC.

Dealings in the H Shares registered in the H Share register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty.

## PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the H Shares or exercising rights attached to them. It is emphasized that none of us, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of their respective directors, officers, employees, agents or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, the H Shares or exercising any rights attached to them.

## EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations among certain amounts denominated in RMB, Hong Kong dollars and U.S. dollars.

Unless indicated otherwise, amounts denominated in HKD and RMB have been translated, for the purpose of illustration only, into U.S. dollars in this prospectus at the following exchange rates:

| | | |
|---|---|---|
| USD1.00 | : | HKD7.8119 |
| USD1.00 | : | RMB7.1123 |
| HKD1.00 | : | RMB0.91045 |

No representation is made that any amounts in RMB, Hong Kong dollars or U.S. dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

## ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

## LANGUAGE

If there is any inconsistency between this English prospectus and the Chinese translation of this prospectus, this English prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, departments, entities, institutions, natural persons, facilities, certificates, titles and the like included in this prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail.

## DIRECTORS

| Name | Address | Nationality |
|---|---|---|
| ***Executive Directors*** | | |
| Mr. Li Zhen (李真) | Room 1808, Building 13<br>No. 255 Songhuajiang Road<br>Huqiu District, Suzhou<br>Jiangsu Province<br>PRC | Chinese |
| Mr. Zhang Guangping (張廣平) | Room 706, Building 14<br>Meilin 4th Village, Meilin Road<br>Futian District, Shenzhen<br>Guangdong Province<br>PRC | Chinese |
| Mr. Li Yi (李一) | No. 109-1 Qingnian West Road<br>Chongchuan District, Nantong<br>Jiangsu Province<br>PRC | Chinese |
| ***Non-executive Directors*** | | |
| Mr. Kong Jianhua (孔建華) | Room 1603, Building 11<br>Hengda Qingshui Park<br>Huqiu District, Suzhou<br>Jiangsu Province<br>PRC | Chinese |
| Mr. Zhou Yufeng (周雨楓) | Room 502, Building 21<br>Jinma International Garden<br>Liangxi District, Wuxi<br>Jiangsu Province<br>PRC | Chinese |

***Independent non-executive Directors***

| | | |
|---|---|---|
| Mr. Zhao Heming (趙鶴鳴) | Room 501, Building 40<br>Urban Garden<br>Suzhou Industrial Park, Suzhou<br>Jiangsu Province<br>PRC | Chinese |
| Mr. Wen Chengge (溫承革) | Room 13-202<br>No. 1701 Binhe Road<br>Huqiu District, Suzhou<br>Jiangsu Province<br>PRC | Chinese |
| Mr. Ma Ming (馬明) | No. 13-3-902<br>West District<br>Xingqing Compound<br>Xingqing District, Yinchuan<br>Ningxia Hui<br>Autonomous Region<br>PRC | Chinese |
| Ms. Kang Yuanshu (康元書) | Flat 40 Block B<br>Repulse Bay Apartments<br>101 Repulse Bay Rd<br>Repulse Bay<br>Hong Kong | Chinese |

**SUPERVISORS**

| Name | Address | Nationality |
|---|---|---|
| Mr. Zhou Taotao (周韜韜) | Room 701, Building 108<br>Haimen Celebrity Garden<br>No. 302, Haixing Road<br>Haimen District, Nantong<br>Jiangsu Province<br>PRC | Chinese |
| Mr. Chen Xingyu (陳星宇) | No. 14 Xiaojiaoli<br>Gusu District, Suzhou<br>Jiangsu Province<br>PRC | Chinese |
| Mr. Zhou Cheng (周承) | Room 1203, Building 11<br>Tianhua Garden<br>No. 560, Changli Road<br>Wuzhong District, Suzhou<br>Jiangsu Province<br>PRC | Chinese |

Please refer to the section headed "Directors, Supervisors and Senior Management" in this prospectus for further details of our Directors and Supervisors.

## PARTIES INVOLVED IN THE GLOBAL OFFERING

| | |
|---|---|
| **Sole Sponsor and Sole Overall Coordinator** | **China International Capital Corporation Hong Kong Securities Limited**<br>29th Floor, One International Finance Centre<br>1 Harbour View Street<br>Central, Hong Kong |
| **Joint Global Coordinators** | **China International Capital Corporation Hong Kong Securities Limited**<br>29th Floor, One International Finance Centre<br>1 Harbour View Street<br>Central, Hong Kong |
| | **China Galaxy International Securities (Hong Kong) Co., Limited**<br>20/F Wing On Centre<br>111 Connaught Road Central<br>Hong Kong |
| | **CMB International Capital Limited**<br>45/F, Champion Tower<br>3 Garden Road<br>Central, Hong Kong |
| | **GF Securities (Hong Kong) Brokerage Limited**<br>29-30/F, Li Po Chun Chambers<br>189 Des Voeux Road Central<br>Hong Kong |
| | **Guotai Junan Securities (Hong Kong) Limited**<br>26/F-28/F, Low Block, Grand Millennium Plaza<br>181 Queen's Road Central<br>Hong Kong |
| **Joint Bookrunners** | **China International Capital Corporation Hong Kong Securities Limited**<br>29th Floor, One International Finance Centre<br>1 Harbour View Street<br>Central, Hong Kong |

**China Galaxy International Securities (Hong Kong) Co., Limited**
20/F Wing On Centre
111 Connaught Road Central
Hong Kong

**CMB International Capital Limited**
45/F, Champion Tower
3 Garden Road
Central, Hong Kong

**GF Securities (Hong Kong) Brokerage Limited**
29-30/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

**Guotai Junan Securities (Hong Kong) Limited**
26/F-28/F, Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

**ABCI Capital Limited**
11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

**ICBC International Securities Limited**
37/F, ICBC Tower
3 Garden Road
Hong Kong

**Soochow Securities International Brokerage Limited**
Level 17, Three Pacific Place
1 Queen's Road East
Hong Kong

**Joint Lead Managers**

**China International Capital Corporation Hong Kong Securities Limited**
29th Floor, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

**China Galaxy International Securities (Hong Kong) Co., Limited**
20/F Wing On Centre
111 Connaught Road Central
Hong Kong

**CMB International Capital Limited**
45/F, Champion Tower
3 Garden Road
Central, Hong Kong

**GF Securities (Hong Kong) Brokerage Limited**
29-30/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

**Guotai Junan Securities (Hong Kong) Limited**
26/F-28/F, Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

**ABCI Securities Company Limited**
10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

**ICBC International Securities Limited**
37/F, ICBC Tower
3 Garden Road
Hong Kong

**Soochow Securities International Brokerage Limited**
Level 17, Three Pacific Place
1 Queen's Road East
Hong Kong

**Tiger Brokers (HK) Global Limited**
1/F, FWD Financial Centre
308 Des Voeux Road Central
Hong Kong

**Futu Securities International (Hong Kong) Limited**
*(in relation to the Hong Kong Public Offering only)*
Unit C1-2, 13/F, United Centre
No. 95 Queensway
Hong Kong

**Silverbricks Securities Company Limited**
Rooms 1004-1006, 10/F.
China Merchants Tower, Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan
Hong Kong

**Valuable Capital Limited**
RM 3601-06 & 3617-19, 36/F
China Merchants Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

**Livermore Holdings Limited**
Unit 1214A, 12/F, Tower II Cheung Sha Wan Plaza
833 Cheung Sha Wan Road, Kowloon
Hong Kong

**Legal advisors to our Company**

*As to Hong Kong law:*
**Sidley Austin**
Level 39, Two International Finance Centre
8 Finance Street
Central
Hong Kong

*As to PRC laws:*
**King & Wood Mallesons**
17th Floor, One ICC
Shanghai International Commerce Center
999 Middle Huai Hai Road, Xuhui District
Shanghai, PRC

| | |
|---|---|
| **Legal advisors to the Sole Sponsor and the Underwriters** | *As to Hong Kong law:*<br>**Baker & McKenzie**<br>14th Floor, One Taikoo Place<br>979 King's Road<br>Quarry Bay<br>Hong Kong<br><br>*As to PRC laws:*<br>**Global Law Office**<br>15 & 20/F, Tower 1, China Central Place<br>No. 81 Jianguo Road<br>Chaoyang District<br>Beijing, PRC |
| **Auditors and reporting accountants** | **KPMG**<br>*Certified Public Accountants*<br>*Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance*<br>8/F Prince's Building<br>10 Chater Road, Central<br>Hong Kong |
| **Industry consultant** | **Frost & Sullivan**<br>Room 2504-2505<br>Wheelock Square<br>No. 1717 Nanjing West Road<br>Jing'an District<br>Shanghai, PRC |
| **Receiving Banks** | **CMB Wing Lung Bank Limited**<br>14/F, CMB Wing Lung Bank Building<br>45 Des Voeux Road<br>Central<br>Hong Kong<br><br>**Industrial and Commercial Bank of China (Asia) Limited**<br>33/F., ICBC Tower<br>3 Garden Road<br>Central<br>Hong Kong |

| | |
|---|---|
| **Headquarter and registered office in the PRC** | Building 1<br>No. 150 Jici Road<br>Science and Technology Town<br>Gaoxin District, Suzhou<br>Jiangsu Province<br>PRC |
| **Principal Place of Business in Hong Kong** | 40th Floor, Dah Sing Financial Centre<br>No. 248 Queen's Road East<br>Wanchai<br>Hong Kong |
| **Company's Website** | **www.batelab.com**<br>*(The information on the website does not form part of this prospectus)* |
| **Joint company secretaries** | **Mr. Li Yi (李一)**<br>No. 109-1 Qingnian West Road<br>Chongchuan District, Nantong<br>Jiangsu Province<br>PRC<br><br>**Mr. Cheung Kai Cheong Willie (張啟昌)**<br>*(CPA, FCCA)*<br>40th Floor, Dah Sing Financial Centre<br>No. 248 Queen's Road East<br>Wanchai<br>Hong Kong |
| **Authorized representatives** | **Mr. Li Zhen (李真)**<br>Room 1808, Building 13<br>No. 255 Songhuajiang Road<br>Huqiu District, Suzhou<br>Jiangsu Province<br>PRC<br><br>**Mr. Cheung Kai Cheong Willie (張啟昌)**<br>*(CPA, FCCA)*<br>40th Floor, Dah Sing Financial Centre<br>No. 248 Queen's Road East<br>Wanchai<br>Hong Kong |
| **Audit Committee** | Mr. Ma Ming (馬明) *(Chairman)*<br>Mr. Zhao Heming (趙鶴鳴)<br>Mr. Wen Chengge (溫承革) |

| | |
|---|---|
| **Remuneration and Evaluation Committee** | Mr. Wen Chengge (溫承革) *(Chairman)*<br>Mr. Ma Ming (馬明)<br>Mr. Zhang Guangping (張廣平) |
| **Nomination Committee** | Mr. Zhao Heming (趙鶴鳴) *(Chairman)*<br>Mr. Wen Chengge (溫承革)<br>Mr. Li Yi (李一) |
| **Strategy Committee** | Mr. Li Zhen (李真) *(Chairman)*<br>Mr. Zhang Guangping (張廣平)<br>Mr. Li Yi (李一) |
| **H Share Registrar** | **Computershare Hong Kong Investor Services Limited**<br>Shops 1712-1716, 17th Floor<br>Hopewell Centre<br>183 Queen's Road East<br>Wanchai<br>Hong Kong |
| **Compliance Advisor** | **Somerley Capital Limited**<br>20th Floor, China Building<br>29 Queen's Road Central<br>Hong Kong |
| **Principal Bank** | **Bank of China, Suzhou High-tech Development Zone Sub-Branch**<br>F1, Jinhua Commercial Centre<br>No. 100, Shishan Road<br>Huqiu District, Suzhou<br>Jiangsu Province<br>PRC |

***Certain information and statistics set out in this section and elsewhere in this prospectus are derived from various official government and other publicly available sources, and from the market research report prepared by Frost & Sullivan, an independent industry consultant which was commissioned by us (the "Frost & Sullivan Report"). No independent verification has been carried out on the information from official government sources by us, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries or any other parties (other than Frost & Sullivan) involved in the Global Offering or their respective directors, officers, employees, advisers, or agents, and no representation is given as to the accuracy. Unless and except for otherwise specified, the market and industry information and data presented in this "Industry Overview" section is derived from the Frost & Sullivan Report. The information and statistics contained in this section may not be consistent with other information and statistics compiled within or outside of China. As a result, you are advised not to place undue reliance on such information.***

## SOURCES OF INFORMATION

We have commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on China's IC industry. The report prepared by Frost & Sullivan for us is referred to in the prospectus as the Frost & Sullivan Report. We have agreed to pay a total fee of RMB580,000 to Frost & Sullivan for the preparation of the Frost & Sullivan Report, which we believe reflects market rates for reports of this type. Frost & Sullivan is a global consulting company founded in 1961 in New York and has over 40 global offices with more than 3,000 industry consultants, market research analysts, technology analysts and economists.

During the preparation of the market research report, Frost & Sullivan performed both (i) primary research, which involved in-depth interviews with leading industry participants and industry experts; and (ii) secondary research, which involved review of company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data was obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. Unless otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report, various official government publications and other publications.

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan has adopted the following assumptions (i) the social, economic, and political environment in China is expected to remain stable in the forecast period; (ii) industry key drivers are likely to drive China's IC industry in the forecast period; and (iii) there is no extreme force majeure or unforeseen industry regulations in which the industry may be affected in either a dramatic or fundamental way.

Our Directors have confirmed that there has been no adverse change in the market situation since the date of the Frost & Sullivan Report which may qualify, contradict, or have impact on the information of this section.

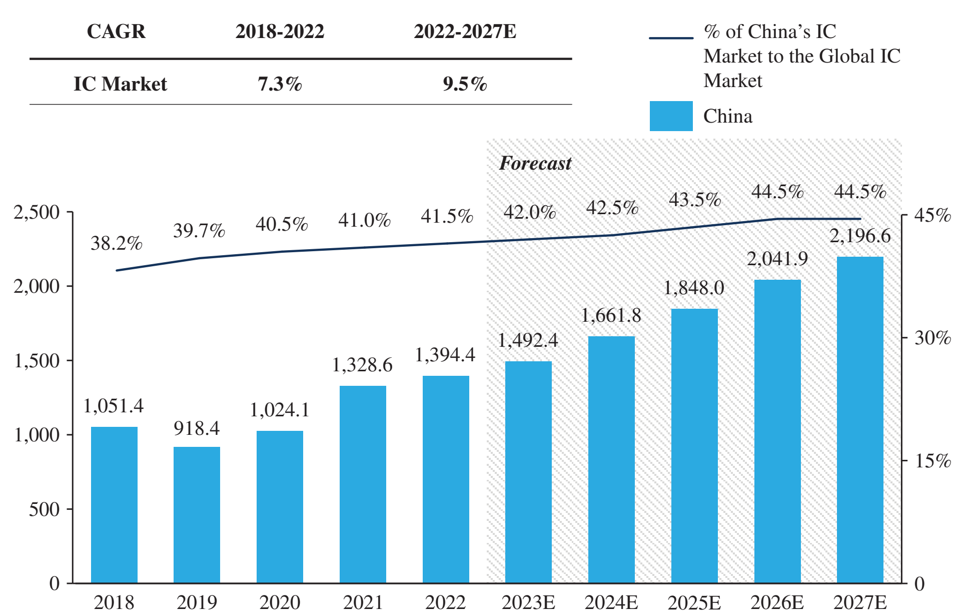
## THE IC MARKET IN CHINA

### Overview

The integrated circuit, or IC, is a miniature electronic device or component that serves as the fundamental building block and central component of the global information technology industry. According to Frost & Sullivan, it is expected that in the next few years, along with the promotion of new technologies represented by 5G, Internet of Things and cloud computing, the market size of the IC market in China is projected to reach RMB2,196.6 billion by 2027, growing at a CAGR of 9.5% from 2022 to 2027. With the shift of the global IC market to China and the strong support of Chinese national policies and funding, the market share of China's IC industry has accounted for a substantial portion of the global IC market, increasing from 38.2% in 2018 to 41.5% in 2022 and expected to reach 44.5% in 2027.

The following chart demonstrates the IC market size in China in terms of revenue, and the percentage of China's IC market share to the global IC market:

**Market Size of the IC Industry in China, by Revenue**
**RMB in Billions, 2018-2027E**




*Source: Frost & Sullivan Report*

*Note:*

(1) The market size is measured by aggregating the total revenue generated from various IC products.

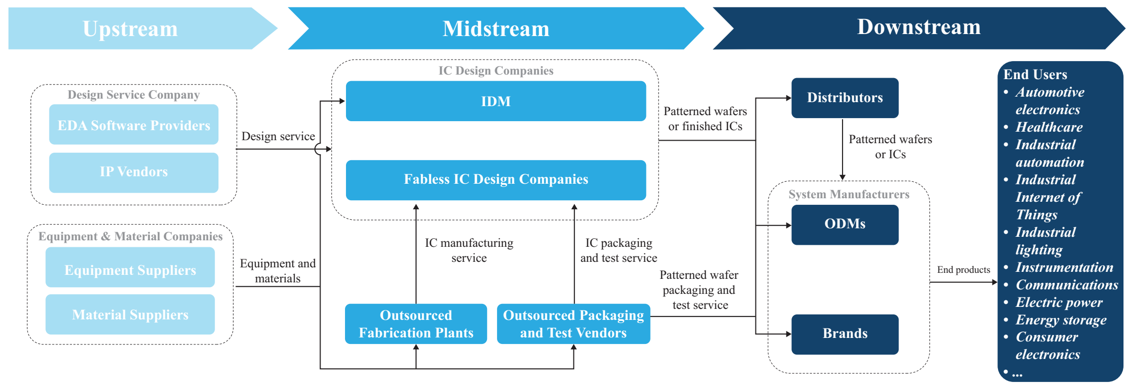
**Value Chain of the IC Industry**

According to Frost & Sullivan, the upstream market players on the value chain of the IC industry are service and solution providers of supporting technologies and tools, including EDA software (a specialized software developed for IC design), IP module (intellectual property module, which, in the context of IC design, refers to a reusable and verified IC layout design with a defined function), IC equipment and IC materials. The midstream market players on the value chain include companies engaging in IC design, IC manufacturing and IC packaging and test, covering the core stages of the IC industry. IC design companies typically consist of companies operating with an IDM model, where they are involved in the whole process of design, manufacturing, packaging, testing and subsequent sales of the finished products, and a fabless model, where they produce their own designs of IC products and outsource IC manufacturing to foundries. The downstream market players on the value chain are distributors, system manufacturers and end users. Major end users include companies engaging in consumer electronics, industrial automation and instrumentation, energy management, automotive and others, as well as individual consumers.

In addition to direct purchasing products from IC design companies, certain downstream market players, such as system manufacturers who use IC products to further produce end products, may purchase from specialized IC distributors given their capabilities to provide one-stop IC supply solutions. IC distributors normally maintain an extensive portfolio of IC products, and are able to provide after-sales or other related services to support their customers' product management. Moreover, due to the numerous types of IC products and their broad range of application scenarios (in particular, analog IC products) and considering the high transaction costs arising from the direct sale business model of IC companies, it is common in the industry for IC design companies to cooperate with IC distributors for sales and marketing of their products, according to Frost & Sullivan.

The IC distributor market in China is highly fragmented, with the top ten market players accounting for approximately 6.0% in terms of revenue in 2022, according to Frost & Sullivan. There are numerous large-scale multinational and national IC distributors who generally focus on the distribution of comprehensive IC products, and also other smaller, specialized distributors who generally focus on narrower markets or particular sectors. As a result, the distributorship model itself does not intensify competition among IC design companies, according to Frost & Sullivan. Despite that the ability to establish stable business partnerships with industry-leading IC distributors is essential to an IC design company, the key to its overall competitiveness still lies in the strengths of its products.

The following chart illustrates the major market players on the entire value chain of the IC industry:




*Source: Frost & Sullivan Report*

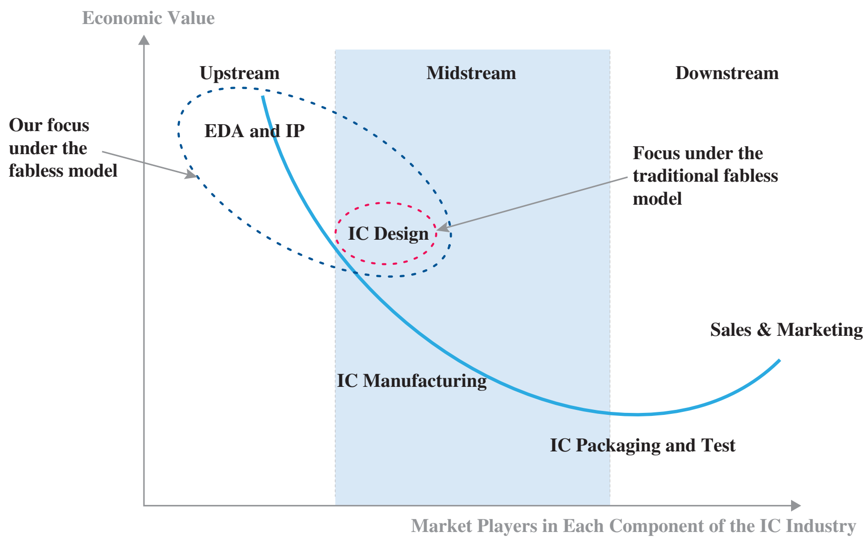
### *IC Design: Component with High Economic Value in the IC Industry*

According to Frost & Sullivan, the economic value of each component of the IC industry is defined as the average profitability and efficiency of generating profits of market players in each component. Return-on-equity (ROE) is considered a reasonable metric to measure such profitability and efficiency of generating profits. Over the past two years, the ROE of EDA and IP providers has been around 30%, IC design companies' ROE has been around 24%, IC manufacturers' ROE has been around 20%, assembling and testing companies' ROE has been around 15% and distributors' ROE has been around 18%, according to Frost & Sullivan. IC design is at the core of the entire value chain with high economic value in that it directly affects the performance of IC products. Therefore, companies operating with a fabless model usually achieve higher profitability than most of the other market players on the value chain. According to Frost & Sullivan, the average gross profit margin for the world's ten largest* fabless companies in 2022 was 53.7%, slightly more profitable than the world's ten largest* IDM companies, the latter of which reached 51.4% in the same year.

* The world's ten largest fabless/IDM companies were determined in terms of revenue in 2022.

The following chart illustrates the economic value of market players in each component of the IC industry:

**Economic value of market players in each component of the IC industry**




*Source: Frost & Sullivan Report*

According to Frost & Sullivan, the economic value of EDA and IP providers is the highest among all market players in the IC industry, as EDA software and IP modules are critical and lay the foundation to IC design. Followed by IC design companies, the economic value of which is also high as IC design directly affects the performance of IC products. The economic value of IC manufacturers is slightly lower than that of IC design companies but higher than that of distributors, because IC manufacturing capabilities are also essential to the completion and subsequent sales of IC products. Assembling and testing companies have the lowest economic value, because the assembling and testing processes have limited add-on value and do not have high requirements of specific technical skills. Our fabless model and our possession of the only full-stack analog IC design platform in China that has achieved technical breakthroughs in both EDA software and IP module design have collectively enabled us to take up the two components with the highest economic value in the entire value chain.

***EDA and IP: Cornerstones to IC Design***

Given the complexity of IC design, EDA software that enables electronic computer-aided design and simulation of layout, and IP modules that can be incorporated into layout to achieve specific functions, are cornerstones to IC design companies.

- *EDA underpins IC design by providing essential support.*

The significance of EDA tools lies in their ability to guarantee design accuracy, enhance performance of designed products, and shorten both IC design cycles and product testing and verification periods.

In recent years, due to the significant advancements in AI and related technologies, IC design process has transitioned towards a smarter, more automated direction. By employing intelligent and automated EDA software, IC design engineers can now accomplish their goals more efficiently with a higher degree of precision. As the pace of development of the analog EDA market lags behind that of digital EDA market, more opportunities are created. Meanwhile, in the absence of timely and individual support from third-party EDA vendors, self-developed EDA is crucial to rapidly adapting to changes in downstream customers' demand.

- *IP is an integral component of IC design.*

By incorporating multiple IP modules into complex ICs, design engineers can circumvent the need for repetitive work, effectively shorten design cycles and boost IC design success rates. In addition, as different IP modules with multiple functionalities are developed from and will be adapted to manufacturing processes, IC design companies can align their design with foundries' manufacturing processes, achieving products with optimal performance and high reliability and efficiency.

In the long run, low-cost, standardized IC designs depend on the long-term development of essential and foundational IP technologies. By possessing a diverse and comprehensive IP portfolio, IC design companies can expand their design capabilities. This, in turn, allows them to provide downstream customers with a wider range of choices and ultimately strengthens their competitive position in the market.

With the continuous evolution and increasing importance of EDA and IP, IC design companies, especially analog IC design companies equipped with self-developed EDA tools and profound IP modules, will be highly valued.

**Market Segmentation**

In terms of downstream demand for IC products, the IC market in China can be further segmented by delivery forms (including patterned wafers and finished ICs) and types (including digital ICs and analog ICs).

***Segmentation by Delivery Form: Patterned Wafers and Finished ICs***

Patterned wafers are wafers with built-on circuits that become finished ICs after packaging and testing processes. Compared to traditional IC design companies that typically provide finished ICs, patterned wafer suppliers cater to the flexible needs of downstream customers. These downstream customers primarily consist of small- to medium-scale IC design companies or system manufacturers.

In recent years, there has been a market trend among the downstream customers shifting their demand from finished ICs to patterned wafers. Such trend mainly arise from the following reasons:

- *Increase the efficiency in launching finished IC products*. It is time-costly and expensive for small- to medium-scale IC design companies to rely on their in-house design team for design and development of IC products and communication of complicated parameter requirements of manufacturing processes with foundries, especially considering the diversified types of products and small demand of a single type of product in the long-tail analog IC sector. By purchasing patterned wafers with built-on circuits, IC design companies with limited design capacity and operational scale are able to focus on provision, sales and marketing of their self-branded finished IC products in an efficient and effective manner.

- *Provide flexible packaging and assembling options*. With advanced packaging technologies, such as SiP or CoB, patterned wafers of different functions can be packaged in a single IC, maintaining a smaller size while reaching higher integration level. Therefore, system manufacturers purchase patterned wafers rather than finished ICs for flexibility in their subsequent packaging and test and prevention of repeated packaging wastes. Moreover, the packaging and test processes are standardized and inexpensive. System manufacturers can increase their competitiveness in the price-sensitive market as they lower their costs by purchasing patterned wafers instead of finished ICs.

- *Achieve customized functions*. Patterned wafers are chiplet-ready. They can be fabricated into small, modular chips that can be combined to form a more complex chip. This provides downstream customers with possibilities to achieve their customized functions, giving them more design flexibility and optimizing their products' performance.

According to Frost & Sullivan, the add-on value of packaging and testing processes does not have a comparably high add-on value of design process. This results in a lower gross profit margin of a finished IC product in spite of its slightly higher selling price, as compared to a patterned wafer.

***Segmentation by Type: Digital ICs and Analog ICs***

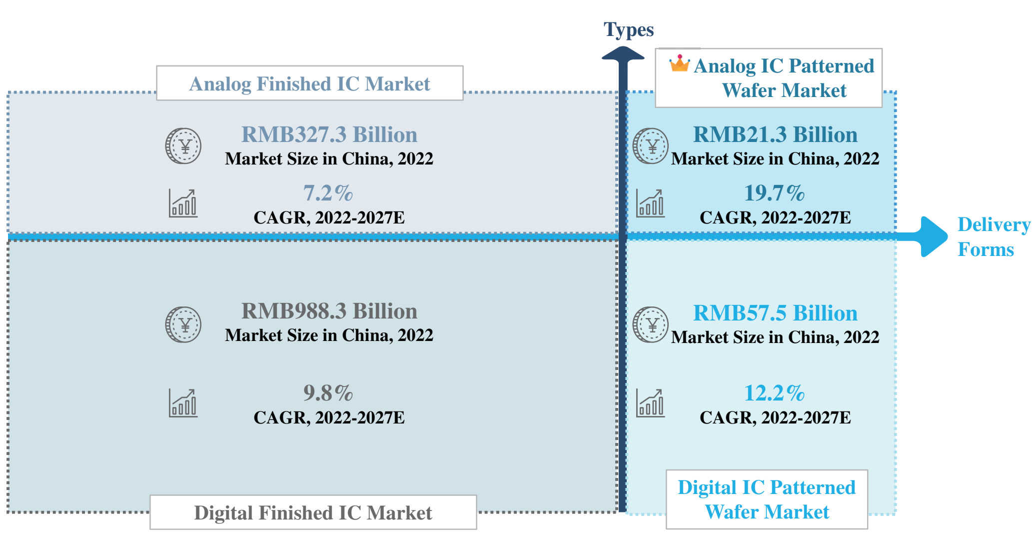
Digital ICs are specifically designed to process digital signals, the operations of which are based on digital logic. Digital ICs are used in applications that have well defined signals – high and low. These two working states tend to represent binary data. Digital circuits manipulate the input signals to get the desired outcome. Digital ICs can perform a wide variety of functions, including data storage, data processing, and data communication. Examples of digital ICs include microprocessors, memory chips, and application-specific integrated circuits (ASICs). Compared to digital ICs that process binary digital signals, analog ICs process continuous physical analog signals observed in the nature, enabling them to work with varying signal levels. Analog ICs are used in applications where the signals are continuous and can change instantaneously. The parameters of these signals such as amplitude and frequency keep changing. Analog ICs are used to amplify, filter, or otherwise manipulate real world signals. Examples of analog ICs include operational amplifiers (op-amps), analog-to-digital converters (ADCs), and digital-to-analog converters (DACs). As digital ICs and analog ICs are used in different applications for different purposes and operate in different ways, there is no overlapping, competition, or replacement relationships between them, according to Frost & Sullivan.

The design of digital ICs and analog ICs are substantially different. When designing digital ICs, engineers focus on constantly enhancing computational capabilities by increasing the number of logic gates and boosting integration levels. Conversely, analog IC design revolves around the actual circuit layout, which involves fine-tuning and making trade-offs based on specific product requirements. As such, well functioned supporting tools for analog IC design, such as EDA software and IPs, are more scarce than those for digital IC design, leading to a more heavily reliance on manual input and skilled engineers in analog IC design.

**Our Market Position in the IC Industry in China**

We have placed a strong emphasis on the analog IC patterned wafer market, which represents a key area of growth at the intersection of the patterned wafer and analog IC markets. According to Frost & Sullivan, the analog IC patterned wafer market in China will experience significant and consistent expansion from 2022 to 2027. The size of the analog IC patterned wafer market in China is expected to reach RMB52.2 billion by 2027 at a notable CAGR of 19.7% from 2022 to 2027, significantly exceeding the pace of development of the other three sub-markets in the IC industry in China.

The following chart illustrates the market size and expected growing pace of all the four sub-markets in the IC industry in China:




*Source: Frost & Sullivan Report*

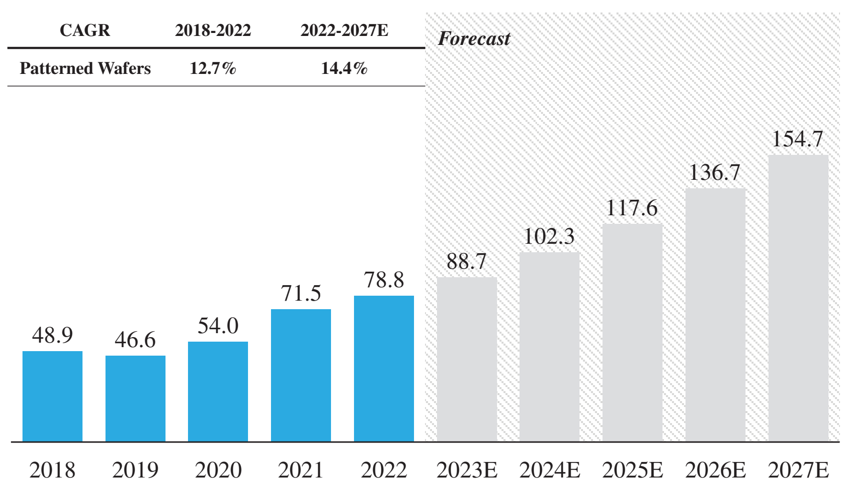
## THE PATTERNED WAFER MARKET IN CHINA

### Overview

According to Frost & Sullivan, the patterned wafer market in China has become an emerging trend, benefiting from substantial market demands and favorable industry policies. The size of the patterned wafer market in China has grown from RMB48.9 billion in 2018 to RMB78.8 billion in 2022 at a CAGR of 12.7% from 2018 to 2022, and is expected to reach RMB154.7 billion by 2027 at a CAGR of 14.4% from 2022 to 2027.

The following chart shows the market size of patterned wafers in China:

**Market Size of Patterned Wafers in China, by Revenue**
**RMB in Billions, 2018-2027E**




*Source: Frost & Sullivan Report*

**Competitive Landscape of the Patterned Wafer Market in China**

The patterned wafer market in China is highly fragmented, composed of a large number of small to medium scaled patterned wafer providers. According to Frost & Sullivan, in 2022, we ranked the fourth among all companies of the patterned wafer market in China in terms of revenue, accounting for a market share of approximately 0.4%. The following chart demonstrates the revenue and market share of the top five companies of the patterned wafer market in 2022:

**Top 5 Companies of the Patterned Wafer Market in China, by Revenue**

| Ranking | Market Player | Revenue in 2022 (RMB in millions) | Market Share |
|---|---|---|---|
| 1 | Company A[(1)] | 618.8 | 0.8% |
| 2 | Company B[(2)] | 473.1 | 0.6% |
| 3 | Company C[(3)] | 412.3 | 0.5% |
| 4 | BaTeLab (貝克微) | 352.5 | 0.4% |
| 5 | Company D[(4)] | 330.1 | 0.4% |

*Source: Frost & Sullivan Report*

*Notes:*

(1) Company A is a global semiconductor company headquartered in the U.S. and listed on the NASDAQ in 1985. It operates with a fabless model to design various ICs.

(2) Company B is a global semiconductor company headquartered in the U.S. and listed on the NASDAQ in 1971. It operates with a fabless model to design various ICs.

(3) Company C is a global semiconductor company headquartered in the U.S. and listed on the NASDAQ in 2012. It operates with an IDM model to design and manufacture semiconductors and various ICs.

(4) Company D is a global semiconductor company headquartered in the South Korea and listed on the Korea Stock Exchange. It operates with an IDM model to design and manufacture semiconductors and various ICs.

The unnamed competitors in the above and following charts include (in alphabetical order): 3PEAK Inc., Ltd., Hangzhou Silan Microelectronics Co., Ltd., Intel Corporation, Joulwatt Technology Co., Ltd., NOVOSENSE Microelectronics, Qualcomm Technologies, Inc., SG Micro Corp, SK Hynix Semiconductor Inc., STMicroelectronics N.V. and Texas Instruments Inc.

## THE ANALOG IC MARKET IN CHINA

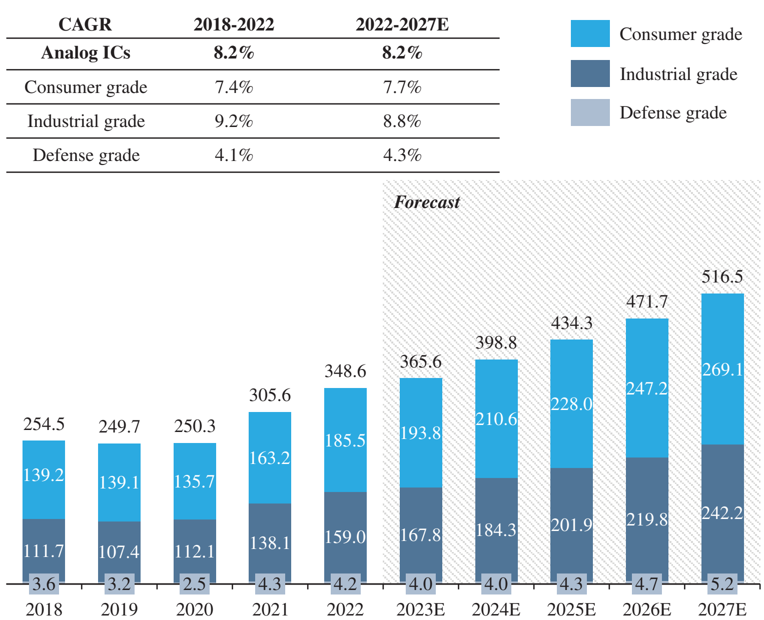
### Overview

According to Frost & Sullivan, China has the largest market for analog ICs. Driven by the end market applications, the analog IC market in China is growing rapidly. The market size of the analog IC market in China increased from RMB254.5 billion in 2018 to RMB348.6 billion in 2022 at a CAGR of 8.2% from 2018 to 2022, and is expected to reach RMB516.5 billion in 2027 at a CAGR of 8.2% from 2022 to 2027. Analog ICs can be roughly divided into three categories, namely consumer grade, industrial grade and defense grade. Consumer grade ICs are ICs that can work at a range of temperature conditions from 0°C to 70°C. They are designed for products of daily-use consumer electronics, such as smartphones, televisions, and laptops. Industrial grade ICs are ICs that can work at a range of temperature conditions from -40°C to 85°C. They are designed for use in a wide range of industrial application scenarios, and normally have a better performance in quality and reliability than consumer grade ICs. Defense grade ICs are ICs that can work at a range of temperature conditions from -55°C to 125°C. They are designed for use in military applications, such as radars, communication systems and weapon systems. The harsh use scenarios place the highest requirements on defense grade ICs. Compared to the other categories, industrial grade analog IC market grows at the fastest pace from 2018 to 2022 and from 2022 to 2027, respectively, demonstrating great potentiality.

The following chart demonstrate the market size of analog ICs in China:

**Market Size of Analog ICs in China, by Revenue**
**RMB in Billions, 2018-2027E**

| CAGR | 2018-2022 | 2022-2027E |
|---|---|---|
| **Analog ICs** | **8.2%** | **8.2%** |
| Consumer grade | 7.4% | 7.7% |
| Industrial grade | 9.2% | 8.8% |
| Defense grade | 4.1% | 4.3% |




*Source: Frost & Sullivan Report*

## The Industrial Grade Analog IC Market in China

### *Overview*

The industrial grade ICs are typically used for specific applications, including automotive electronics, healthcare, industrial automation, industrial Internet of Things, industrial lighting, instrumentation, communications, electric power, energy storage and consumer electronics sectors, which require high performance, durability, and stability under harsh conditions. Benefiting from the trend of intelligent automation and digital transformation in industrial applications, the demand for industrial grade analog ICs is expected to boost, leading to a growing market size. According to Frost & Sullivan, the market size of the industrial grade analog IC market in China reached RMB159.0 billion in 2022, and is expected to reach RMB242.2 billion by 2027 at a CAGR of 8.8%.

### *Competitive Landscape of the Industrial Grade Analog IC Market in China*

The industrial grade analog IC market in China is relatively fragmented, characterized by a large number of market players. According to Frost & Sullivan, we ranked the fifth among all fabless companies in China of the industrial grade analog IC market in terms of revenue in 2022, accounting for a market share of approximately 0.5%. As the market demand continues to grow, it is anticipated that future integration will give rise to the market share of core market players with significant capabilities.

The following chart shows the revenue and market share of the top five fabless companies of the industrial grade analog IC market in terms of revenue in 2022:

**Top 5 Fabless Companies of the Industrial Grade Analog IC Market in China, by Revenue**

| Ranking | Market Player *(Fabless Model)* | Revenue in 2022 (RMB in millions) | Market Share |
|---|---|---|---|
| 1 | Company E[(1)] | 1,148.3 | 1.7% |
| 2 | Company F[(2)] | 1,089.1 | 1.6% |
| 3 | Company G[(3)] | 916.8 | 1.4% |
| 4 | Company H[(4)] | 451.2 | 0.7% |
| 5 | BaTeLab (貝克微) | 352.5 | 0.5% |

*Source: Frost & Sullivan Report*

*Notes:*

(1) Company E is a semiconductor company headquartered in China and listed on the SSE STAR Market in 2020. It operates with a fabless model to design various ICs.

(2) Company F is a semiconductor company headquartered in China and listed on the SSE STAR Market in 2022. It operates with a fabless model to design various ICs.

(3) Company G is a semiconductor company headquartered in China and listed on the SSE STAR Market in 2022. It operates with a fabless model to design various ICs.

(4) Company H is a semiconductor company headquartered in China and listed on the Shenzhen Stock Exchange ChiNext in 2017. It operates with a fabless model to design various ICs.

According to Frost & Sullivan, we enjoy obvious competitiveness in technical capabilities, especially in-depth capabilities in automated IC design, product category coverage and downstream application coverage, as compared to other market players in China. The following graph shows a comparison of core capabilities of leading industrial grade analog IC design companies operating with a fabless model in China:

**Core Capabilities of Leading Industrial Grade Analog IC Design Companies (Fabless) in China**

| | Company E | Company F | Company G | Company H | BaTeLab (貝克微) |
|---|---|---|---|---|---|
| Automated IC Design Capabilities[1] | ◐ | ◔ | ○ | ○ | ◕ |
| Number of Patents and Proprietary Rights | ◐ | ◔ | ● | ◕ | ◐ |
| Product Category Coverage of Industrial-grade Analog ICs | ◐ | ◐ | ◕ | ◔ | ◕ |
| Downstream Application Coverage of Industrial-grade Analog ICs | ◐ | ◐ | ◐ | ◔ | ◕ |

● *Most competitive*
○ *Least competitive*

*Note:*

(1) Automated IC design capabilities typically include capabilities that can realize efficient standardized design of analog IC products, such as EDA software and IP modules.

*Source: Frost & Sullivan Report*

According to Frost & Sullivan, we have robust automated IC design capabilities as compared to our competitors due to our proprietary EDA software and IP modules. We have built the only full-stack analog IC design platform in China that has achieved technical breakthroughs in both EDA software and IP module design, according to Frost & Sullivan. See "Business – Our Analog IC Design Platform" for details. Moreover, we possess a comprehensive patents and proprietary rights. As of the Latest Practicable Date, we possessed over 300 patents and proprietary rights of IC layout design, while two of our major competitors possessed approximately 700 to 1,000 patents and proprietary rights of IC layout design, and the other two major competitors possessed approximately 180 to 300 patents and proprietary rights of IC layout design. Overall, we stand out among major industrial grade analog IC design companies in China in terms of core capabilities.

## THE ANALOG IC PATTERNED WAFER MARKET IN CHINA

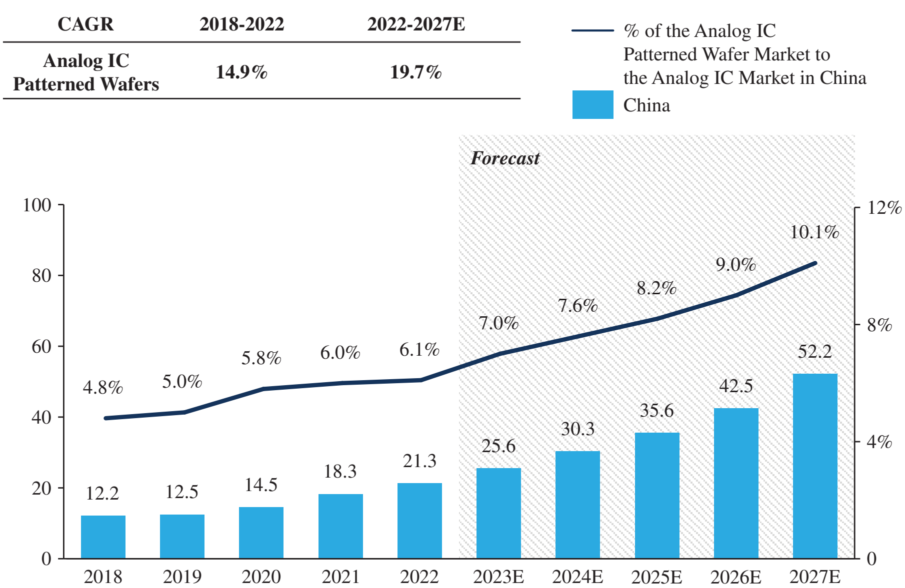
### Overview

Benefiting from substantial market demands and favorable industry policies, the analog IC patterned wafer market in China demonstrates a positive development trend and steadily growing market scale due to the long lifecycle and dispersed application scenarios of analog IC patterned wafers. According to Frost & Sullivan, the market size of the analog IC patterned wafer market in China has grown from RMB12.2 billion in 2018 to RMB21.3 billion in 2022 at a CAGR of 14.9% from 2018 to 2022, and is expected to reach RMB52.2 billion by 2027 at a CAGR of 19.7% from 2022 to 2027. Furthermore, the proportion and significance of the analog IC patterned wafer market among the entire analog IC market in China has continued to increase, accounting for 4.8% in 2018 and is expected to reach 10.1% in 2027.

The following chart illustrates the market size of analog IC patterned wafers in China:

**Market Size of Analog IC Patterned Wafers in China, by Revenue**
**RMB in Billions, 2018-2027E**

| CAGR | 2018-2022 | 2022-2027E |
|---|---|---|
| Analog IC Patterned Wafers | 14.9% | 19.7% |




*Source: Frost & Sullivan Report*

**Competitive Landscape of the Analog IC Patterned Wafer Market in China**

Frost & Sullivan has advised that it has taken into consideration all companies, whether domestic or international, that provide analog IC patterned wafers in China in preparing the competitive landscape. According to Frost & Sullivan, we enjoy a prominent position in the analog IC patterned wafer market in China, ranking the first in terms of revenue generated from analog IC patterned wafers in 2022 with a market share of 1.7%. The analog IC patterned wafer market in China is a relatively fragmented market, with the aggregate market share of the top five companies accounting for only 5.0% in 2022. Small scaled patterned wafer providers may fail to meet the increasing demands of downstream customers arising from the more and more diverse use scenarios of patterned wafers, enabling the top players in the market to achieve significant first mover advantages. As a result, the market share of leading companies is expected to further expand.

The following chart shows the revenue and market share of the top five analog IC patterned wafer companies in China:*

**Top 5 Analog IC Patterned Wafer Companies in China, by Revenue**

| Ranking | Market Player | Revenue in 2022 (RMB in millions) | Market Share |
|---|---|---|---|
| 1 | BaTeLab (貝克微) | 352.5 | 1.7% |
| 2 | Company C[(1)] | 263.1 | 1.2% |
| 3 | Company I[(2)] | 149.6 | 0.7% |
| 4 | Company E[(3)] | 147.6 | 0.7% |
| 5 | Company J[(4)] | 139.5 | 0.7% |

*Source: Frost & Sullivan Report*

* In preparing the competitive landscape of analog IC patterned wafer market in China, Frost & Sullivan has taken into account the direct and indirect competitions from other sub-markets in the IC industry and the imported products in the global IC markets to the extent applicable. IC products of different functions and application scenarios have different specifications and are irreplaceable, and only those products with the same functions and application scenarios can compete, directly or indirectly, with each other. Frost & Sullivan has not taken into account the companies providing products with fundamentally different specifications or functions from those of our products (such as the companies focusing on the design of digital ICs only), or different delivery forms (such as the companies focusing on providing chip products only), but has taken into account all companies, whether domestic or international, that provide analog IC patterned wafers. Frost & Sullivan further advises that, in preparing the competitive landscape of industrial grade analog ICs in China, it has taken into account all companies, whether domestic or international, that provide industrial grade analog ICs (including patterned wafers and chip products), due to the overlap of downstream customers of these products to a certain extent. See "– The Analog IC Market in China – The Industrial Grade Analog IC Market in China – Competitive Landscape of the Industrial Grade Analog IC Market in China."

*Notes:*

(1) Company C is a global semiconductor company headquartered in the U.S. and listed on the NASDAQ in 2012. It operates with an IDM model to design and manufacture semiconductors and various ICs.

(2) Company I is a global semiconductor company headquartered in Switzerland and listed on the Euronext Paris in 1994. It operates with an IDM model to design and manufacture semiconductors and various ICs.

(3) Company E is a semiconductor company headquartered in China and listed on the SSE STAR Market in 2020. It operates with a fabless model to design various ICs.

(4) Company J is a semiconductor company headquartered in China and listed on the Shanghai Stock Exchange in 2003. It operates with an IDM model to design and manufacture semiconductors and various ICs.

## Market Drivers of the Analog IC Patterned Wafer Market in China

### *Surge in IC Design Companies in China Driving Growth in the Analog IC Patterned Wafer Market*

IC design companies play a vital role in the downstream market of analog IC patterned wafers. According to Frost & Sullivan, in 2022, the self-sufficiency rate of analog IC in China was only 13%. This presents significant potential for domestic analog IC design companies to step in and substitute imports to meet downstream customers' increasing demands. The Chinese government has also launched a series of favorable policies to encourage the development of IC design companies and the localization of IC products. These policies include regular tax benefits applicable to companies engaging in IC design, and industry promotion and support to IC design and electronics companies. Specifically, the 14th Five-Year Plan for National Informatization (《"十四五"國家信息化規劃》) promulgated by the Central Cyberspace Affairs Commission in December 2021 promotes the innovation and acceleration, among others, of IC design tools. The Announcement on Enterprise Income Tax Policies for the Integrated Circuit Design and Software Industries (《關於集成電路設計和軟件產業企業所得稅政策的公告》) promulgated by the MOF and STA in May 2019 includes tax exemptions and preferential taxes for IC design companies that meet certain conditions for a maximum of five years. The Three-Year Action Plan for Expanding and Upgrading Information Consumption (2018-2020) (《擴大和升級信息消費三年行動計劃(2018-2020年)》) issued by the NDRC and the MIIT in August 2018 supports and encourages the development of intelligent EVs, among others, and further promotes the R&D of key technologies and products in the designing and manufacturing processes, such as automotive ICs and autonomous driving operating systems. Driven by such demand along with supportive industry funding and favorable government policies, the number of IC design companies in China has grown rapidly over the past few years. As domestic IC design companies who cannot afford high R&D costs tend to cooperate with patterned wafer suppliers in the course of product development instead of performing in-house IC design to maintain a more efficient operation, the demand for analog IC patterned wafers correspondingly rises, making domestic analog patterned wafer providers more popular among downstream customers.

*Patterned Wafers Effectively Meeting Flexible Packaging Demand*

Advanced packaging technologies have emerged in recent years as new ways to continue improving the performance and functionality of ICs. As packaging technology continues to evolve, advanced packaging techniques such as SiP and CoB have become more widely used. Compared to traditional packaging methods that use pin connections, SiP and CoB are mainly processed on wafers. These technologies enable the integration of multiple unpackaged dies sliced from patterned wafers with diverse functions into a single package, providing significant benefits in terms of power consumption, performance, and size. Downstream customers who adopt these packaging techniques can avoid repetitive packaging of components and reduce production costs by purchasing patterned wafers. Furthermore, these techniques enable greater control over IC manufacturing process, leading to improved quality and consistency of the finished IC products, and in turn leading to an increasing demand for patterned wafers.

*Development of New Industries and Electric Trends Boosting Analog IC Patterned Wafer Market*

With the development of new industries such as big data, the Internet of Things, electric vehicles, cloud computing and 5G communication, demand for electronic devices is expected to rapidly increase in both quantity and variety. Industrial grade analog ICs, due to their reliable performance at a wide range of temperatures, are being increasingly applied in different downstream applications. In the future, with the explosion of demand in these emerging application fields, the analog IC patterned wafer industry is expected to maintain a high momentum in the medium and long run. In specific, the rising application of automotive electrification and the increasing demand for industrial energy conservation are expected to lead the upgrading of analog IC patterned wafers. The ongoing transition towards electrification in the automotive industry is expanding the application limits of analog ICs in this field, subsequently increasing their value per vehicle. As new energy vehicles continue to gain popularity and industries undergo digital transformation, the analog IC patterned wafer market, especially industrial grade analog IC segment, is likely to experience an upward trend.

**Entry Barriers of the Analog IC Patterned Wafer Market in China**

*Design Efficiency Leading to Strong Competitive Edges*

In the highly fragmented market of analog IC patterned wafers, design efficiency is a key element for the market players to maintain their competitive advantages. Gaining self-sufficiency and control over core technologies, such as EDA and IP, is vital for IC design companies in order to boost design efficiency and establish a strong competitive edge. By deepening their technical expertise and mastery, these companies can make low-cost and standardized IC design more feasible, ultimately catering to a diverse range of user requirements more effectively.

***First Mover Advantages in Forming Economies of Scale***

Downstream customers in the analog IC patterned wafer market tend to choose reliable, industry-leading suppliers due to the long lifecycle nature of analog products. This leads to strong reluctance to switch patterned wafer suppliers. As a result, established leading companies with first mover advantages are better positioned to form economies of scale, which in turn enhances their overall competitiveness.

***Maintaining an Extensive and Versatile Product Portfolio***

The market of analog IC patterned wafers is quite diverse, encompassing a multitude of products with unique performance specifications designed for different application needs. It is essential for analog IC patterned wafer design companies, especially industrial grade analog IC patterned wafer design companies, to maintain an extensive and versatile product portfolio to address the wide-ranging requirements from their downstream customers. This diverse product offering not only helps meet downstream customers' demands but also serves as a critical factor in maintaining a competitive edge in the market.

***Customer and Brand Recognition***

To ensure the successful market launch of products, support from existing customers is necessary, along with continuous expansion of new customers and sales channels to build brand recognition. Analog IC patterned wafer suppliers, especially industrial grade analog IC patterned wafer suppliers that can enter the downstream supply chain, have gone through a long process of selection and brand recognition building. It is very challenging for new entrants to be listed among the supplier candidates of downstream customers.

***Collaboration with Other Players in the Value Chain***

For analog IC patterned wafer design companies, the accumulation of resources from collaborating with other players in the value chain, including channel partners and foundries, is the foundation for survival and development. Wafer production lines with advanced processing technologies are relatively scarce. To ensure product quality, control costs, and maintain stable production capacity supply, analog IC patterned wafer design companies need to establish close relationships with major players in the value chain.

**Future Trends of the Analog IC Patterned Wafer Market in China**

***Growing Importance of EDA and IP for Analog IC Patterned Wafer Design Companies***

As market demand continues to change and technologies continue to upgrade, the ability for analog IC patterned wafers design companies to perform independent R&D activities is becoming increasingly important for their competitiveness. With such ability, analog IC patterned wafer design companies can provide cost-effective patterned wafer solutions, which is the key factor downstream customers will take into account when choosing patterned wafer providers. Analog IC patterned wafers design companies equipped with in-house EDA software and IP libraries can quickly improve design efficiency, thus reducing product development cycles and costs. As a result, it is expected that more and more analog IC patterned wafer design companies will choose to develop in-house EDA software and accumulate IP libraries so as to provide cost-effective solutions in an efficient manner.

***Increasing Proportion of Industrial Grade Analog IC Patterned Wafers***

Recently, the application scenarios of analog IC patterned wafers are shifting from consumer electronics to high-performance sectors such as industrial and automotive. The competition in the consumer grade patterned wafer market is constantly intensifying, squeezing profit margins. Meanwhile, gross profit margins of industrial grade analog IC patterned wafer markets are expected to increase due to the high technology requirements in these sectors. The application scenarios of analog IC patterned wafers is anticipated to shift from the low-end consumer electronics market to the high-end industrial and automotive markets, leading to an increasing proportion of industrial grade products in the analog IC patterned wafer market.

***Prominent Demand for Differentiated Patterned Wafer Design***

As new and diverse scenarios continue to emerge, scenario demands are becoming increasingly differentiated and personalized. Standardized patterned wafers are struggling to keep up with the specific requirements of these scenarios, such as high processing power or low power consumption, leading to limitations in their applications. As a result, more and more manufacturers are seeking differentiation through the procurement of customized patterned wafers.

## RAW MATERIAL PURCHASE PRICE IN THE ANALOG IC PATTERNED WAFER MARKET

### Factors Affecting the Raw Material Purchase Price

For companies operating with a fabless model, the raw material purchase price is that of untested foundry-manufactured patterned wafers. In recent years, untested patterned wafer purchase price, average selling price and gross profit margin of analog IC patterned wafers are impacted by the composition of several factors, including, among others, price of manufacturers' direct raw materials (in particular, silicon wafers), specifications, parameters and processes of products, foundry's capacity, and downstream application scenarios. The purchase price of untested patterned wafers is primarily affected by manufacture processes adopted by foundries that fabricate silicon wafers into ICs or patterned wafers with specific functions and application scenarios as well as the market demand of foundries' manufacturing capacity. As a result, fluctuations in the price of manufacturers' direct raw materials (i.e. silicon wafers) alone do not have a direct impact on the average selling price and gross profit margin of products in the analog IC patterned wafer market, especially for companies operating with a fabless model who do not directly purchase raw materials for purposes of manufacturing. The fluctuations in the price of each of the factors above may have an impact on the average overall purchase price and average selling price of analog IC patterned wafer products.

**Recent Trend of Raw Material Purchase Price**

According to Frost & Sullivan, the untested patterned wafer purchase price primarily depends on the specific manufacturing processes that fabricate silicon wafers into ICs with specific functions and application scenarios as well as the market demand of foundries' manufacturing capacity. Generally speaking, more complicated manufacturing processes adopted by foundries in accordance with the specific IC design requirements lead to higher prices of untested patterned wafers. A patterned wafer with more stringent requirements for size and integration level costs a higher purchase price. Therefore, the purchase price vary among companies with different product offerings in the industry. With the overall advancement in manufacturing process technologies in recent years, such price shows an upward trend. Specifically, the industry average raw material purchase price of untested foundry-manufactured analog IC patterned wafers was approximately RMB2,500 to RMB4,500 in 2020, RMB2,800 to RMB5,000 in 2021, and RMB3,000 to RMB5,300 in 2022, respectively, which was primarily due to (i) a switch in the downstream market demand from consumer grade IC products to industrial grade IC products (which have higher unit prices), and (ii) the overall shortage in manufacturing capacity from the second half of 2020 to the first half of 2021 due to the rapid growth in market demand for IC products. Although the shortage in manufacturing capacity has been eased since the second half of 2021, due to the continuous switch from consumer grade IC products to industrial grade IC products, the industry untested patterned wafer purchase price is expected to experience a slight increase in the next three years.

**Recent Trend of Silicon Wafer Purchase Price**

According to Frost & Sullivan, the price of silicon wafers experienced an overall increase from 2020 to 2022. The purchase price of silicon wafers increased from US$0.9 per square inch in 2020 to US$1.0 per square inch 2021 and further to US$1.3 per square inch in 2022. Due to weak demand and the consequent oversupply, the purchase price of silicon is expected to decrease from US$1.3 per square inch in 2022 to US$1.0 per square inch in 2023, and continue to decrease to US$0.7 per square inch in 2024, according to Frost & Sullivan. Such oversupply is expected to last until 2025, with an expected purchase price of silicon wafers being US$0.9 per square inch in 2025, according to Frost & Sullivan. However, due to an insignificant portion (typically no more than 4.5%) that the silicon wafer purchase price accounts for in the untested patterned wafer purchase price, the fluctuations in the price of silicon wafers do not have a material adverse impact on the purchase price of untested patterned wafers.

## THE PRC LAWS, REGULATIONS AND POLICIES

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

## LAWS, REGULATIONS AND POLICIES RELATING TO THE IC INDUSTRY

On March 5, 2023, the first session of the 14th National People's Congress reviewed and approved the Report on the Implementation of the Central and Local Budgets for 2022 and Draft Central and Local Budgets for 2023 (《關於2022年中央和地方預算執行情況與2023年中央和地方預算草案的報告》), and the Draft Central and Local Budgets for 2023 (《2023年中央和地方預算草案》) (the "**Draft Budgets**"). The Draft Budgets pointed out that the main revenue and expenditure policies for 2023 include promoting the optimization and upgrading of the industrial structure, insisting on building industrial development on the basis of scientific and technological support, and promoting the improvement of the industrial technological innovation system. The special funds for industrial foundation reconstruction and high-quality development of manufacturing industry will be RMB13.3 billion, with an increase of RMB4.4 billion, and will focus on supporting the development of key industries such as integrated circuits.

According to the Notice of "14th Five-Year Plan" for the Development of Digital Economy (《"十四五"數字經濟發展規劃的通知》), promulgated by the State Council on December 12, 2021, during the "14th Five-Year Plan" period, the promotion of digital industrialization should be accelerated to make up for key technical shortcomings. Optimizing and innovating organizational methods such as "selecting the best candidates via open competition mechanism" ("揭榜掛帥"), 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.

The National People's Congress (the "**NPC**") promulgated 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》) on March 11, 2021, proposing to foster advanced manufacturing clusters and promote Industrial innovation and development of integrated circuits, aerospace, ship and ocean engineering equipment, robots, advanced rail transit equipment, advanced power equipment, construction machinery, high-end CNC machine tools, medicine, and medical equipment. Focusing on key areas such as high-end chips, operating systems, key algorithms for artificial intelligence, and sensors, and accelerating breakthroughs in research and development and iterative applications of basic theories, basic algorithms, and equipment materials. Strengthening the integrated research and development of general-purpose processors, cloud computing systems, and software core technologies. Accelerating the deployment of cutting-edge technologies such as quantum computing, quantum communication, neural chips, and DNA storage; strengthening cross-innovation in basic disciplines such as information science, life science, and materials; supporting the development of innovative consortia such as digital technology open source communities, and improving open source intellectual property rights and legal systems, encouraging enterprises to open software source code, hardware design and application services.

On July 27, 2020, the State Council announced Several Policies to Promote the High-quality Development of the IC Industry and the Software Sectors in the New Era (《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》), 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.

On November 19, 2017, the State Council promulgated the Guiding Opinions of the State Council on Deepening "Internet + Advanced Manufacturing" and Developing Industrial Internet (《國務院關於深化"互聯網+先進製造業"發展工業互聯網的指導意見》) (the "**Guiding Opinions**"). The Guiding Opinions encourage domestic and foreign enterprises to cooperate in tackling technical problems for weak links such as big data analysis, industrial data modeling, key software systems, and chips; it is recommended to implement relevant preferential tax policies, promote preferential enterprise income tax for software and integrated circuit industries, and encourage relevant enterprises to accelerate the development and application of industrial Internet.

In June 2014, 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, accelerate the development of the integrated circuit manufacturing industry, enhance the development level of the advanced packaging and testing industry, and make breakthroughs in the key equipment and materials for integrated circuits.

## LAWS AND REGULATIONS RELATING TO OVERSEAS LISTING

On February 17, 2023, the CSRC promulgated the Overseas Listing Trial Measures and five relevant guidelines, which became effective on March 31, 2023. Meanwhile, the Special Provisions of the State Council for the Share Offerings and Listings Overseas of Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) and the Circular of the State Council Concerning Further Strengthening the Administration of Share Issuance and Listing Overseas (《國務院關於進一步加強在境外發行股票和上市管理的通知》), which were previously the main institutional basis for overseas offering and listing by domestic enterprises, were repealed on March 31, 2023.

According to the Overseas Listing Trial Measures, PRC domestic enterprises which seek to issue and list securities in overseas markets by direct or indirect means are required to complete the filing procedures with and submit relevant materials to the CSRC. The Overseas Listing Trial Measures provides that an overseas offering and listing is prohibited if there is one of the following circumstances: (1) the listing is specifically prohibited for financing purposes by laws, administrative regulations, or applicable requirements imposed by the country; (2) the overseas offering and listing might endanger national security as reviewed and determined by competent authorities under the State Council in accordance with relevant laws; (3) the domestic enterprise or its controlling shareholders and de facto controllers have committed corruption, bribery, embezzlement, misappropriation of property, or other criminal offenses disruptive to the order of the socialist market economy in recent three years; (4) the domestic enterprise is currently under judicial investigations for suspicion of criminal offenses or materially breaching laws or regulations, where no definitive conclusions have been reached; or (5) there are material ownership disputes with respect to equity interests held by controlling shareholders or equity interests held by other shareholders controlled by controlling shareholders and/or de facto controllers.

The Overseas Listing Trial Measures also provides that if the issuer meets both the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as an indirect overseas offering and listing by PRC domestic enterprises: (1) the amount of any of the operating revenue, total profit, total assets or net assets of the domestic enterprise represents over 50% of that of the relevant item in the issuer's audited consolidated financial statements for the most recent fiscal year; and (2) the main parts of the issuer's business activities are conducted in mainland China, or its principal place of business is located in mainland China, or the majority of senior management in charge of its business operations and management are PRC citizens or have their usual place of residence located in mainland China. Where an issuer submits an application for an initial public offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted. The Overseas Listing Trial Measures also requires subsequent reports to be filed with the CSRC on material events, such as a change of control or voluntary or forced delisting of the issuer who has completed an overseas offering and listing.

In addition, in order to further strengthen the confidentiality and archives administration in connection with overseas offerings and listings of domestic enterprises, clarify information security responsibilities of listed companies, maintain national information security, and deepen cross-border regulatory cooperation, the CSRC, the MOF, the National Administration of State Secrets Protection, and the National Archives Administration revised the Provisions on Strengthening Confidentiality and Archives Administration Concerning Overseas Securities Offerings and Listings (CSRC Announcement [2009] No. 29) (《關於加強在境外發行證券與上市相關保密和檔案管理工作的規定》(證監會公告[2009]29號)), and promulgated the Provisions on Strengthening Confidentiality and Archives Administration Concerning Overseas Securities Offerings and Listings by Domestic Enterprises (CSRC Announcement [2023] No. 44) (《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》(證監會公告[2023]44號)) ("**Provisions on Confidentiality and Archives Administration**") on February 24, 2023. To align with the Overseas Listing Trial Measures, "domestic enterprises" in the Provisions on Confidentiality and Archives Administration are defined as enterprises that include domestic joint stock companies that are to directly offer and list their securities overseas and domestic operating entities that are to indirectly offer and list their securities overseas. At the same time, procedural requirements have been added to the Provisions on Confidentiality and Archives Administration which also clarifies the requirements of enterprises' confidentiality responsibilities and accounting archives administration.

## LAWS AND REGULATIONS RELATING TO CYBERSECURITY AND DATA PROTECTION

### Cybersecurity

According to the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) promulgated by the Standing Committee of the National People's Congress ("**SCNPC**") on November 7, 2016 and came into effect on June 1, 2017, the State promotes the construction of a socialized service system for cybersecurity and encourages relevant enterprises and institutions to provide security services such as cybersecurity certification, testing and risk assessment. Critical information infrastructure operators that intend to purchase internet products and services that may affect national security must be subject to the national security review organized by the national cyberspace authority in conjunction with relevant departments under the State Council. Furthermore, operators of key information infrastructure shall, during their operations in the PRC, store the personal information and important data collected and produced within the territory of the PRC. Where cross-border transfer of such data is necessary for business, a security assessment shall be conducted in accordance with the measures formulated by the national cyberspace authority in conjunction with the relevant departments under the State Council.

On June 10, 2021, the SCNPC promulgated the Data Security Law of the PRC (《中華人民共和國數據安全法》) (the "**Data Security Law**"), effective from September 1, 2021. According to the Data Security Law, the State supports research on data development and utilization and data security technologies, encourages the promotion of technologies and commercial innovation in the fields of data development and utilization and data security, and nurtures and develops data development and utilization and data security products and industrial systems. The State also supports education and scientific research institutions and enterprises to carry out education and training on data development and utilization technologies and data security, and adopts various means to train professionals in data development and utilization technologies and data security to promote the exchange of talents.

The Data Security Law also introduces a data classification and hierarchical protection system based on the materiality of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of persons or organizations when such data is tampered with, destroyed, divulged, or illegally acquired or used. Appropriate protection measures are required to be taken for each respective category of data. For example, a processor of important data shall designate the personnel and the management body responsible for data security, carry out risk assessments for its data processing activities, and file the risk assessment reports with the competent authorities; the central national security leadership organization is responsible for coordinating the decision-making and discussion of national data security matters. In addition, the Data Security Law provides that a national security review procedure should be performed for those data activities which may affect national security and export restrictions should be imposed on certain data and information. Without the approval of the competent PRC authorities, entities or individuals within the territory of the PRC may not provide foreign judicial or law enforcement authorities with the data stored within the territory of the PRC.

On July 30, 2021, the State Council promulgated the Regulations of Security Protection for Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), which went into effect on September 1, 2021. According to the Regulations of Security Protection for Critical Information Infrastructure, critical information infrastructure, or the CII, refers to any important network facilities or information systems of important industries and fields such as public communications and information services, energy, transportation, water conservancy, finance, public services, e-government affairs and national defense science, and other important ones whose damage, function loss or data leakage may endanger national security, people's livelihood and public interests. According to the Regulations, the competent departments and supervisory departments, which govern the important industries and fields, shall be responsible for organizing the identification of the CIIs in respective industries or fields, as the departments responsible for the security protection of the CIIs, and such departments should promptly notify the CII operators of the identification results, and notify the public security department of the State Council.

On November 14, 2021, the Cyberspace Administration of China (the "**CAC**") published the Administrative Regulations for Internet Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》), which provides that data processors conducting the following activities must apply for a cybersecurity review: (1) a merger, reorganization, or division to be conducted by an internet platform operator who has amassed a substantial amount of data resources that concern national security, economic development or public interests, which will or may impact national security; (2) a foreign listing to be conducted by a data processor processing the personal information of more than one million individuals; (3) a Hong Kong listing to be conducted by a data processor, which will or may impact national security; or (4) other data processing activities that impact or may have an impact on national security. The Administrative Regulations for Internet Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) has not yet been officially enacted and implemented.

On December 28, 2021, the CAC, the NDRC, the MIIT and several other PRC governmental authorities jointly promulgated the Cybersecurity Review Measures (《網絡安全審查辦法》), these Measures took effect on February 15, 2022 and replaced the former Cybersecurity Review Measures promulgated on April 13, 2020. Pursuant to the Cybersecurity Review Measures, a CII operator that purchases network products and services, or an internet platform operator that conducts data processing activities, which affect or may affect national security, shall be subject to a cybersecurity review according to the Measures. In addition, the internet platform operator which processes the personal information of more than one million users and intends to be listed on a foreign stock exchange must be subject to a cybersecurity review. And the Cybersecurity Review Office under the CAC is responsible for developing institutions and norms on cybersecurity review and organizing cybersecurity reviews.

**Data Export Security Assessment**

On July 7, 2022, the CAC issued the Measures for Data Export Security Assessment (《數據出境安全評估辦法》), which came into effect on September 1, 2022. According to the Measures, data processors are required to submit an application for data export security assessment to the national cyberspace administration through the provincial cyberspace administration in the following circumstances: (1) when the data processor provides important data to entities outside of China; (2) when CII operators and data processors handling personal information of over one million individuals provide personal information to entities outside of China; (3) when data processors who have provided personal information of 100,000 individuals or sensitive personal information of 10,000 individuals to entities outside of China cumulatively since January 1 of the previous year provide personal information to entities outside of China; and (4) in other circumstances specified by the CAC that require the submission of an application for data export security assessment.

In order to guide and assist data processors in submitting data export security assessments in a standardized and orderly manner, the CAC prepared the Guidelines for Data Export Security Assessment Application (Version 1.0) (《數據出境安全評估申報指南(第一版)》) in August 2022, which provide specific requirements for the method, process, and materials required for submitting a data export security assessment application.

## LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

According to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "**FIL**"), which was promulgated by the NPC on March 15, 2019 and came into effect on January 1, 2020, and the Implementation Rules for the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the "**Implementation Rules for the Foreign Investment Law**") promulgated by the State Council on December 26, 2019 and came into effect on January 1, 2020, the "foreign investment" refers to the investment activities in China carried out directly or indirectly by foreign natural persons, enterprises or other organizations. The State adopts the pre-entry national treatment and negative list management system 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 favorable than the treatment accorded to domestic investors and their investments. Negative list management system refers to a special administrative measure for the entry of foreign investment in specific sectors as imposed by the PRC. Foreign investors are prohibited from investing in any areas specified in the negative list, and must meet the conditions listed in the negative list before investing in any restricted areas. Investments, profits, and other legitimate rights and interests of foreign investors in China are protected by law, and various national policies supporting the development of enterprises are equally applicable to foreign-funded enterprises. The State guarantees the equal participation of foreign-funded enterprises in the formulation of standards and strengthens the information disclosure and social supervision of standard formulation. The State also ensures that foreign-funded enterprises participate in government procurement activities through fair competition in accordance with the law, and that the products and services provided by foreign-invested enterprises in China are treated equally in government procurement according to the law. Except under special circumstances, the State shall not expropriate any overseas investment.

According to the Measures for Reporting Foreign Investment Information (《外商投資信息報告辦法》) promulgated by MOFCOM and the SAMR on December 30, 2019 and effective on January 1, 2020, foreign investors directly or indirectly engage in investment activities within the territory of China, foreign investors or foreign-funded enterprises shall submit the investment information to competent departments for commerce in accordance with these Measures. Foreign investors or foreign-funded enterprises shall report investment information in a timely manner, follow the principles of truthfulness, accuracy, and completeness, shall not make false or misleading reports, and shall not have major omissions.

According to the Catalogue of Industries Encouraging Foreign Investment (2022 version) (《鼓勵外商投資產業目錄(2022年版)》), which was promulgated by NDRC and MOFCOM on October 26, 2022 and effective from January 1, 2023, as well as the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021 Edition) (《外商投資准入特別管理措施(負面清單)(2021年版)》) ("**Negative List**"), which was promulgated by NDRC and MOFCOM on December 27, 2021 and effective from January 1, 2022, foreign investment industries are divided into the Encouraged Industry Catalogue and the Negative List. The Negative List is further subdivided into the "Catalogue of Restricted Foreign Investment Industries" and the "Catalogue of Prohibited Foreign Investment Industries". Industries that are not included in the Negative List are considered as permitted foreign investment industries. Foreign investors are encouraged to invest in integrated circuit design, manufacturing of integrated circuit packaging and testing equipment, new electronic components manufacturing and other industries in China.

In addition, according to the Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》) promulgated by NDRC and MOFCOM on December 19, 2022 and effective from January 18, 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 for the Security Review of Foreign Investment. The State has established a mechanism for conducting security reviews of foreign investment, which is responsible for organizing, coordinating, and guiding such reviews. 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: (i) 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; (ii) 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.

## LAWS AND REGULATIONS ON INTELLECTUAL PROPERTIES

### Trademark

The Trademark Law of the PRC (《中華人民共和國商標法》) ("**Trademark Law**") promulgated by the SCNPC on August 23, 1982, last amended on April 23, 2019 and taking effect on November 1, 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 August 3, 2002, last amended on April 29, 2014 and taking effect on May 1, 2014 stipulate the application, examination and approval, renewal, modification, transfer, use and invalidation of trademark registration, and protect the exclusive right to use a trademark enjoyed by the trademark registrant. According to the Trademark Law and the Regulation on the Implementation of the Trademark Law of the PRC, the principle of "first-to-file" is adopted with respect to trademark registration in China. Where a trademark for which a registration has been made is identical or similar to an unregistered trademark that has been previously used by another person on the same kind of or similar commodities, the application for registration of such trademark may be rejected. The Trademark Office of China National Intellectual Property Administration ("**Trademark Office**") is responsible for the registration of trademarks. The valid period of a registered trademark shall be ten years from the date of approval of the registration. Upon expiry of the valid period, the registrant shall go through the formalities for renewal within twelve months prior to the date of expiry as required if the registrant needs to continue to use the trademark. If the registrant fails to do so within the period, an extension period of six months may be granted. Valid period for each renewal is ten years from the next day after expiry of the previous valid term. The Trademark Office shall announce the trademarks subject to renewal of registration.

Moreover, according to the Trademark Law 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》), the trademark registrant may, by concluding a trademark licensing contract, authorize others to use the registered trademark. For licensed use of a registered trademark, the licensor shall file record of the licensing of the said trademark with the Trademark Office, while non-filing of the licensing of a trademark shall not be contested against a good faith third-party. The licensor shall supervise the quality of the goods on which the licensee uses the licensor's registered trademark, and the licensee shall guarantee the quality of the goods on which the registered trademark is used.

### Patent

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》) ("**Patent Law**") promulgated by the SCNPC on March 12, 1984, amended on October 17, 2020 and effective on June 1, 2021, and the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》) ("**Implementation Rules of the Patent Law**") promulgated by the State Council on June 15, 2001 and last amended on January 9, 2010 and effective on February 1, 2010, the Patent Office of China National Intellectual Property Administration is responsible for the administration of patent work nationwide. The patent administration departments of the provincial, autonomous region, or municipal governments are responsible for patent administration within their respective jurisdictions. The Patent Law and Implementation Rules of the Patent Law provide for three types of patents: "invention", "utility model" and "design". An invention patent is granted to a new technical solution proposed in respect of a product or method or an improvement of a product or method. A utility patent is granted to a new technical solution that is practicable for application and proposed in respect of the shape, structure or a combination of both of a product. A design patent is granted to the new design in shape, pattern or a combination of both and in color, shape and pattern combinations of the whole or part of product aesthetically suitable for industrial application. Invention patents are valid for twenty years, while design patents are valid for fifteen years and utility model patents are valid for ten years, all starting from the date of application. The "first to file" principle is adopted with respect to the patent system in China, which means that if two or more applicants file separate patent applications for the same invention, the person who files the application first will be granted the patent. To be patentable, an invention or a utility model must meet three criteria: novelty, inventiveness, and practicability. The patent rights enjoyed by the patent holder are protected by law. Unless otherwise stipulated by laws, others may only use the patent after obtaining the permit or proper authorization of the patent holder. Otherwise, such behavior will constitute an infringing act of the patent right.

**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 September 7, 1990, last amended on November 11, 2020 and effective on June 1, 2021, and the Implementation Regulations of the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》) promulgated by the State Council on August 2, 2002, last amended on January 30, 2013 and effective on March 1, 2013, works of PRC citizens, legal entities or unincorporated organizations, whether published or not, shall enjoy copyright. Works refer to intellectual achievements in the field of literature, art and science that are original and can be expressed in a certain form, including written works, oral works, photographic works, video and audio works, and computer software. A copyright holder shall enjoy a number of rights, including the right of publication, the right of authorship and the right of reproduction.

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 December 20, 2001, last amended on January 30, 2013 and effective on March 1, 2013, and the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration of the PRC ("**National Copyright Administration**") on February 20, 2002, the National Copyright Administration is in charge of the registration and administration of software copyrights nationwide and has recognized the Copyright Protection Center of China as a software registration organization. The Copyright Protection Center of China shall grant certificates of registration to computer software copyright applicants in compliance with the Regulations on the Protection of Computer Software and the Measures for the Registration of Computer Software Copyright and make an announcement on the same.

### Domain Names

According to the Measures for the Administration of Internet Domain Names promulgated by the MIIT on August 24, 2017, which came into effect on November 1, 2017, and the Implementation Rules for National Top-Level Domain Name Registration promulgated by the China Internet Network Information Center on June 18, 2019 and came into effect on the same day, domain name owners are required to register their domain names. The MIIT is responsible for the supervision and management of China's Internet domain names, while the telecommunications management bureaus of each province, autonomous region, and municipality directly under the central government are responsible for the supervision and management of domain name services in their respective administrative regions. The domain name services follow a "first come, first file" principle. Applicants for registration of domain names shall provide their true, accurate and complete information of such domain names to and enter into registration agreements with domain name registration service institutions. The applicants will become the holders of such domain names upon the completion of the registration procedure.

### Design of Integrated Circuit Layouts

In order to protect the proprietary rights of integrated circuit layout designs, encourage innovation in integrated circuit technology, and promote the development of science and technology, the State Council promulgated the Regulations on the Protection of Integrated Circuit Layout Designs (the "**Regulations on the Protection**") on April 2, 2001. According to the Regulations on the Protection, the owner of an integrated circuit layout design has exclusive rights to the design, so long as they comply with the provisions of 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.

## REGULATIONS RELATING TO PROPERTY LEASING

Pursuant to the Law on Administration of Urban Real Estate of the People's Republic of China (《中華人民共和國城市房地產管理法》), which was promulgated by the SCNPC on July 5, 1994 and was latest amended on August 26, 2019, 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 Management Measures for the Lease of Commercial Housing promulgated by the Ministry of Housing and Urban-Rural Development on December 1, 2010, and effective on February 1, 2011, the parties to a housing lease shall enter into a lease contract in accordance with the law, and shall agree in the lease contract on the handling of the housing when it is expropriated or demolished. Within 30 days after the conclusion of the housing lease contract, the parties to the lease shall go to the competent department of construction (real estate) of the people's government of the municipality, city or county where the leased housing is located to register and file the housing lease. The parties to the housing lease can also entrust others in writing to handle the lease registration and filing. In violation of the foregoing provisions, the competent construction (real estate) departments of the people's governments of the municipalities directly under the central government, cities and counties shall order rectification within a time limit. If rectification is not made by an individual within the time limit, a fine of less than RMB1,000 shall be imposed. If rectification is not made by an entity within the time limit, a fine of more than RMB1,000 but less than RMB10,000 shall be imposed.

## LAWS AND REGULATIONS RELATING TO LABOR, SOCIAL INSURANCE AND HOUSING FUNDS

### Labor Contract

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated by the SCNPC on July 5, 1994 and amended and came into effect on December 29, 2018, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated by the SCNPC on June 29, 2007, last amended on December 28, 2012 and came into effect on July 1, 2013 and the Implementation Rules of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council on September 18, 2008 and came into effect on the same date, an employer shall establish and improve labor rules and regulations according to the laws, and shall strictly comply with the national standards, provide relevant training to its employees, protect their labor rights and perform its labor obligations. If an employer establishes labor relationship with an employee, they should enter into a written labor contract. Labor contracts shall be categorized into fixed-term labor contract, unfixed-term labor contract and labor contract for the completion of certain work assignments. The wages payable by an employer to its employees shall not be less than local minimum wage. In addition, an employer must establish and improve the labor safety and health system, stringently implement national protocols and standards on labor safety and health, conduct labor safety and health education for employees, so as to prevent accidents in the labor process and reduce occupational hazards.

### Social Insurance

In accordance with the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) promulgated by the SCNPC on October 28, 2010, which was last amended and put into effect on December 29, 2018, the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) promulgated by the State Council on January 22, 1999, which was last amended and put into effect on March 24, 2019, the Decision of the State Council on Establishing a Basic Medical Insurance System for Urban Employees (《國務院關於建立城鎮職工基本醫療保險制度的決定》) promulgated by the State Council on December 14, 1998 and put into effect on the same day, the Decision of the State Council on Establishing a Unified Basic Old-age Insurance System for Enterprise Employees (《國務院關於建立統一的企業職工基本養老保險制度的決定》) promulgated by the State Council on July 16, 1997 and put into effect on the same day, the Regulations on Work Injury Insurance (《工傷保險條例》) promulgated by the State Council on April 27, 2003, which was amended on December 20, 2010 and put into effect on January 1, 2011, the Regulations on Unemployment Insurance (《失業保險條例》) promulgated by the State Council on January 22, 1999, as well as the Provisional Measures on Maternity Insurance of Enterprise Employees (《企業職工生育保險試行辦法》) promulgated by the Ministry of Labor and Social Security of the PRC (now repealed) on December 14, 1994 and put into effect on January 1, 1995, enterprises shall pay basic endowment insurance, basic medical insurance, unemployment insurance, maternity insurance and employment injury insurance for their employees in accordance with the statutory payment base and proportion. Basic endowment insurance, basic medical insurance and unemployment insurance shall be jointly borne by enterprises and employees, while the maternity insurance and employment injury insurance paid by enterprises. An employer that has not paid the social insurance premium in full amount on time may be ordered to pay the required contributions within a stipulated deadline or pay in full amount by the social insurance premium collecting body and be subject to a late payment fee of up to 0.05% per day since the date of payment default. If the employer still fails to make social insurance contributions within the stipulated deadline, it may be subject to a fine ranging from one to three times of the amount overdue imposed by the relevant administrative department.

**Housing Provident Fund**

In accordance with the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》) which was promulgated by the State Council on April 3, 1999 and amended on March 24, 2019 and came into effect on the same day, enterprises must register at the housing provident fund management center to pay and deposit housing provident funds and open housing provident fund accounts for their employees. Enterprises are also required to pay and deposit housing provident funds on behalf of their employees in full and in a timely manner. With respect to any entity that fails to make deposit registration of the housing provident fund or fails to complete the housing provident fund account establishment procedures for its employees, such entity shall be ordered by the housing provident fund management center to complete such procedures within a prescribed time limit; where failing to do so at the expiration of the time limit, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed. Furthermore, if an employer is overdue in the contribution of, or underpays, the housing provident fund, the housing provident fund management center shall order it to make the contribution within a prescribed time limit; where the contribution has not been made after the expiration of the time limit, an application may be made to a people's court for compulsory enforcement.

## LAWS AND REGULATIONS RELATING TO PRODUCT LIABILITY

Pursuant to the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》) promulgated by the SCNPC on February 22, 1993 and recently revised on December 29, 2018, a seller shall be responsible for repair or change of the product, or for refund of a product if it is sold under any of the following circumstances: (i) the product sold does not possess the properties for use that it should possess, and no prior indication is given of such a situation; (ii) the product sold does not conform to the applied product standard as carried on the product or its packaging; or (iii) the product sold does not conform to the quality indicated by such means as a product description or physical sample. Where the product has caused any loss to the consumers, the seller shall compensate for such loss.

According to the Civil Code of the PRC, which was promulgated by the NPC on May 28, 2020 and took effect on January 1, 2021, if defects are found after the product is put into circulation, producers and sellers shall promptly take remedial measures such as stopping sales, issuing warnings and recalling the product. If the party fails to take remedial measures in time or fails to take effective remedial measures and results in increased damage thereof, it shall also bear tortious liability for the increased damage. When recall measures are taken in accordance with the above-mentioned stipulations, the producers or sellers shall bear the necessary expenses incurred to the infringed. When a product is manufactured or sold with full knowledge of its defects, or the person in charge fails to take effective remedial measures in accordance with the above-mentioned stipulations, which cause death or serious damage to the health of others, the infringed party shall have the right to claim appropriate punitive damages.

## LAWS AND REGULATIONS RELATING TO IMPORT AND EXPORT TRADE

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) ("**Foreign Trade Law**") promulgated by the SCNPC on May 12, 1994 and amended on December 30, 2022, since December 30, 2022, no registration of foreign trade operators is required. The PRC government allows the free import and export of goods and technologies, unless otherwise provided by laws and administrative regulations. Before December 30, 2022, pursuant to the pre-amendment Foreign Trade Law, a foreign trade operator who is engaged in the import and export of goods or technologies shall process the filing and registration with the foreign trade authority under the State Council or its entrusted agencies, unless otherwise provided by the laws, administrative regulations and requirements of the foreign trade authority under the State Council. Where a foreign trade operator fails to do so, the customs shall not handle the formalities for declaration and clearance of the goods imported or exported by the operator.

According to the Customs Law of the PRC (《中華人民共和國海關法》) ("**Customs Law**"), which was reviewed and passed by the SCNPC on January 22, 1987, last amended on April 29, 2021 and became effective on the same date, the customs of the PRC is the state's entry and exit customs supervision and administration authority. In accordance with the Customs Law and other relevant laws and administrative regulations, the customs are responsible for the supervision of the transport vehicles, goods, freight items, postal items and other items entering into and departing from the PRC and collecting tariff and other duties and charges. All imported goods, throughout the period from arrival in the territory to the customs clearance, all exported goods, throughout the period from declaration to the customs to departure from the territory, and transit, transshipment and through goods, throughout the period from arrival in the territory to departure from the territory shall be subject to the supervision of the customs. Unless otherwise specified, 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. In addition, 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 of the PRC ("**General Administration of Customs**") on November 19, 2021 and became effective on January 1, 2022, the consignees and consignors of imported or exported goods and customs declaration enterprises shall go through customs declaration and filing procedures at the relevant administration department of customs in accordance with the law.

## LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

Pursuant to the Regulation on Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996, last amended on August 5, 2008 and became effective on the same date, the circulation of foreign currency is prohibited within the territory of the PRC, and foreign currency denomination and settlement are not allowed. The foreign exchange expenditure under current items shall, in accordance with the administrative provisions of the foreign exchange administrative department of the State Council on the payment and purchase of foreign exchange, be paid by an institution with its self-owned foreign exchange upon valid documents or with the foreign exchange purchased from any financial institution operating the foreign exchange settlement or sale business. In addition, domestic entities or individuals who directly make overseas investment or involve in distribution or trade of foreign securities or derivative products, shall go through the formalities for registration in accordance with the provisions of the foreign exchange administration department of the State Council.

Regarding the foreign exchange settlement management, the SAFE promulgated the Circular of SAFE on Reforming the Administrative Approach Regarding the Settlement of Foreign Exchange Capitals of Foreign-invested Enterprises (Hui Fa [2015] No. 19) (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》(匯發[2015]19號)) (the "**Circular 19**") on March 30, 2015, which became effective on June 1, 2015. Subsequently, SAFE further promulgated the Circular of SAFE on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (Hui Fa [2016] No. 16) (《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》(匯發[2016]16號)) (the "**Circular 16**") on June 9, 2016. According to Circular 19 and Circular 16, foreign exchange income under the capital account of domestic entities and its capital in RMB obtained from foreign exchange settlement shall not be directly or indirectly used for expenditures beyond its business scope or prohibited by PRC Laws and regulations, nor shall they be provided as loans to its non-affiliated entities, except where it is expressly permitted in the business scope. Violations of Circular 19 or Circular 16 could result in administrative penalties.

The Circular of the SAFE on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification (Hui Fa [2017] No.3) (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》(匯發[2017]3號)) (the "**Circular 3**") promulgated by the SAFE on January 18, 2017 and became effective on the same date stipulates that, several capital control measures with respect to the outward remittance of profits from domestic institutions to overseas institutions. Specifically, a bank that handles outward remittance of profits equivalent to more than US$50,000 for a domestic institution shall, under the principle of genuine transactions, review the resolutions of the Board of Directors on distribution of profits, original tax recordation form and audited financial statements, and stamp and endorse the relevant original tax recordation form with the actual remittance amount and remittance date. Domestic institutions should hold income to account for previous years' losses in accordance with the laws before remitting the profits. Moreover, pursuant to the Circular 3, in addition to providing corresponding materials as required, domestic institutions shall make explanations of the sources and utilization of capital (plans of utilization), and provide board resolutions, contracts and other certification materials for authenticity to the bank when completing the registration and remitting procedures in connection with an outbound direct investment.

## LAWS AND REGULATIONS RELATING TO TAXATION

### Enterprise Income Tax

Pursuant to the Enterprise Income Tax Law (《企業所得税法》) (the "EIT Law") promulgated by the SCNPC on March 16, 2007 and last revised and took effect on December 29, 2018 and the Implementation Provisions of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法實施條例》) promulgated by the State Council on December 6, 2007 and revised and took effect on April 23, 2019, a domestic enterprise, which is established within the PRC in accordance with the laws or established in accordance with any laws of a foreign country (region) but with an actual management institution located in the PRC, shall be regarded as a resident enterprise. A resident enterprise shall be subject to an EIT rate of 25% of any income generated within or outside the PRC. A preferential EIT rate shall be applicable to any key industry and project which are supported and encouraged by the State. High and new technology enterprises in need of key support from the State may enjoy a reduced EIT rate of 15%.

On December 2, 2020, the Company was recognized as a high technology enterprise jointly by the Jiangsu Provincial Department of Science and Technology, the Department of Finance of Jiangsu Province, and the Jiangsu Provincial Tax Service, State Taxation Administration, and obtained the "High Technology Enterprise Certificate". Pursuant to the Administrative Measures for Recognition of High Tech Enterprises (《高新技術企業認定管理辦法》), which was revised by the MOST, the MOF, and the STA and took effect in January 2016, and the Announcement of the State Taxation Administration on Issues Concerning the Implementation of Preferential Income Tax Policies for High Technology Enterprises (《國家税務總局關於實施高新技術企業所得税優惠政策有關問題的公告》), which was promulgated by the STA on June 19, 2017 and took effect on the same date, the qualification of a high technology enterprise recognized in accordance with the law will be valid for three years from the date of issuance of the certificate. Upon obtaining the qualification as a high technology enterprise, the enterprise should apply for tax concession from the year in which the High Technology Enterprise Certificate is issued and complete the filing procedures with the competent tax authorities as required.

**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 on December 13, 1993, last amended and became effective on November 19, 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 MOF on December 25, 1993, last amended on October 28, 2011 and became effective on November 1, 2011, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sale of services, intangible assets, real estate and the importation of goods within the territory of the PRC are taxpayers of value-added tax (the "VAT") and shall pay VAT in accordance with the laws. According to the Notice of the MOF and the State Administration of Taxation on the Adjustment to VAT Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》) which was promulgated by the MOF and the STA on April 4, 2018 and came into effect on May 1, 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 MOF, the STA and the General Administration of Customs on March 20, 2019 and became effective on April 1, 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.

**Dividend Withholding Tax**

Pursuant to the Arrangement between Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and 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》), which was promulgated on August 21, 2006 and effective from December 8, 2006, the withholding tax rate of no more than 5% applies to dividends paid by a PRC company to a Hong Kong resident, provided that the recipient is a company that holds at least 25% of the capital of the PRC company. The withholding tax rate of no more than 10% applies to dividends paid by a PRC company to a Hong Kong resident if the recipient is a company that holds less than 25% of the capital of the PRC company.

Furthermore, pursuant to the Circular of the State Taxation Administration on Relevant Issues Concerning the Implementation of Dividend Clauses in Tax Treaties (Guo Shui Han [2009] No. 81) (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》(國稅函[2009]81號)), which was promulgated on and effective from February 20, 2009, where a PRC resident company pays dividends to a fiscal resident of the other contracting party to a tax treaty and such fiscal resident of the other party (or dividend recipient) is the beneficiary of such dividends, such dividends received by the fiscal resident of the other party are entitled to the treatment under the tax treaty, provided that all of the following requirements should be satisfied:

(1) the taxpayer entitled to the treatment under the tax treaty shall be the fiscal resident of the other contracting party to a tax treaty;

(2) the taxpayer entitled to the treatment under the tax treaty shall be the beneficiary of relevant dividends;

(3) dividends entitled to the treatment under the tax treaty shall be the equity investment income such as dividends and bonuses determined under the PRC tax laws; and

(4) other requirements provided by the STA.

If the tax resident of the other contracting party to the tax agreement directly owns a certain proportion or more of the capital (usually 25% or 10%) of a Chinese resident company that pays dividends, the dividends obtained by the tax resident of the other contracting party can be taxed at the tax rate specified in the tax agreement. The tax resident of the other contracting party who needs to enjoy the benefits of the tax agreement should meet the following conditions at the same time:

(1) such tax resident of the other contracting party who obtains dividends should be limited to a company as provided in the tax agreement;

(2) owner's equity interests and voting shares of the PRC resident company directly owned by such tax resident of the other contracting party reaches a specified percentage; and

(3) the capital proportion of the PRC resident company directly owned by such tax resident of the other contracting party, at any time during the 12 months prior to the acquisition of the dividends, reaches a specified percentage in the tax agreement.

**Preferential Tax Policy for the Integrated Circuit Industry**

As listed in the Guidance of Preferential Tax Policy for Software Enterprises and Integrated Circuit Enterprises (2022) issued by the STA in May 2022, the integrated circuit industry enjoys a variety of tax preferences. Enterprises for integrated circuit design, equipment, materials, packaging and testing encouraged by the State, for example, can enjoy regular exemption or reduction of the enterprise income tax; key integrated circuit design enterprises encouraged by the State can enjoy the regular exemption or reduction of enterprise income tax; staff training expenses of integrated circuit design enterprises can be deducted before tax according to the actual amount incurred.

According to the Notice of the State Council on Promulgation of Several Policies for Promoting the High-quality Development of Integrated Circuit and Software Industries in the New Era (Guo Fa [2020] No. 8) ("**No. 8 Notice**"), enterprises of integrated circuit design, equipment, materials, packaging and testing and software enterprises encouraged by the State are exempted from enterprise income tax during the first year and the second year from the profit-making year. During the third year to the fifth year, the enterprise income tax shall be levied at half of the statutory tax rate of 25%. Key integrated circuit design enterprises and software enterprises encouraged by the State shall be exempted from enterprise income tax during the first year to the fifth year since the profit-making year, and the enterprise income tax shall be levied at a reduced tax rate of 10% in successive years. Notice of the National Development and Reform Commission and Other Departments on Making Relevant Requirements for the List of Integrated Circuit Enterprises or Projects and Software Enterprises to Enjoy Preferential Tax Policy for 2023, on the basis of Notice No. 8, makes detailed description of the conditions and project standards for enterprises that enjoy preferential tax policy.

In addition, in accordance with the Notice on Supporting Import Tax Policy for the Development of Integrated Circuit Industry and Software Industry (Financial Tariff No. 4 [2021]) issued by the MOF, the General Administration of Customs and the STA on March 16, 2021, import behaviors that conform to the circumstances listed in this regulation are exempt from import duties. The implementation period is from July 27, 2020 to December 31, 2030.

## OVERVIEW

Our Company's history could be traced back to 2010 when our Company was established by Mr. Li Zhen and Mr. Li Yi with their personal funds. We have since then been led by Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi, our co-founders and core management team. See "Directors, Supervisors and Senior Management" in this prospectus for their background and industry experience. After over a decade of operations, we have developed into one of the analog IC patterned wafer providers with a prominent market position in China. We are the largest provider of analog IC patterned wafers in China in terms of revenue in 2022, according to Frost & Sullivan. Our patterned wafers enable cost-effective development or manufacturing of high-performance industrial grade IC chips for a range of customers and end users, including IC design companies, distributors, brand-name manufacturers and ODMs. We offer approximately 400 types of diversified industrial grade analog IC patterned wafer products across seven sub-categories, namely switching regulators, multi-channel ICs and PMICs, linear regulators, battery management ICs, monitoring and modulating ICs, driver ICs, and linear products, in the power management category and the signal chain category as of the Latest Practicable Date. In 2020, 2021 and 2022, we successfully launched eight, 45 and 157 analog IC patterned wafer products, respectively, representing a CAGR of 343.0%, which is the fastest expansion of analog IC product offerings in China, according to Frost & Sullivan.

## BUSINESS DEVELOPMENT MILESTONES

The following set forth the key milestones of our business development.

| Year | Milestone event |
|---|---|
| 2010 | Our Company was established in Suzhou, the PRC in November, 2010 and was primarily engaged in design and sales of IC products. |
| 2011 | We released our proprietary EDA software BT EDA1.0 and started using our own EDA platform to provide IC design services. |
| 2013 | We started focusing on providing finished analog IC products and began to lay out a comprehensive product line. |
| 2018 | We continuously upgraded our EDA software and started exploring the patterned wafer business. |
| 2019 | We had independently developed approximately 100 different analog IC products. |

| Year | Milestone event |
|---|---|
| 2020 | We were qualified as High-tech Enterprise by Jiangsu Provincial Department of Science and Technology (江蘇省科學技術廳), the Department of Finance of Jiangsu Province (江蘇省財政廳) and Jiangsu Provincial Tax Service, State Taxation Administration (國家稅務總局江蘇省稅務局). |
| | Our EDA software was upgraded to BT EDA 3.0. |
| 2021 | We built up an IP library with over 300 IP modules. |
| 2022 | We expanded our product offering to include IP licensing. |
| | We established our Shanghai branch office. |
| | Our "Processor Power Supply Chip Based On Self-Developed Modular Software" (基於自研模塊化軟件的處理器供電芯片) was awarded as "China Chip of Excellent Market Performance" ("中國芯"優秀市場表現產品) by China Center for Information Industry Development (中國電子信息產業發展研究院). |
| | We were awarded as "Gazelle Enterprise in South Jiangsu National Independent Innovation Demonstration Zone" (蘇南國家自主創新示範區瞪羚企業) by Sunan National Innovation Park Management Service Center (蘇南國家自主創新示範區管理服務中心). |
| | We were awarded as "Specialized and Innovative Small and Medium-Sized Enterprises of Jiangsu Province" (江蘇省專精特新中小企業) by Industry and Information Technology Department of Jiangsu (江蘇省工業和信息化廳). |

## CORPORATE DEVELOPMENT

### Our Company

#### *Establishment and initial shareholding interests*

Our Company was established in the PRC on November 12, 2010 as a limited liability company with an initial registered and paid-up capital of RMB1,300,000. As of the date of its establishment, our Company was owned as to 84.62% by Mr. Li Zhen and 15.38% by Mr. Li Yi. Our Company has since our commencement of operations been principally engaged in providing analog IC patterned wafers in China.

On June 1, 2012, the registered capital of our Company was increased to RMB5,300,000, of which RMB2,100,000 was paid up and our Company became held as to 84.91% by Mr. Li Zhen and 15.09% by Mr. Li Yi.

***Capital injection by Suzhou Technology Investment in 2013***

Pursuant to a capital increase agreement entered into between our Company and Suzhou New District Venture Technology Investment Management Co., Ltd. (蘇州高新區創業科技投資管理有限公司) ("**Suzhou Technology Investment**"), an Independent Third Party, on September 11, 2013, the registered capital of our Company was increased by RMB588,900 to RMB5,888,900, with Suzhou Technology Investment making a capital contribution of RMB1,500,000 in our Company, of which RMB588,900 was contributed to the registered capital of our Company and RMB911,100 was treated as contribution to the capital reserve of our Company. The investment amount was determined based on the historical financial performance and business prospects of our Company after arm's length negotiations between the parties. Pursuant to the capital increase agreement, the consideration was to be settled in three even installments with the amount of RMB500,000 for each installment, which was a common practice of Suzhou Technology Investment in making investments and with a purpose to protect its own interest. The three installments were to be triggered upon the then paid-in capital from Mr. Li Zhen and Mr. Li Yi in our Company reaching RMB2.1 million, RMB3.1 million and RMB5.3 million, respectively. The first two installments were subsequently settled in 2013 and 2014, respectively, with the last installment fully settled on January 15, 2021. The registration of the above capital increase was completed on October 18, 2013. For details of Suzhou Technology Investment, see "—Pre-IPO Investments" below.

Upon completion of the above capital injection, our Company's shareholding structure became as follows:

| **Name of the Shareholder** | **Percentage of shareholding** *(approx. %)* |
|---|---|
| Mr. Li Zhen | 76.42 |
| Mr. Li Yi | 13.58 |
| Suzhou Technology Investment | 10.00 |
| **Total** | 100 |

***Equity transfer in 2015***

For the purpose of optimizing the shareholding structure of our Company, Mr. Li Zhen and Mr. Li Yi entered into equity transfer agreements with Backward Electronic and Backward Partnership, respectively, on August 26, 2015, pursuant to which (i) Mr. Li Zhen agreed to transfer 31.40% (which was not yet paid up then) and 39.92% of the equity interest in our Company to Backward Partnership and Backward Electronic, respectively, at a consideration of nil and RMB2,350,700; and (ii) Mr. Li Yi agreed to transfer 11.03% of the equity interest in our Company at a consideration of RMB320,000 to Backward Electronic. The considerations were determined with reference to the paid-up portion of the equity interest transferred and fully settled on September 6, 2015. The registration of the transfers were completed on September 6, 2015.

Backward Electronic is a limited liability company established in the PRC on January 13, 2009 as a holding vehicle which was held as to 88.43% by Mr. Li Zhen and 11.57% Mr. Li Yi, respectively. It has not engaged in any business activity since its establishment. In December 2018, the then shareholders of Backward Electronic passed a resolution to increase its registered capital from RMB1.21 million to RMB2 million with the increased registered capital subscribed by Mr. Zhang Guangping at the subscription price of RMB1 per each RMB1 registered capital. Since then and up to the Latest Practicable Date, it was held as to 53.50% by Mr. Li Zhen, 39.50% by Mr. Zhang Guangping and 7.00% by Mr. Li Yi.

Backward Partnership is a limited partnership established in the PRC on May 12, 2015 as a holding vehicle which was held as to (i) 50% by Backward Electronic as general partner, and (ii) 30% and 20% by Mr. Li Zhen and Mr. Li Yi, respectively, as limited partners. It has not engaged in any business activity since its establishment. On February 17, 2023, Backward Partnership entered into (i) a capital injection agreement with Mr. Shi Chao, who has been one of our core R&D personnel in charge of our design and R&D activities and leading the design and R&D of our new and existing analog IC products, pursuant to which Mr. Shi Chao agreed to subscribe for the increased registered capital of RMB6,700 of Backward Partnership at a subscription price of RMB6,700 as limited partner. The consideration was determined after arm's length negotiations and taking into account Mr. Shi Chao's contribution to our Company and incentivizing him for his future performance pursuant to an incentive scheme of Backward Partnership, and was fully settled on March 27, 2023; and (ii) an investment agreement with each of Mr. Xiao Bin and Mr. Wei Yong, pursuant to which each of Mr. Xiao Bin and Mr. Wei Yong agreed to subscribe for the increased registered capital of Backward Partnership as limited partners at a subscription price of RMB10,002,000, of which RMB6,700 was contributed to the registered capital of Backward Partnership, and the remaining was treated as contribution to the capital reserve of Backward Partnership. The considerations were determined after arm's length negotiations between the relevant parties and were fully settled on March 24, 2023 and March 26, 2023, respectively. Since then and up to the Latest Practicable Date, Backward Partnership has been held as to 41.63% by Backward Electronic as general partner, 24.98% by Mr. Li Zhen, 16.65% by Mr. Li Yi, 5.58% by Mr. Shi Chao, 5.58% by Mr. Xiao Bin and 5.58% by Mr. Wei Yong as limited partners. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Shi Chao, Mr. Xiao Bin and Mr. Wei Yong are Independent Third Parties.

On March 31, 2022, Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi (the "**Concert Parties**") entered into a concert party agreement (the "**Concert Party Agreement**"), pursuant to which the Concert Parties agreed and confirmed, among others, that from the date when they became direct and/or indirect Shareholders of our Company to such date when all of them cease to be directly or indirectly interested in our Company, they had been and would continue to be acting in concert. Pursuant to the acting in concert arrangements, the Concert Parties had consulted and would consult with each other and reach a unanimous consensus among themselves before the decision, implementation and agreement on material operation and development affairs and/or all voting at Board and Shareholders' meetings. In the event that they are unable to reach consensus on any matter presented, it shall be resolved by a simple majority vote, with each Concert Party entitled to one vote. As of the Latest Practicable Date, Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi were in aggregate, directly and indirectly through Backward Partnership and Backward Electronic, interested in approximately 34.30% of the equity interest in our Company. Mr. Li Zhen, Mr. Zhang Guangping, Mr. Li Yi, Backward Partnership and Backward Electronic constitute the Single Largest Group of Shareholders of our Company.

Upon completion of the above equity transfers in 2015, our Company's shareholding structure became as follows:

| **Name of the Shareholder** | **Percentage of shareholding** *(approx. %)* |
|---|---|
| Mr. Li Zhen | 5.10 |
| Mr. Li Yi | 2.55 |
| Backward Electronic | 50.95 |
| Backward Partnership | 31.40 |
| Suzhou Technology Investment | 10.00 |
| **Total** | 100 |

***Capital injection in 2015***

In August 2015, our Company entered into an investment agreement with Suzhou Ronglian Venture Capital Enterprise (Limited Partnership) (蘇州融聯創業投資企業(有限合夥)) ("**Ronglian Venture**"), Shenzhen Zhongke Quantum Investment Partnership (Limited Partnership) (深圳中科量子投資合夥企業(有限合夥)) ("**Zhongke Quantum**"), Beijing Taiyou Venture Capital Partnership (Limited Partnership) (北京泰有創業投資合夥企業(有限合夥)) ("**Taiyou Venture**"), Tianjin Qilong Investment Management Partnership (Limited Partnership) (天津七龍投資管理合夥企業(有限合夥)) ("**Qilong Investment**"), Nantong Zhouzhou Investment Center (Limited Partnership) (南通周宙投資中心(有限合夥)) ("**Nantong Zhouzhou**") and Beijing Haotian Hongsheng Investment Management Co., Ltd. (北京浩天宏晟投資管理有限公司) ("**Haotian Hongsheng**"), pursuant to which each of Ronglian Venture, Zhongke Quantum, Taiyou Venture, Qilong Investment, Nantong Zhouzhou and Haotian Hongsheng agreed to subscribe for the increased registered capital of our Company at a subscription price of RMB8,000,000, RMB4,000,000, RMB4,500,000, RMB3,000,000, RMB1,000,000 and RMB1,000,000, respectively, of which RMB600,100, RMB300,100, RMB337,600, RMB225,100, RMB75,000 and RMB75,000 was contributed to the registered capital of our Company, with the remaining RMB7,399,900, RMB3,699,900, RMB4,162,400, RMB2,774,900, RMB925,000 and RMB925,000 was treated as contribution to the capital reserve of our Company, respectively. The considerations were determined based on the historical financial performance and business prospects of our Company after arm's length negotiations between the relevant parties and were fully settled on September 21, 2015. Upon completion of registration of the above capital increases on December 29, 2015, the registered capital of our Company was increased from RMB5,888,900 to RMB7,501,800.

Each of Ronglian Venture, Zhongke Quantum, Taiyou Venture, Qilong Investment, Nantong Zhouzhou and Haotian Hongsheng is an Independent Third Party. For further details of their investments, see "—Pre-IPO Investments" below.

Upon completion of the above capital injection, our Company's shareholding structure became as follows:

| **Name of the Shareholder** | **Percentage of shareholding** *(approx. %)* |
|---|---|
| Mr. Li Zhen | 4.00 |
| Mr. Li Yi | 2.00 |
| Backward Electronic | 40.00 |
| Backward Partnership | 24.65 |
| Ronglian Venture | 8.00 |
| Suzhou Technology Investment | 7.85 |
| Zhongke Quantum | 4.00 |
| Taiyou Venture | 4.50 |
| Qilong Investment | 3.00 |
| Nantong Zhouzhou | 1.00 |
| Haotian Hongsheng | 1.00 |
| **Total** | 100 |

*Capital injection in 2017*

On April 28, 2017, our Company entered into an investment agreement with, among others, Ronglian Venture, Zhongke Quantum, Zhuhai Guangfa Xinde Environmental Industry Investment Fund Partnership (Limited Partnership) (珠海廣發信德環保產業投資基金合夥企業(有限合夥)) ("**Guangfa Environmental**"), Beijing Minwen Investment Co., Ltd. (北京敏聞投資有限責任公司) ("**Minwen Investment**"), Suzhou Hejiuxin Enterprise Management Consulting Partnership (Limited Partnership) (蘇州合久鑫企業管理諮詢合夥企業(有限合夥)) (also known as Suzhou Hejiuxin Venture Capital Partnership (Limited Partnership) (蘇州合久鑫創業投資合夥企業(有限合夥) from November 2021 to January 2022, and now known as Suzhou Hejiuxin Venture Capital Partnership (Limited Partnership) (蘇州合久新創業投資合夥企業(有限合夥))) ("**Hejiuxin**"), Hangzhou Taizhiyou Venture Capital Partnership (Limited Partnership) (杭州泰之有創業投資合夥企業(有限合夥)) ("**Taizhiyou**") and Xinyu Taiyi Investment Management Center (Limited Partnership) (新余泰益投資管理中心(有限合夥)) ("**Xinyu Taiyi**"), pursuant to which each of Ronglian Venture, Zhongke Quantum, Guangfa Environmental, Minwen Investment, Hejiuxin, Taizhiyou and Xinyu Taiyi agreed to subscribe for the increased registered capital of our Company at a subscription price of RMB5,000,000, RMB3,000,000, RMB5,000,000, RMB3,000,000, RMB4,500,000, RMB2,000,000 and RMB2,000,000, respectively, of which RMB213,700, RMB128,200, RMB213,700, RMB128,200, RMB192,400, RMB85,500 and RMB85,500 was contributed to the registered capital of our Company, and the remaining RMB4,786,300, RMB2,871,800, RMB4,786,300, RMB2,871,800, RMB4,307,600, RMB1,914,500 and RMB1,914,500 was treated as contribution to the capital reserve of our Company, respectively. The considerations were determined based on the historical financial performance and business prospects of our Company after arm's length negotiations between the relevant parties and were fully settled on June 29, 2017. Upon completion of registration of the above capital increases on August 11, 2017, the registered capital of our Company was increased from RMB7,501,800 to RMB8,549,000.

Each of Guangfa Environmental, Minwen Investment, Hejiuxin, Taizhiyou and Xinyu Taiyi is an Independent Third Party. For further details of their investments, see "—Pre-IPO Investments" below.

Upon completion of the above capital injection, our Company's shareholding structure became as follows:

| **Name of the Shareholder** | **Percentage of shareholding** *(approx. %)* |
|---|---|
| Mr. Li Zhen | 3.51 |
| Mr. Li Yi | 1.75 |
| Backward Electronic | 35.10 |
| Backward Partnership | 21.63 |
| Ronglian Venture | 9.52 |
| Suzhou Technology Investment | 6.89 |
| Zhongke Quantum | 5.01 |
| Taiyou Venture | 3.95 |
| Qilong Investment | 2.63 |
| Guangfa Environmental | 2.50 |
| Hejiuxin | 2.25 |
| Minwen Investment | 1.50 |
| Taizhiyou | 1.00 |
| Xinyu Taiyi | 1.00 |
| Nantong Zhouzhou | 0.88 |
| Haotian Hongsheng | 0.88 |
| **Total** | 100 |

***Equity transfer and capital injections in 2020***

Pursuant to an equity transfer agreement dated August 16, 2020 entered between Mr. Li Zhen, our Company, Haotian Hongsheng and Suzhou Heyuanxin Venture Capital Partnership (Limited Partnership) (蘇州合遠芯創業投資合夥企業(有限合夥)) ("**Heyuanxin**"), Haotian Hongsheng agreed to transfer 0.44% of the equity interest in our Company at a consideration of RMB1,452,000 to Heyuanxin. The consideration was determined based on the historical financial performance and business prospects of our Company after arm's length negotiations between the relevant parties and was fully settled on August 20, 2020.

Pursuant to a series of investment agreements entered into from March to November, 2020 between, among others, our Company and Jiangsu Jiequan Yuanhe Puhua Equity Investment Partnership (Limited Partnership) (江蘇疌泉元禾璞華股權投資合夥企業(有限合夥)) ("**Yuanhe Puhua**"), Zhuhai Guangfa Xinde Intelligent Innovation and Upgrade Equity Investment Fund (Limited Partnership) (珠海廣發信德智能創新升級股權投資基金(有限合夥)) ("**Guangfa Intelligent**"), Jiangsu Minyi Intelligent Manufacturing Industry Fund (Limited Partnership) (江蘇敏一智能製造產業基金(有限合夥)) ("**Minyi Intelligent**"), Shanghai Yucheng Enterprise Management Consulting Partnership (Limited Partnership) (上海嶼丞企業管理諮詢合夥企業(有限合夥)) ("**Shanghai Yucheng**"), Suzhou Huiyi Ruijin Venture Capital Partnership (Limited Partnership) (蘇州匯毅瑞錦創業投資合夥企業(有限合夥)) ("**Huiyi Ruijin**"), Jiangsu Huate Integrated Circuit Co., Ltd. (江蘇華特集成電路股份有限公司) ("**Jiangsu Huate**"), Tibet Taisheng Information Technology Partnership (Limited Partnership) (西藏泰升信息科技合夥企業(有限合夥)) ("**Taisheng Technology**"), Tianjin Huahui Taiyou Electronic Information Investment Partnership (Limited Partnership) (天津華慧泰有電子信息投資合夥企業(有限合夥)) ("**Huahui Taiyou**"), Heyuanxin and Nantong Zhouzhou, respectively, each of Yuanhe Puhua, Guangfa Intelligent, Minyi Intelligent, Shanghai Yucheng, Huiyi Ruijin, Jiangsu Huate, Taisheng Technology, Huahui Taiyou, Heyuanxin and Nantong Zhouzhou agreed to subscribe for the increased registered capital of our Company at a subscription price of RMB30,000,000, RMB25,000,000, RMB15,000,000, RMB15,000,000, RMB8,000,000, RMB5,000,000, RMB3,000,000, RMB3,000,000, RMB4,548,000 and RMB993,700, respectively, of which RMB777,200, RMB647,700, RMB388,600, RMB388,600, RMB207,200, RMB129,500, RMB77,700, RMB77,700, RMB117,800 and RMB25,700 was contributed to the registered capital of our Company, and the remaining RMB29,222,800, RMB24,352,300, RMB14,611,400, RMB14,611,400, RMB7,792,800, RMB4,870,500, RMB2,922,300, RMB2,922,300, RMB4,430,200 and RMB968,000 was treated as contribution to the capital reserve of our Company, respectively. The considerations were determined based on the historical financial performance and business prospects of our Company after arm's length negotiations between the relevant parties and were fully settled on May 28, 2021. Upon completion of registration of the above capital increases on December 30, 2020, the registered capital of our Company was increased from RMB8,549,000 to RMB11,386,700.

Each of Yuanhe Puhua, Guangfa Intelligent, Minyi Intelligent, Shanghai Yucheng, Huiyi Ruijin, Jiangsu Huate, Taisheng Technology, Huahui Taiyou and Heyuanxin is an Independent Third Party. For further details of their investments, see "—Pre-IPO Investments" below.

Upon completion of the above equity transfer and capital injections, our Company's shareholding structure became as follows:

| **Name of the Shareholder** | **Percentage of shareholding** *(approx. %)* |
|---|---|
| Mr. Li Zhen | 2.64 |
| Mr. Li Yi | 1.32 |
| Backward Electronic | 26.35 |

| Name of the Shareholder | Percentage of shareholding *(approx. %)* |
|---|---|
| Backward Partnership | 16.24 |
| Ronglian Venture | 7.15 |
| Yuanhe Puhua | 6.83 |
| Guangfa Intelligent | 5.69 |
| Suzhou Technology Investment | 5.17 |
| Zhongke Quantum | 3.76 |
| Minyi Intelligent | 3.41 |
| Shanghai Yucheng | 3.41 |
| Taiyou Venture | 2.96 |
| Qilong Investment | 1.98 |
| Guangfa Environmental | 1.88 |
| Huiyi Ruijin | 1.82 |
| Hejiuxin | 1.69 |
| Heyuanxin | 1.36 |
| Jiangsu Huate | 1.14 |
| Minwen Investment | 1.13 |
| Nantong Zhouzhou | 0.88 |
| Taizhiyou | 0.75 |
| Xinyu Taiyi | 0.75 |
| Taisheng Technology | 0.68 |
| Huahui Taiyou | 0.68 |
| Haotian Hongsheng | 0.33 |
| **Total** | 100 |

***Equity transfers and capital injections in 2021***

Pursuant to an equity transfer agreement dated December 16, 2020 between Mr. Li Zhen, our Company, Haotian Hongsheng and Qilong Investment, Haotian Hongsheng agreed to transfer 0.33% of the equity interest in our Company at a consideration of RMB1,452,000 to Qilong Investment. The consideration was determined based on the historical financial performance and business prospects of our Company after arm's length negotiations between the relevant parties and was fully settled on December 23, 2020. The registration of the transfer was completed on June 9, 2021.

Pursuant to a series of equity transfer agreements dated April 6, 2021 between Mr. Li Zhen, Mr. Li Yi, our Company, Backward Partnership, Xinyu Jimu Ruiyuan Investment Consulting Center (Limited Partnership) (新余極目睿遠投資諮詢中心(有限合夥)) ("**Xinyu Jimu**"), Anji Chenfeng Enterprise Management Partnership (Limited Partnership) (安吉辰豐企業管理合夥企業(有限合夥)) ("**Anji Chenfeng**") and Zhongke Quantum, respectively, (i) Mr. Li Yi agreed to transfer 0.68% of the equity interest in our Company at a consideration of RMB3,000,000 to Xinyu Jimu; (ii) Backward Partnership agreed to transfer 2.05% of the equity interest in our Company at a consideration of RMB9,000,000 to Anji Chenfeng; and (iii)

Backward Partnership agreed to transfer 0.68% of the equity interest in our Company at a consideration of RMB3,000,000 to Zhongke Quantum. The above considerations were determined based on the historical financial performance and business prospects of our Company after arm's length negotiations between the relevant parties and were fully settled on May 28, 2021. The registration of the above transfers were completed on June 10, 2021.

From August 2020 to May 2021, our Company entered into a series of investment agreements with Runke (Shanghai) Equity Investment Fund Partnership (Limited Partnership) (潤科(上海)股權投資基金合夥企業(有限合夥)) ("**Runke Investment**"), Nanjing Turing Phase I Venture Capital Partnership (Limited Partnership) (南京圖靈一期創業投資合夥企業(有限合夥)) ("**Nanjing Turing**") and Zhongke Quantum, respectively, pursuant to which each of Runke Investment, Nanjing Turing and Zhongke Quantum agreed to subscribe for the increased registered capital of our Company at a subscription price of RMB30,000,000, RMB5,000,000 and RMB3,000,000, respectively, of which RMB777,200, RMB129,500 and RMB77,700 was contributed to the registered capital of our Company, and the remaining RMB29,222,800, RMB4,870,500 and RMB2,922,300 was treated as contribution to the capital reserve of our Company, respectively. The considerations were determined based on the historical financial performance and business prospects of our Company after arm's length negotiations between the relevant parties and were fully settled on May 28, 2021. Upon completion of registration of the above capital increases on June 10, 2021, the registered capital of our Company was increased from RMB11,386,700 to RMB12,371,100.

Pursuant to a series of equity transfer agreements dated from July to October, 2021 between Backward Electronic and Tsinghua University Education Foundation (清華大學教育基金會) ("**Tsinghua Foundation**"), Ronglian Venture and Suzhou Rongxiang Beiying Venture Capital Partnership (Limited Partnership) (蘇州融享貝贏創業投資合夥企業(有限合夥)) ("**Rongxiang Venture**"), Minwen Investment and Minyi Intelligent, and Qilong Investment and Nantong Zhouzhou, respectively, (i) Backward Electronic agreed to transfer 1% of the equity interest in our Company at nil consideration to Tsinghua Foundation, the registration of such transfer was completed on August 20, 2021. Such transfer was made by Mr. Li Zhen and Mr. Zhang Guangping as an alumni donation for charitable purpose to contribute to the establishment of Chen-Ning Yang Education Development Fund (楊振寧教育發展基金); (ii) Ronglian Venture agreed to transfer 6.58% of the equity interest in our Company at a consideration of RMB52,814,477 to Rongxiang Venture, the registration of such transfer was completed on October 21, 2021. The consideration was determined based on the historical financial performance and business prospects of our Company, with reference to the valuation report issued by an independent valuer in October 2021, after arm's length negotiations between the relevant parties; (iii) Minwen Investment agreed to transfer 1.04% of the equity interest in our Company at a consideration of RMB8,320,000 to Minyi Intelligent, the registration of such transfer was completed on October 21, 2021. The consideration was determined based on the historical financial performance and business prospects of our Company after arm's length negotiations between the relevant parties; and (iv) Qilong Investment agreed to transfer 2.12% of the equity interest in our Company at a consideration of RMB17,042,371 to Nantong Zhouzhou, the registration of such transfer was completed on October 27, 2021. The consideration was determined based on the historical financial performance and business prospects of our Company after arm's length negotiations between the relevant parties. The above considerations were fully settled on December 29, 2021.

Each of Xinyu Jimu, Anji Chenfeng, Runke Investment, Nanjing Turing and Tsinghua Foundation is an Independent Third Party. As of the Latest Practicable Date, the general partner of Rongxiang Venture was Suzhou Hi-tech Venture Capital Group Rongxiang Investment Management Co., Ltd. (蘇州高新創業投資集團融享投資管理有限公司), which was ultimately controlled by Mr. Kong Jianhua, one of our non-executive Directors. For further details of their investments, see "—Pre-IPO Investments" below.

Upon completion of the above equity transfers and capital injections and immediately before the conversion into a joint stock limited liability company, our Company's shareholding structure became as follows:

| **Name of the Shareholder** | **Registered capital of our Company** *(RMB'000)* | **Percentage of shareholding** *(approx. %)* |
|---|---:|---:|
| Mr. Li Zhen | 300.1 | 2.43 |
| Mr. Li Yi | 72.3 | 0.58 |
| Backward Electronic | 2,877.0 | 23.26 |
| Backward Partnership | 1,538.3 | 12.44 |
| Rongxiang Venture | 813.8 | 6.58 |
| Yuanhe Puhua | 777.2 | 6.28 |
| Runke Investment | 777.2 | 6.28 |
| Guangfa Intelligent | 647.7 | 5.24 |
| Suzhou Technology Investment | 588.9 | 4.75 |
| Zhongke Quantum | 583.7 | 4.71 |
| Minyi Intelligent | 516.8 | 4.18 |
| Shanghai Yucheng | 388.6 | 3.14 |
| Nantong Zhouzhou | 363.3 | 2.93 |
| Taiyou Venture | 337.6 | 2.73 |
| Anji Chenfeng | 233.2 | 1.88 |
| Guangfa Environmental | 213.7 | 1.73 |
| Huiyi Ruijin | 207.2 | 1.67 |
| Hejiuxin | 192.4 | 1.56 |
| Heyuanxin | 155.3 | 1.26 |
| Jiangsu Huate | 129.5 | 1.05 |
| Nanjing Turing | 129.5 | 1.05 |
| Tsinghua Foundation | 123.7 | 1.00 |
| Taizhiyou | 85.5 | 0.69 |
| Xinyu Taiyi | 85.5 | 0.69 |
| Xinyu Jimu | 77.7 | 0.63 |
| Taisheng Technology | 77.7 | 0.63 |
| Huahui Taiyou | 77.7 | 0.63 |
| **Total** | 12,371.1 | 100 |

***Conversion into a joint stock limited liability company***

On October 27, 2021, the then Shareholders of our Company passed resolutions approving, among other matters, the conversion of our Company from a limited liability company into a joint stock limited liability company and the change of name of our Company from 蘇州貝克微電子有限公司 (BaTeLab Co., Ltd.) to 蘇州貝克微電子股份有限公司 (BaTeLab Co., Ltd.). Pursuant to the promoters' agreement dated October 27, 2021 entered into by all the then Shareholders, all promoters approved the conversion of the net asset value of our Company as of May 31, 2021 into 12,371,100 Shares at a ratio of 1:0.0580. At the general meeting held on October 27, 2021, it was resolved that the conversion of our Company into a joint stock limited liability company and adoption of the articles of association be approved. Upon completion of such conversion, the registered capital of our Company became RMB12,371,100 divided into 12,371,100 Shares with a nominal value of RMB1.00 each, which were subscribed by all the then Shareholders in proportion to their respective equity interest in our Company before the conversion. See "—Equity transfers and capital injections in 2021" above for the shareholding of our Company immediately before the conversion. The conversion was completed on November 15, 2021.

***Capital injection and capitalization of capital reserve in 2021***

On November 30, 2021, our Company entered into an investment agreement with, among others, Pingtan Fengyuan Juxin Equity Investment Partnership (Limited Partnership) (平潭馮源聚芯股權投資合夥企業(有限合夥)) ("**Fengyuan Juxin**"), an Independent Third Party, pursuant to which Fengyuan Juxin agreed to subscribe for the increased registered capital of our Company at a subscription price of RMB40,000,000, of which RMB494,844 was contributed to the registered capital of our Company and the remaining RMB39,505,156 was treated as contribution to the capital reserve of our Company. Upon completion of registration of the above capital increase on December 7, 2021, the registered capital of our Company was increased from RMB12,371,100 to RMB12,865,944.

On December 22, 2021, the then Shareholders passed a resolution and approved the capitalization of the capital reserve of our Company by way of applying a total of RMB32,134,056 of our capital reserve to the then existing shareholders on a pro rata basis, upon the completion of registration of which the total registered capital of our Company increased from RMB12,865,944 to RMB45,000,000.

Upon completion of the above capital injection and capitalization, our Company's shareholding structure became as follows:

| **Name of the Shareholder** | **Shares** | **Percentage of shareholding** *(approx. %)* |
|---|---|---|
| Mr. Li Zhen | 1,049,632 | 2.33 |
| Mr. Li Yi | 252,800 | 0.56 |
| Backward Electronic | 10,062,573 | 22.36 |
| Backward Partnership | 5,380,535 | 11.96 |

| Name of the Shareholder | Shares | Percentage of shareholding *(approx. %)* |
|---|---|---|
| Rongxiang Venture | 2,846,352 | 6.33 |
| Yuanhe Puhua | 2,718,339 | 6.04 |
| Runke Investment | 2,718,339 | 6.04 |
| Guangfa Intelligent | 2,265,399 | 5.03 |
| Suzhou Technology Investment | 2,059,740 | 4.58 |
| Zhongke Quantum | 2,041,553 | 4.54 |
| Minyi Intelligent | 1,807,563 | 4.02 |
| Fengyuan Juxin | 1,730,769 | 3.85 |
| Shanghai Yucheng | 1,359,170 | 3.02 |
| Nantong Zhouzhou | 1,270,680 | 2.82 |
| Taiyou Venture | 1,180,792 | 2.62 |
| Anji Chenfeng | 815,474 | 1.81 |
| Guangfa Environmental | 747,438 | 1.66 |
| Huiyi Ruijin | 724,704 | 1.61 |
| Hejiuxin | 672,939 | 1.50 |
| Heyuanxin | 543,178 | 1.21 |
| Jiangsu Huate | 452,940 | 1.01 |
| Nanjing Turing | 452,940 | 1.01 |
| Tsinghua Foundation | 432,692 | 0.96 |
| Taizhiyou | 299,045 | 0.66 |
| Xinyu Taiyi | 299,045 | 0.66 |
| Xinyu Jimu | 271,841 | 0.60 |
| Taisheng Technology | 271,764 | 0.60 |
| Huahui Taiyou | 271,764 | 0.60 |
| **Total** | 45,000,000 | 100 |

***Equity transfers in 2023***

Pursuant to the equity transfer agreements dated June 20, 2023 entered into between (i) Backward Electronic and (ii) BYD Company Limited (比亞迪股份有限公司) ("**BYD**") and Shenzhen Chuangqi Kaiying Venture Capital Partnership (Limited partnership) (深圳市創啟開盈創業投資合夥企業(有限合夥)) ("**Shenzhen Chuangqi**"), respectively, Backward Electronic agreed to transfer 4.81% and 0.02% of the equity interest in our Company to BYD and Shenzhen Chuangqi, respectively, at a consideration of RMB50 million and RMB250,000. The considerations were determined based on the historical financial performance and business prospects of our Company, taking into account the liquidity discount in relation to the transfer of existing Shares, after arm's length negotiations between the relevant parties and were fully settled on June 21, 2023. As of the Latest Practicable Date, BYD does not hold any role in our Company other than being a Pre-IPO Investor. For further details of BYD and Shenzhen Chuangqi's investments, see "– Pre-IPO Investments" below.

Upon completion of the above equity transfers, our Company's shareholding structure became as follows:

| **Name of the Shareholder** | **Shares** | **Percentage of shareholding** *(approx. %)* |
|---|---|---|
| Mr. Li Zhen | 1,049,632 | 2.33 |
| Mr. Li Yi | 252,800 | 0.56 |
| Backward Electronic | 7,888,294 | 17.53 |
| Backward Partnership | 5,380,535 | 11.96 |
| Rongxiang Venture | 2,846,352 | 6.33 |
| Yuanhe Puhua | 2,718,339 | 6.04 |
| Runke Investment | 2,718,339 | 6.04 |
| Guangfa Intelligent | 2,265,399 | 5.03 |
| Suzhou Technology Investment | 2,059,740 | 4.58 |
| Zhongke Quantum | 2,041,553 | 4.54 |
| Minyi Intelligent | 1,807,563 | 4.02 |
| Fengyuan Juxin | 1,730,769 | 3.85 |
| BYD | 2,163,462 | 4.81 |
| Shanghai Yucheng | 1,359,170 | 3.02 |
| Nantong Zhouzhou | 1,270,680 | 2.82 |
| Taiyou Venture | 1,180,792 | 2.62 |
| Anji Chenfeng | 815,474 | 1.81 |
| Guangfa Environmental | 747,438 | 1.66 |
| Huiyi Ruijin | 724,704 | 1.61 |
| Hejiuxin | 672,939 | 1.50 |
| Heyuanxin | 543,178 | 1.21 |
| Jiangsu Huate | 452,940 | 1.01 |
| Nanjing Turing | 452,940 | 1.01 |
| Tsinghua Foundation | 432,692 | 0.96 |
| Taizhiyou | 299,045 | 0.66 |
| Xinyu Taiyi | 299,045 | 0.66 |
| Xinyu Jimu | 271,841 | 0.60 |
| Taisheng Technology | 271,764 | 0.60 |
| Huahui Taiyou | 271,764 | 0.60 |
| Shenzhen Chuangqi | 10,817 | 0.02 |
| **Total** | 45,000,000 | 100 |

***Divestment by Fengyuan Juxin in 2023***

Due to changes in its own investment arrangements, pursuant to an equity transfer agreement dated July 21, 2023 entered into between Fengyuan Juxin and Backward Electronic, Fengyuan Juxin agreed to transfer 1.92% of the equity interest in our Company to Backward Electronic, at a consideration of approximately RMB28.85 million. The consideration was determined after arms' length negotiations between the parties with reference to the cost per Share of Fengyuan Juxin's initial investment and the cost per Share in respect of our recent Pre-IPO Investments and was fully settled on July 25, 2023.

Upon completion of the above equity transfer, our Company's shareholding structure became as follows:

| Name of the Shareholder | Shares | Percentage of shareholding *(approx. %)* |
|---|---|---|
| Mr. Li Zhen | 1,049,632 | 2.33 |
| Mr. Li Yi | 252,800 | 0.56 |
| Backward Electronic | 8,753,678 | 19.45 |
| Backward Partnership | 5,380,535 | 11.96 |
| Rongxiang Venture | 2,846,352 | 6.33 |
| Yuanhe Puhua | 2,718,339 | 6.04 |
| Runke Investment | 2,718,339 | 6.04 |
| Guangfa Intelligent | 2,265,399 | 5.03 |
| BYD | 2,163,462 | 4.81 |
| Suzhou Technology Investment | 2,059,740 | 4.58 |
| Zhongke Quantum | 2,041,553 | 4.54 |
| Minyi Intelligent | 1,807,563 | 4.02 |
| Shanghai Yucheng | 1,359,170 | 3.02 |
| Nantong Zhouzhou | 1,270,680 | 2.82 |
| Taiyou Venture | 1,180,792 | 2.62 |
| Fengyuan Juxin | 865,385 | 1.92 |
| Anji Chenfeng | 815,474 | 1.81 |
| Guangfa Environmental | 747,438 | 1.66 |
| Huiyi Ruijin | 724,704 | 1.61 |
| Hejiuxin | 672,939 | 1.50 |
| Heyuanxin | 543,178 | 1.21 |
| Jiangsu Huate | 452,940 | 1.01 |
| Nanjing Turing | 452,940 | 1.01 |
| Tsinghua Foundation | 432,692 | 0.96 |
| Taizhiyou | 299,045 | 0.66 |
| Xinyu Taiyi | 299,045 | 0.66 |
| Xinyu Jimu | 271,841 | 0.60 |
| Taisheng Technology | 271,764 | 0.60 |
| Huahui Taiyou | 271,764 | 0.60 |
| Shenzhen Chuangqi | 10,817 | 0.02 |
| **Total** | 45,000,000 | 100 |

### Our subsidiaries

Since the commencement of the Track Record Period and up to the Latest Practicable Date, our Company has not had any subsidiaries.

## ACQUISITION, MERGER AND DISPOSAL

Since the commencement of the Track Record Period and up to the Latest Practicable Date, we have not conducted any acquisitions, mergers or disposals.

## PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisors have confirmed that we have obtained all necessary approvals from competent authorities or made all necessary registration or filings with the relevant local branch of SAMR in respect of all the aforesaid capital increases, equity transfers and conversion into a joint stock limited liability company.

## PRE-IPO INVESTMENTS

### Overview

Our Company obtained several rounds of Pre-IPO Investments from the Pre-IPO Investors, details of which are set out below:

| | Date of agreement | Shares subscribed/ acquired[1] | Total consideration (RMB) | Basis of consideration | Date of settlement of consideration | Cost per Share paid (RMB) | Discount to the Offer Price[2] | Use of proceeds | Shareholding in our Company immediately after the Global Offering[6] |
|---|---|---|---|---|---|---|---|---|---|
| Suzhou Technology Investment | September 11, 2013 | 2,059,740 | 1,500,000 | Historical financial performance and business prospects of our Company after arm's length negotiations | January 15, 2021 | 0.73 | 97.57% | For our Company's daily expenses and supplementing our working capital[3] | 3.43% |
| Zhongke Quantum | August 26, 2015 | 1,049,632 | 4,000,000 | | May 8, 2015 | 3.81 | 87.30% | | 3.40% |
| | April 28, 2017 | 448,393 | 3,000,000 | | June 29, 2017 | 6.69 | 77.70% | | |
| | April 6, 2021 | 271,764 | 3,000,000 | | May 28, 2021 | 11.04 | 63.20% | N/A[4] | |
| | May 6, 2021 | 271,764 | 3,000,000 | | May 28, 2021 | 11.04 | 63.20% | | |
| Nantong Zhouzhou | August 26, 2015 | 262,320 | 1,000,000 | | September 11, 2015 | 3.81 | 87.30% | For our Company's daily expenses and supplementing our working capital[3] | 2.12% |
| | November 17, 2020 | 89,889 | 993,700 | | June 29, 2020 | 11.05 | 63.17% | | |
| | October 22, 2021 | 918,471 | 17,042,371 | | December 29, 2021 | 18.56 | 38.14% | N/A[4] | |

| | Date of agreement | Shares subscribed/ acquired[1] | Total consideration (RMB) | Basis of consideration | Date of settlement of consideration | Cost per Share paid (RMB) | Discount to the Offer Price[2] | Use of proceeds | Shareholding in our Company immediately after the Global Offering[6] |
|---|---|---|---|---|---|---|---|---|---|
| Taiyou Venture | August 26, 2015 | 1,180,792 | 4,500,000 | | September 11, 2015 | 3.81 | 87.30% | For our Company's daily expenses and supplementing our working capital[3] | 1.97% |
| Guangfa Environmental | April 28, 2017 | 747,438 | 5,000,000 | | June 1, 2017 | 6.69 | 77.70% | | 1.25% |
| Hejiuxin | April 28, 2017 | 672,939 | 4,500,000 | | June 2, 2017 | 6.69 | 77.70% | | 1.12% |
| Taizhiyou | April 28, 2017 | 299,045 | 2,000,000 | | June 22, 2017 | 6.69 | 77.70% | | 0.50% |
| Xinyu Taiyi | April 28, 2017 | 299,045 | 2,000,000 | | June 26, 2017 | 6.69 | 77.70% | | 0.50% |
| Minyi Intelligent | June 16, 2020 | 1,359,170 | 15,000,000 | | July 10, 2020 | 11.04 | 63.20% | | 3.01% |
| | September 25, 2021 | 448,393 | 8,320,000 | | September 28, 2021 | 18.56 | 38.14% | N/A[4] | |
| Huiyi Ruijin | August 16, 2020 | 724,704 | 8,000,000 | | July 31, 2020 | 11.04 | 63.20% | For our Company's daily expenses and supplementing our working capital[3] | 1.21% |
| Heyuanxin | August 16, 2020 | 131,160 | 1,452,000 | | August 20, 2020 | 11.07 | 63.10% | N/A[4] | 0.91% |
| | August 16, 2020 | 412,018 | 4,548,000 | | August 25, 2020 | 11.04 | 63.20% | For our Company's daily expenses and supplementing our working capital[3] | |
| Runke Investment | August 6, 2020 | 2,718,339 | 30,000,000 | | April 13, 2021 | 11.04 | 63.20% | | 4.53% |
| Jiangsu Huate | November 11, 2020 | 452,940 | 5,000,000 | | May 27, 2021 | 11.04 | 63.20% | | 0.75% |
| Taisheng Technology | November 17, 2020 | 271,764 | 3,000,000 | | December 23, 2020 | 11.04 | 63.20% | | 0.45% |

| | Date of agreement | Shares subscribed/ acquired[1] | Total consideration (RMB) | Basis of consideration | Date of settlement of consideration | Cost per Share paid (RMB) | Discount to the Offer Price[2] | Use of proceeds | Shareholding in our Company immediately after the Global Offering[6] |
|---|---|---|---|---|---|---|---|---|---|
| Huahui Taiyou | November 17, 2020 | 271,764 | 3,000,000 | | December 17, 2020 | 11.04 | 63.20% | | 0.45% |
| Nanjing Turing | December 18, 2020 | 452,940 | 5,000,000 | | December 29, 2020 | 11.04 | 63.20% | | 0.75% |
| Guangfa Intelligent | June 16, 2020 | 2,265,399 | 25,000,000 | | June 22, 2020 | 11.04 | 63.20% | | 3.78% |
| Yuanhe Puhua | August 16, 2020 | 2,718,339 | 30,000,000 | | December 18, 2020 | 11.04 | 63.20% | | 4.53% |
| Anji Chenfeng | April 6, 2021 | 815,474 | 9,000,000 | | April 14, 2021 | 11.04 | 63.20% | N/A[4] | 1.36% |
| Xinyu Jimu | April 6, 2021 | 271,841 | 3,000,000 | | April 13, 2021 | 11.04 | 63.20% | N/A[4] | 0.45% |
| Tsinghua Foundation | July 16, 2021 | 432,692 | Nil[5] | N/A[5] | N/A | N/A | N/A | N/A | 0.72% |
| Shanghai Yucheng | November 17, 2020 | 1,359,170 | 15,000,000 | Historical financial performance and business prospects of our Company after arm's length negotiations | May 28, 2021 | 11.04 | 63.20% | For our Company's daily expenses and supplementing our working capital[3] | 2.27% |
| Rongxiang Venture | October 19, 2021 | 2,846,352 | 52,814,477 | Valuation of our Company, historical financial performance and business prospects of our Company after arm's length negotiations | November 17, 2021 | 18.56 | 38.14% | N/A[4] | 4.74% |

| | Date of agreement | Shares subscribed/ acquired[1] | Total consideration *(RMB)* | Basis of consideration | Date of settlement of consideration | Cost per Share paid *(RMB)* | Discount to the Offer Price[2] | Use of proceeds | Shareholding in our Company immediately after the Global Offering[6] |
|---|---|---|---|---|---|---|---|---|---|
| Fengyuan Juxin[9] | November 30, 2021 | 1,730,769 | 40,000,000 | Historical financial performance and business prospects of our Company after arm's length negotiations | December 1, 2021 | 23.11 | 22.97% | | 2.88% |
| Mr. Wei Yong | February 17, 2023 | N/A[7] | 10,002,000 | | March 26, 2023 | N/A[7] | N/A | N/A[8] | N/A |
| Mr. Xiao Bin | February 17, 2023 | N/A[7] | 10,002,000 | | March 24, 2023 | N/A[7] | N/A | N/A[8] | N/A |
| BYD | June 20, 2023 | 2,163,462 | 50,000,000 | Historical financial performance and business prospects of our Company, taking into account the liquidity discount in relation to the transfer of existing Shares, after arm's length negotiations | June 21, 2023 | 23.11 | 22.97% | N/A[4] | 3.61% |
| Shenzhen Chuangqi | June 20, 2023 | 10,817 | 250,000 | | June 21, 2023 | 23.11 | 22.97% | N/A[4] | 0.02% |

*Notes:*

1. Having taken into account the capitalization of capital reserve of the Company in 2021.

2. The discount to the Offer Price is calculated based on the assumption that the Offer Price is HK$32.96 per Share, being the mid-point of the indicative Offer Price range of HK$27.47 to HK$38.45 per Share.

3. As at the Latest Practicable Date, all the proceeds had been fully utilized.

4. Effected by way of acquisition of existing Shares, and therefore no proceeds were received by our Company.

5. The underlying 123,711 Shares were transferred to Tsinghua Foundation as an alumni donation made by Mr. Li Zhen and Mr. Zhang Guangping at nil consideration for charitable purpose.

6. Assuming that the Over-allotment Option is not exercised.

7. On February 17, 2023, Backward Partnership entered into an investment agreement with, among others, Mr. Xiao Bin and Mr. Wei Yong, respectively, pursuant to which each of Mr. Xiao Bin and Mr. Wei Yong agreed to subscribe for the increased registered capital of Backward Partnership as limited partners at a subscription price of RMB10,002,000, of which RMB6,700 was contributed to the registered capital of Backward Partnership, and the remaining was treated as contribution to the capital reserve of Backward Partnership. Pursuant to the investment agreements, each of Mr. Xiao Bin and Mr. Wei Yong would hold 5.58% of the equity interest in Backward Partnership, equivalent to indirect interest in approximately 300,000 Shares of our Company, respectively.

8. Effected by way of subscribing for interests in Backward Partnership, and therefore no proceeds were received by our Company.

9. Due to changes in its own investment arrangements, pursuant to an equity transfer agreement dated July 21, 2023 entered into between Fengyuan Juxin and Backward Electronic, Fengyuan Juxin agreed to transfer 1.92% of the equity interest in our Company to Backward Electronic, at a consideration of approximately RMB28.85 million. For further details of such equity transfer, see "— Divestment by Fengyuan Juxin in 2023" above.

**Use of proceeds**

The proceeds received from each of the Pre-IPO Investors were used for our Company's daily expenses and supplementing our working capital and has been fully utilized as of the Latest Practicable Date (except for transactions in which our Company did not receive any proceeds, such as the involving transfer of existing Shares or equity interests in entities holding our Shares.)

**Strategic Benefits**

Our Directors are of the view that our Company would benefit from the additional capital provided by our Pre-IPO Investors for our daily operations, and the synergy generated by combining the resources and expertise of the Pre-IPO Investors. Our Pre-IPO Investors include a listed company and professional institutional investors covering not only the Analog IC industry but also automobile, information technology, manufacturing, marketing and public relationship industries, who could share their experience in market expansion and their insight on business strategies, as well as provide us with advice on our Company's corporate governance, financial reporting and internal control. Moreover, the Pre-IPO Investments have broadened our shareholder base, demonstrating the Pre-IPO Investors' confidence in the capabilities and prospects of our Company.

**Special Rights**

Pursuant to the terms of their respective investments, certain of the Pre-IPO Investors were granted certain special rights in relation to our Company, including, among others, performance commitments, repurchase rights, preferential dividend distribution rights and anti-dilution rights. Such special rights were terminated with immediate effect pursuant to the supplemental agreement entered into, among others, our Company and the relevant Pre-IPO Investors dated December 22, 2021. See "Financial Information – Discussion of Certain Items of Statements of Financial Position – Financial Instruments Issued to Investors" for details.

**Background information of our Pre-IPO Investors**

The background information of our Pre-IPO Investors is set out below:

| Pre-IPO Investor | Background |
|---|---|
| Rongxiang Venture | **Rongxiang Venture** is a limited partnership established in the PRC on September 16, 2021. It is a private equity fund primarily engaged in venture capital investment in the PRC. Rongxiang Venture has previously invested in companies primarily engaged in manufacturing industry such as Shanghai Yingshuang Electric Machinery Co., Ltd. (上海贏雙電機科技股份有限公司) and wholesale and retail trade industry such as Beijing Winner Microelectronics Co., Ltd. (北京聯盛德微電子有限責任公司). As of the Latest Practicable Date, Rongxiang Venture was owned as to (i) 4.10% by Suzhou Hi-tech Venture Capital Group Rongxiang Investment Management Co., Ltd. (蘇州高新創業投資集團融享投資管理有限公司) as general partner, which was ultimately controlled by Mr. Kong Jianhua, one of our non-executive Directors, (ii) 59.01% by Suzhou Hi-tech Venture Capital Group Co., Ltd. (蘇州高新創業投資集團有限公司), as limited partner which was ultimately controlled by Suzhou Huqiu District People's Government (蘇州市虎丘區人民政府) and (iii) 32.79% by Suzhou High-tech Investment Management Co., Ltd. (蘇州高新投資管理有限公司), which as ultimately controlled by Suzhou New District Hi-tech Industrial Co., Ltd (蘇州新區高新技術產業股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600736.SH), and 4.10% by Ms. Qiu Yuefang (邱玥芳), as limited partners. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, all of such limited partners were Independent Third Parties and none of them held more than one-third of the interest in Rongxiang Venture. |

| **Pre-IPO Investor** | **Background** |
|---|---|
| Yuanhe Puhua | **Yuanhe Puhua** is a limited partnership established in the PRC on January 25, 2018. It is a private equity fund primarily engaged in equity investment in the PRC. Yuanhe Puhua has previously invested in companies primarily engaged in wholesale and retail trade industry such as Shenzhen Longsys Electronics Co., Ltd. (深圳市江波龍電子股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 301308.SZ), information transmission, software, and information technology services industry such as JADARD TECHNOLOGY INC (深圳天德鈺科技股份有限公司), a company listed on the Science and Technology Innovation Board (stock code: 688252.SH), scientific research and technical services industry such as Empyrean Technology Co., Ltd. (北京華大九天科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 301269.SZ). As of the Latest Practicable Date, Yuanhe Puhua was owned as to (i) 0.91% by Suzhou Zhixin Fangwei Investment Management Partnership (Limited Partnership) (蘇州致芯方維投資管理合夥企業(有限合夥)) as general partner, which was ultimately controlled by Ms. Liu Yue (劉越), an Independent Third Party, and (ii) 99.09% by other nine limited partners, with their respective shareholding in Yuanhe Puhua ranging from 1.33% to 24.39%. Suzhou Asian Investment Rongji Equity Investment Center (Limited partnership) (蘇州亞投榮基股權投資中心(有限合夥)), the largest limited partner holding 24.39% interests in Yuanhe Puhua, was owned as to (i) 0.02% by Suzhou Yinsheng Investment Management Co., Ltd. (蘇州銀晟投資管理有限公司) as general partner, which was ultimately controlled by Mr. Huang Hao (黃浩) and Mr. Huang Chi (黃遲), both Independent Third Parties, and (ii) 99.98% by Asia Investment Yinxin (Xiamen) Investment Management Co., Ltd. (亞投銀欣(廈門)投資管理有限公司) as limited partner, which was ultimately controlled by Mr. Zhong Zhen (仲貞) and Mr. Huang Jiangzhen (黃江圳), both Independent Third Parties. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, all of such limited partners were Independent Third Parties and none of them held more than one-third of the interest in Yuanhe Puhua. |

| **Pre-IPO Investor** | **Background** |
|---|---|
| Runke Investment | **Runke Investment** is a limited partnership established in the PRC on August 28, 2019. It is a private equity fund primarily engaged in venture capital investment, equity investment, investment management and provision of investment-related consultancy services in the PRC. Runke Investment has previously invested in companies primarily engaged in manufacturing industry such as Shanghai Orient-chip Technology Co., Ltd. (上海燦瑞科技股份有限公司), a company listed on the Science and Technology Innovation Board (stock code: 688061.SH), Wuxi SI-POWER MICRO-ELECTRONICS Co., Ltd. (無錫硅動力微電子股份有限公司) and Guangdong MISUN Technology Co., Ltd. (廣東美信科技股份有限公司). As of the Latest Practicable Date, Runke Investment was owned as to (i) 0.50% by Runke Investment Management (Shanghai) Co., Ltd. (潤科投資管理(上海)有限公司) as general partner, which was owned as to 51.00% by China Resources Microelectronics Limited (華潤微電子有限公司), a company listed on Shanghai Stock Exchange (stock code: 688396.SH) and an Independent Third Party, and (ii) 99.50% by other seven limited partners, with their respective shareholding in Runke Investment ranging from 0.30% to 24.24%. Hanwei Huade (Tianjin) Investment Consulting Co., Ltd. (漢威華德(天津)投資諮詢有限公司), the largest limited partner holding 24.24% interests in Runke Investment, was wholly owned by China Resources Investment and Entrepreneurship (Tianjin) Co., Ltd. (華潤投資創業(天津)有限公司) which was ultimately controlled by State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), an Independent Third Party. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, all of such limited partners were Independent Third Parties and none of them held more than one-third of the interest in Runke Investment. |

| Pre-IPO Investor | Background |
|---|---|
| Guangfa Intelligent | **Guangfa Intelligent** is a limited partnership established in the PRC on January 10, 2018. It is a private equity fund primarily engaged in equity investment in the PRC. Guangfa Intelligent has previously invested in companies primarily engaged in information transmission, software, and information technology services industry such as Guangdong Weide Information Technology Co., Ltd. (廣東緯德信息科技股份有限公司), a company listed on the Science and Technology Innovation Board (stock code: 688171.SH). As of the Latest Practicable Date, Guangfa Intelligent was owned as to (i) 20.00% by GF Xinde Investment Management Co., Ltd. (廣發信德投資管理有限公司) ("**GF Xinde**") as general partner, which was ultimately controlled by GF Securities Co., Ltd. (廣發証券股份有限公司) (stock code: 000776.SZ), an Independent Third Party, and (ii) 80.00% by other 17 limited partners, with their respective shareholding in Guangfa Intelligent ranging from 3.56% to 8.89%. Hangzhou Yishang Huanrui Investment Management Co., Ltd. (杭州易尚寰睿投資管理有限公司), the largest limited partner holding 8.89% interests in Guangfa Intelligent, was owned as to 60.67% by Mr. Shen Chuhe (沈楚鶴), 32.67% by Mr. Shen Hongyu (沈泓宇) and 6.67% by Mr. Xie Jiangpei (謝江佩). All of Mr. Shen Chuhe, Mr. Shen Hongyu and Mr. Xie Jiangpei were Independent Third Parties. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, all of such limited partners were Independent Third Parties and none of them held more than one-third of the interest in Guangfa Intelligent. |

| Pre-IPO Investor | Background |
|---|---|
| Guangfa Environmental | **Guangfa Environmental** is a limited partnership established in the PRC on September 22, 2015. It is a private equity fund primarily engaged in environmental industrial investment, equity investment and provision of equity investment-related consultancy services in the PRC. Guangfa Environmental has previously invested in companies primarily engaged in hydraulic engineering, environment and public facilities management industry such as Qiaoyin City Management Co., Ltd. (僑銀城市管理股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002973.SZ) and information transmission, software, and information technology services industry such as Wuxi Guoxin Microelectronics System Co., Ltd. (無錫國芯微電子系統有限公司). As of the Latest Practicable Date, Guangfa Environmental was owned as to (i) 16.11% by GF Xinde as general partner, (ii) 34.64% by Shangpu Industrial Investment Development (Hengqin) Co., Ltd. (尚浦產投發展(橫琴)有限公司) as limited partner, which was ultimately controlled by Mr. Liu Xiangdong (劉響東), an Independent Third Party, and (iii) 49.25% by other 11 limited partners, with their respective shareholding in Guangfa Environmental ranging from 1.73% to 10.74%. Zhongshan Public Environmental Protection Industry Investment Co., Ltd. (中山公用環保產業投資有限公司), the largest limited partner holding 10.74% interests in Guangfa Environmental, was wholly owned by Zhongshan Public Utilities Group Co., Ltd. (中山公用事業集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000685.SZ), which was ultimately controlled by State-owned Assets Supervision and Administration Commission of Zhongshan Municipal People's Government (中山市人民政府國有資產監督管理委員會), an Independent Third Party. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, all of such limited partners were Independent Third Parties and none of them held more than one-third of the interest in Guangfa Environmental. |

| **Pre-IPO Investor** | **Background** |
|---|---|
| Minyi Intelligent | **Minyi Intelligent** is a limited partnership established in the PRC on January 23, 2018. It is a private equity fund primarily engaged in equity investment and industrial investment in the PRC. Minyi Intelligent has previously invested in companies primarily engaged in scientific research and technical services industry such as Shanghai Guoli Automotive Technology Co., Ltd. (上海果栗自動化科技有限公司) and Beijing Qingying Machine Vision Technology Co., Ltd. (北京清影機器視覺技術有限公司). As of the Latest Practicable Date, Minyi Intelligent was owned as to (i) 0.80% by Shanghai Guanrong Enterprise Management Co., Ltd. (上海冠融企業管理有限公司) as general partner, which was ultimately controlled by Mr. Wu Naiqi (吳乃奇), an Independent Third Party, (ii) 79.20% by Mr. Wu Naiqi as limited partner, and (iii) 20.00% by Tianjin Getu Enterprise Management Consulting Partnership (Limited Partnership) (天津格圖企業管理諮詢合夥企業(有限合夥)), which was owned as to 99.00% by Mr. Yu Minhong (俞敏洪) and 1.00% by Mr. Gu Xianhao (顧顯灝), both Independent Third Parties. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, the limited partner was an Independent Third Party. |

| Pre-IPO Investor | Background |
|---|---|
| Taiyou Venture | **Taiyou Venture** is a limited partnership established in the PRC on July 28, 2014. It is a private equity fund primarily engaged in venture capital investment and provision of related consultancy services in the PRC. Taiyou Venture has previously invested in companies primarily engaged in scientific research and technical services industry such as Jiangsu Auto Electronic Control System Technology Co., Ltd. (江蘇奧易克斯汽車電子科技股份有限公司) and Hangzhou Enter Electronic Technology Co., Ltd. (杭州回車電子科技有限公司). As of the Latest Practicable Date, Taiyou Venture was owned as to (i) 0.95% by Beijing Taiyou Investment Management Co., Ltd. (北京泰有投資管理有限公司) ("**Taiyou Investment**") as general partner, which was ultimately controlled by Ms. Li Yifang (李意芳), an Independent Third Party, (ii) 46.18% by Taisheng Technology as limited partner, and (iii) 52.87% by other nine individuals as limited partners, with their respective shareholding in Taiyou Venture ranging from 1.64% to 14.20%, respectively. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, all of such limited partners were Independent Third Parties and none of them held more than one-third of the interest in Taiyou Venture. |
| Taizhiyou | **Taizhiyou** is a limited partnership established in the PRC on March 29, 2016. It is a private equity fund primarily engaged in venture capital investment and the provision of related consultancy services in the PRC. Taizhiyou has previously invested in companies primarily engaged in scientific research and technical services industry such as Heneng Habitat Technology (Tianjin) Group Co., Ltd. (和能人居科技(天津)集團股份有限公司), Jiangsu Auto Electronic Control System Technology Co., Ltd. (江蘇奧易克斯汽車電子科技股份有限公司) and manufacturing industry such as Suzhou Huayang Scientific Instrument Co., Ltd. (蘇州華楊科學儀器有限公司). As of the Latest Practicable Date, Taizhiyou was owned as to (i) 0.51% by Beijing Taiyouxi Venture Capital Management Co., Ltd. (北京泰有系創業投資管理有限公司) ("**Taiyouxi Venture**") as general partner, which was owned as to 43% and 34% by Mr. Yu Longwen (余龍文) and Ms. Yu Binyan (余彬燕), respectively. Both Mr. Yu Longwen and Ms. Yu Binyan are Independent Third Parties, (ii) 25.64% by Tsinghua Foundation and (iii) 73.85% by other 19 limited partners, with their respective shareholding in Taizhiyou ranging from 2.56% to 8.72%. The largest limited partner of Taizhiyou is Ms. Yu Binyan, who held 8.72% interests in Taizhiyou. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, all of such limited partners were Independent Third Parties and none of them held more than one-third of the interest in Taizhiyou. |

| **Pre-IPO Investor** | **Background** |
|---|---|
| Xinyu Taiyi | **Xinyu Taiyi** is a limited partnership established in the PRC on May 3, 2016. It is a private equity fund primarily engaged in assets management, investment management, project investment and provision of investment consultancy services in the PRC. Xinyu Taiyi has previously invested in companies primarily engaged in scientific research and technical services industry such as Heneng Habitat Technology (Tianjin) Group Co., Ltd. (和能人居科技(天津)集團股份有限公司) and Jiangsu Auto Electronic Control System Technology Co., Ltd. (江蘇奧易克斯汽車電子科技股份有限公司). As of the Latest Practicable Date, Xinyu Taiyi was owned as to (i) 0.72% by Beijing Taiyi Investment Management Co., Ltd. (北京泰益投資管理有限公司) ("**Taiyi Investment**") as general partner, which was controlled by Taiyouxi Venture, and (ii) 99.28% by other 11 limited partners, with their respective shareholding in Xinyu Taiyi ranging from 3.61% to 17.33%. The largest limited partner of Xinyu Taiyi is Mr. Zeng Fang (曾鈁), an Independent Third Party, who held 17.33% interests in Xinyu Taiyi. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, all of such limited partners were Independent Third Parties and none of them held more than one-third of the interest in Xinyu Taiyi. |
| Taisheng Technology | **Taisheng Technology** is a limited partnership established in the PRC on March 31, 2017. It is primarily engaged in technology development and services, corporate management and market research services in the PRC. As of the Latest Practicable Date, Taisheng Technology was owned as to (i) 10% by Ms. Yu Zhaoxia (喻朝霞), an Independent Third Party, as general partner, and (ii) 48.50% by Ms. Yu Binyan and 41.50% by Mr. Yu Tianyi (余天一) as limited partners. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, all of such limited partners were Independent Third Parties. |

| Pre-IPO Investor | Background |
|---|---|
| Huahui Taiyou | **Huahui Taiyou** is a limited partnership established in the PRC on April 30, 2020. It is a private equity fund primarily engaged in venture capital investment, industrial investment and equity investment in the PRC. Huahui Taiyou has previously invested in companies primarily engaged in information transmission, software, and information technology services industry such as Zongmu Technology (Shanghai) Co., Ltd. (縱目科技(上海)股份有限公司) and Beijing Yunzhi Soft Communication Information Technology Co., Ltd. (北京雲智軟通信息技術有限公司), and scientific research and technical services industry such as Jiangsu Huaxing Laser Technology Co., Ltd. (江蘇華興激光科技有限公司). As of the Latest Practicable Date, Huahui Taiyou was owned as to (i) 1.43% by Tianjin Haihe Huahui Taiyou Enterprise Management Partnership (Limited Partnership) (天津市海河華慧泰有企業管理合夥企業(有限合夥)) as general partner, the general partner of which was Taiyouxi Venture, (ii) 39.73% by Tianjin Haihe Industrial Fund Partnership (Limited Partnership) (天津市海河產業基金合夥企業(有限合夥)) as limited partner, which was ultimately controlled by Tianjin Municipal People's Government, and (iii) 58.84% by other seven limited partners, with their respective shareholding in Huahui Taiyou ranging from 1.43% to 19.62%. Hainan Huaqing Taiyou Technology Partnership (Limited Partnership) (海南華清泰有科技合夥企業(有限合夥)) ("**Hainan Huaqing**"), the largest limited partner holding 19.62% interests in Huahui Taiyou, was owned as to (i) 40.00% by Mr. Li Wei (李偉), an Independent Third Party, as general partner, and (ii) 60.00% by the other eight limited partners with their respective shareholding in Hainan Huaqing ranging from 1.82% to 18.18%. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, all of such limited partners were Independent Third Parties and none of them held more than one-third of the interest in Huahui Taiyou. |

| Pre-IPO Investor | Background |
|---|---|
| Suzhou Technology Investment | **Suzhou Technology Investment** is a limited liability company established in the PRC on March 3, 2003. It is a private equity fund primarily engaged in high-tech industry and project investment, mergers and acquisition and management consultancy in the PRC. Suzhou Technology Investment has previously invested in companies primarily engaged in scientific research and technical services industry such as Jiangsu University of Technology Collaborative Medical Robot Co., Ltd. (江蘇工大協同醫療機器人有限公司) and Suzhou Wanmuchun Biotechnology Co., Ltd. (蘇州萬木春生物技術有限公司). As of the Latest Practicable Date, Suzhou Technology Investment was owned as to 57.93% by Suzhou Overseas Students Entrepreneurship Park Co., Ltd. (蘇州留學人員創業園有限公司) as controlling shareholder, which was ultimately controlled by Suzhou Huqiu District People's Government, an Independent Third Party. |
| Zhongke Quantum | **Zhongke Quantum** is a limited partnership established in the PRC on February 18, 2014. It is primarily engaged in investment, investment management and investment consultancy in the PRC. Zhongke Quantum has previously invested in companies primarily engaged in information transmission, software, and information technology services industry such as Beijing Intergreen Microelectronic Technology Co., Ltd. (北京英特格靈微電子技術有限公司). As of the Latest Practicable Date, Zhongke Quantum was owned as to (i) 87.34% by Mr. Ma Guolin (馬國琳), an Independent Third Party as general partner, who also owned 20% of Shanghai Yucheng as limited partner, and (ii) 12.66% by other three individuals as limited partners, with their respective shareholding in Zhongke Quantum ranging from 2.66% to 7.34%. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, all of such limited partners were Independent Third Parties and none of them held more than one-third of the interest in Zhongke Quantum. |

| Pre-IPO Investor | Background |
|---|---|
| Fengyuan Juxin | **Fengyuan Juxin** is a limited partnership established in the PRC on February 2, 2021. It is a private equity fund primarily engaged in equity investment, investment management and assets management in the PRC. Fengyuan Juxin has previously invested in companies primarily engaged in scientific research and technical services industry such as Jiangsu Tianxinwei Semiconductor Equipment Co., Ltd. (江蘇天芯微半導體設備有限公司) and information transmission, software, and information technology services industry such as MeetFuture Technology (Shanghai) Co., Ltd. (彌費科技(上海)股份有限公司). As of the Latest Practicable Date, Fengyuan Juxin was owned as to (i) 0.17% by Fengyuan (Ningbo) Private Equity Management Co., Ltd. (馮源(寧波)私募基金管理有限公司) as general partner, which was ultimately controlled by Ms. Tang Zhilan (唐志蘭), an Independent Third Party, and (ii) 99.83% by other 36 limited partners, with their respective shareholding in Fengyuan Juxin ranging from 0.16% to 19.10%, respectively. The largest limited partner of Fengyuan Juxin was Ms. Yu Han (虞晗), an Independent Third Party, who held 19.10% interests in Fengyuan Juxin. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, all of such limited partners were Independent Third Parties and none of them held more than one-third of the interest in Fengyuan Juxin. |
| Shanghai Yucheng | **Shanghai Yucheng** is a limited partnership established in the PRC on August 25, 2020. It is primarily engaged in management consultancy, marketing and public relationship services and technology consultancy in the PRC. As of the Latest Practicable Date, Shanghai Yucheng was owned as to (i) 2.00% by Ms. Zhu Shiqi (朱史琦), an Independent Third Party, as general partner, and (ii) 98.00% by other seven individuals as limited partners, with their respective shareholding in Shanghai Yucheng ranging from 6.67% to 23.33%. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, all of such limited partners were Independent Third Parties and none of them held more than one-third of the interest in Shanghai Yucheng. |

| **Pre-IPO Investor** | **Background** |
|---|---|
| Nantong Zhouzhou | **Nantong Zhouzhou** is a limited partnership established in the PRC on July 21, 2015. It is primarily engaged in equity investment, industrial investment and provision of investment consultancy services in the PRC. As of the Latest Practicable Date, Nantong Zhouzhou was owned as to (i) 99.00% by Ms. Zhou Liping (周麗萍), an Independent Third Party, as general partner, and (ii) 1.00% by an individual as limited partner, who was an Independent Third Party. |
| Anji Chenfeng | **Anji Chenfeng** is a limited partnership established in the PRC on March 3, 2021. It is primarily engaged in enterprise management consultancy in the PRC. As of the Latest Practicable Date, Anji Chenfeng was owned as to (i) 0.03% by Anji Qiushi Enterprise Management Co., Ltd. (安吉秋實企業管理有限責任公司) as general partner, which was ultimately controlled by Ms. Wang Hua (王華), an Independent Third Party, and (ii) 99.97% by Anji Lixin Business Management Partnership (Limited Partnership) (安吉勵欣企業管理合夥企業(有限合夥)) as limited partner, an Independent Third Party which was ultimately controlled by Ms. Wang Hua. |
| Huiyi Ruijin | **Huiyi Ruijin** is a limited partnership established in the PRC on July 13, 2020. It is a private equity fund primarily engaged in venture capital investment and business management in the PRC. As of the Latest Practicable Date, Huiyi Ruijin was owned as to (i) 1.00% by Suzhou Huiyi Equity Investment Management Partnership (Limited Partnership) (蘇州匯毅股權投資管理合夥企業(有限合夥)) as general partner, which was ultimately controlled by Mr. Yin Qulin (殷瞿林), an Independent Third Party, (ii) 55.25% by Ms. Lu Tian (陸甜), 37.5% by Jiaxing Qigang Jinhong Equity Investment Partnership (Limited Partnership) (嘉興棲港津鴻股權投資合夥企業(有限合夥)) which was ultimately controlled by Mr. Tang Liangxing (唐亮星), as limited partners, and (iii) 6.25% by an individual as limited partner. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, all of such limited partners were Independent Third Parties. |

| Pre-IPO Investor | Background |
|---|---|
| Hejiuxin and Heyuanxin | **Hejiuxin** is a limited partnership established in the PRC on March 21, 2017. It is primarily engaged in venture capital investment and management, financial and information consultancy in the PRC. As of the Latest Practicable Date, Hejiuxin was owned as to (i) 0.11% by Suzhou Yihe Venture Capital Co., Ltd. (蘇州意合創業投資有限公司) ("**Suzhou Yihe**") as general partner, which was ultimately controlled by Mr. Jing Yufei (景雨霏), an Independent Third Party, and (ii) 55.44% by Mr. Yang Fan (楊凡) and 44.44% by Ms. Lv Yunhong (呂雲紅), as limited partners. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, all of such limited partners were Independent Third Parties.<br><br>**Heyuanxin** is a limited partnership established in the PRC on July 30, 2020. It is primarily engaged in venture capital investment in the PRC. As of the Latest Practicable Date, Heyuanxin was owned as to (i) 20.00% by Suzhou Yihe as general partner, which was ultimately controlled by Mr. Jing Yufei, and (ii) 53.33% by Ms. Chen Xinmei (陳心美) and 26.67% by Ms. Ye Fengqiu, respectively, as limited partners. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, all of such limited partners were Independent Third Parties.<br><br>As confirmed by each of Hejiuxin and Heyuanxin, they are parties acting in concert in respect of the interests in our Company. |
| Jiangsu Huate | **Jiangsu Huate** is a joint stock limited liability company established in the PRC on May 11, 2017. It is primarily engaged in integrated circuit manufacture in the PRC. As of the Latest Practicable Date, Jiangsu Huate was owned as to (i) 95.20% by Mr. Xu Jun (許軍), an Independent Third Party, as controlling shareholder, and (ii) 4.08% and 0.72% by Mr. Li Zhen and Mr. Li Yi, respectively. |

| Pre-IPO Investor | Background |
|---|---|
| Nanjing Turing | **Nanjing Turing** is a limited partnership established in the PRC on March 13, 2019. It is a private equity fund primarily engaged in equity investment in the PRC. Nanjing Turing has previously invested in companies primarily engaged in information transmission, software, and information technology services industry such as Hunan Shibite Robot Co., Ltd. (湖南視比特機器人有限公司) and Shirui (Hangzhou) Information Technology Co., Ltd. (視睿(杭州)信息科技有限公司). As of the Latest Practicable Date, Nanjing Turing was owned as to (i) 0.19% by IMO Ventures (深圳市艾莫私募股權投資基金管理有限公司) as general partner, which was ultimately controlled by Mr. Liu Hai (劉海) and Mr. Yao Xiaochao (姚曉潮), both Independent Third Parties, and (ii) 99.81% by other 14 limited partners, with their respective shareholding in Nanjing Turing ranging from 0.81% to 22.41%. Ningbo Meishan Bonded Logistics Park Tengyunyuansheng Equity Investment Partnership (Limited Partnership) (寧波梅山保稅港區騰雲源晟股權投資合夥企業(有限合夥)), one of the largest limited partners holding 22.41% interests in Nanjing Turing, was owned as to (i) 1.00% by Century Tengyun Investment Management Co., Ltd. (世紀騰雲投資管理有限公司) as general partner, which was ultimately controlled by Mr. Huang Tao (黃濤), an Independent Third Party, and (ii) 99.00% by Tibet Tengyun Investment Management Co., Ltd. (西藏騰雲投資管理有限公司) as limited partner, which was ultimately controlled by Mr. Huang Tao. Nanjing Industrial Development Fund Co., Ltd. (南京市產業發展基金有限公司), the other largest limited partner holding 22.41% interests in Nanjing Turing, was wholly owned by the Finance Bureau of Nanjing Municipal Government (南京市財政局), an Independent Third Party. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, all of such limited partners were Independent Third Parties and none of them held more than one-third of the interest in Nanjing Turing. |

| Pre-IPO Investor | Background |
|---|---|
| Tsinghua Foundation | **Tsinghua Foundation** is a national non-public foundation as initiated by the Ministry of Education of the People's Republic of China (中華人民共和國教育部) (the "**Ministry of Education**"), approved by the People's Bank of China and registered by the Ministry of Civil Affairs of the People's Republic of China (中華人民共和國民政部) in the PRC on January 25, 1994. Tsinghua Foundation is a charitable foundation managed by the Ministry of Education with a purpose to promote the development of national education. As of December 31, 2021, Tsinghua Foundation had established 20 special funds covering, among others, scholarships, environmental protection and public welfare. |
| Xinyu Jimu | **Xinyu Jimu** is a limited partnership established in the PRC on June 28, 2020. It is a private equity fund primarily engaged in investment management, assets management, projects and industrial investment and investment consultancy in the PRC. Xinyu Jimu has previously invested in companies primarily engaged in manufacturing industry, such as Wuhan Elite Optronics Co., Ltd (武漢雲嶺光電股份有限公司) and Suzhou Lieqi Intelligent Equipment Co., Ltd. (蘇州獵奇智能設備有限公司), and information transmission, software, and information technology services industry such as Dongfang Weiyin Technology Co., Ltd. (東方微銀科技股份有限公司). As of the Latest Practicable Date, Xinyu Jimu was owned as to (i) 0.02% by Hainan Xinhe Private Equity Fund Management Partnership (Limited Partnership) (海南芯禾私募基金管理合夥企業(有限合夥)) as general partner, which was ultimately controlled by Ms. Yang Jingting (楊景婷), an Independent Third Party, (ii) 53.32% by Ms. Yang Jingting, and (iii) 46.66% by other five individuals as limited partners, with their respective shareholding in Xinyu Jimu ranging from 5.00% to 20.00%. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, all of such limited partners were Independent Third Parties and none of them held more than one-third of the interest in Xinyu Jimu. |

| Pre-IPO Investor | Background |
|---|---|
| Mr. Xiao Bin (肖斌) | **Mr. Xiao Bin** is an individual investor and has extensive investment experience in high-tech companies such as Sichuan Convenient Power Semiconductor Co., Ltd. (四川易沖科技有限公司), Greennovo Environmental Technology Co., Ltd. (鑫聯環保科技股份有限公司) and Nanjing Zhipu Technology Co., Ltd. (南京智譜科技有限公司). He is currently the legal representative and manager of Gain Supply Chain (Tianjin) Co., Ltd. (增益供應鏈(天津)有限公司), an investment holding company principally engaged in supply chain management. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, as of the Latest Practicable Date, Mr. Xiao Bin was an Independent Third Party. |
| Mr. Wei Yong (韋勇) | **Mr. Wei Yong** is the executive director of Suzhou Yongxin Holding Group Co., Ltd. (蘇州永鑫控股集團有限公司), a company principally engaged in investment management and relevant consulting services, and asset management. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, as of the Latest Practicable Date, Mr. Wei Yong was an Independent Third Party. |
| BYD | **BYD** is a joint stock company established in the PRC on February 10, 1995. It is principally engaged in automobile business which mainly includes new energy vehicles, handset components and assembly services, rechargeable batteries and photovoltaics business. It is dually listed on the Stock Exchange (stock code: 01211.HK) and the Shenzhen Stock Exchange (stock code: 002594.SZ). To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, as of the Latest Practicable Date, both BYD and Mr. Wang Chuanfu (王傳福), the controlling shareholder of BYD, were Independent Third Parties. |

| Pre-IPO Investor | Background |
|---|---|
| Shenzhen Chuangqi | **Shenzhen Chuangqi** is a limited partnership established in the PRC on September 8, 2020. It is principally engaged in investment activities in the PRC. As of the Latest Practicable Date, Shenzhen Chuangqi was owned as to (i) 3.3337% by Shenzhen Chuangqi Kaiying Business Service Co., Ltd. (深圳市創啟開盈商務服務有限公司) as general partner, which was ultimately controlled by Ms. Li Lu (李路) and Ms. Li Min (李敏), both Independent Third Parties, and (ii) 96.6663% by other ten individuals as limited partners, with their respective shareholding in Shenzhen Chuangqi ranging from 6.67% to 10.00%, respectively. As confirmed by Shenzhen Chuangqi, Shenzhen Chuangqi is an employee co-investment platform of BYD. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, all of such limited partners were Independent Third Parties and none of them held more than one-third of the interest in Shenzhen Chuangqi. |

To the best of our Directors' knowledge and belief after making due and careful enquiries, save for its/his Pre-IPO Investment and as disclosed above, each of the Pre-IPO Investors does not have any other relationship with our Company or any connected persons of our Company. Each of the Pre-IPO Investors was an Independent Third Party except Rongxiang Venture, the general partner of which was ultimately controlled by Mr. Kong Jianhua, one of our non-executive Directors. To the best of our knowledge and belief after making due and careful enquiries, neither our Company nor our Shareholders or their respective directors, supervisors and senior management have been holding Shares in the form of trust, entered into any shareholding entrustment agreement or other side arrangement of similar nature verbally or in writing.

### Compliance with Interim Guidance and Guidance Letters

On the basis that (i) the consideration for each of the Pre-IPO Investments was fully and irrevocably settled more than 120 clear days before the Listing, and (ii) the special rights granted to certain Pre-IPO Investors were terminated with immediate effect pursuant to the supplemental agreement dated December 22, 2021, the Sole Sponsor has confirmed that, the Pre-IPO Investments are in compliance with the Interim Guidance on Pre-IPO Investments issued by the Stock Exchange in January 2012 and updated in March 2017, the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange in October 2012 and updated in July 2013 and March 2017, and the Guidance Letter HKEx-GL44-12 issued by the Stock Exchange in October 2012 and updated in March 2017.

## LOCK-UP PERIOD AND PUBLIC FLOAT

Pursuant to applicable PRC Laws, within the 12 months following the Listing Date, all Shareholders immediately prior to the Global Offering (including relevant Pre-IPO Investors) could not dispose of any Shares held by them.

All of the Unlisted Domestic Shares held by the existing Shareholders (representing 75% of our Shares in issue immediately following the completion of the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option)) will not be converted into H Shares and will not be listed following the completion of the Global Offering, and thus will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules. As such, immediately after the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option), 25% of the total issued Shares will be held by the public in accordance with Rule 8.08(1)(a) of the Listing Rules.

## GUIDANCE RECEIVED FOR POTENTIAL INITIAL PUBLIC OFFERING

To explore the opportunity of establishing a capital market platform in the A-share market in the PRC, in 2022, we entered into a guidance agreement (the "**2022 Guidance Agreement**") with China Securities Co., Ltd. (中信建投證券股份有限公司), a qualified A-share sponsor to receive guidance on A-share listing in the PRC (the "**A-share Listing Guidance**"). We made a preliminary A-share Listing Guidance filing (上市輔導備案申請) with the Jiangsu Regulatory Bureau of CSRC (中國證券監督管理委員會江蘇監管局) ("**CSRC Jiangsu**") on January 20, 2022. Subsequently, CSRC Jiangsu issued a letter on October 28, 2022 confirming the completion of its review and acceptance process of our A-share Listing Guidance. The above preparation for seeking A-share listing was made simultaneously considering the overall market condition in Hong Kong back then, and was later suspended during the course of our preparation for the Listing while the overall market condition in Hong Kong gradually improved, as our Directors believe that the Listing will be in the interest of our Company's business development strategies, and would be beneficial to us and our Shareholders as a whole for the following reasons:

(i) the Stock Exchange, as a leading player of the international financial markets, could offer us a direct access to the international capital markets, enhance our fundraising capabilities and broaden our fundraising channels;

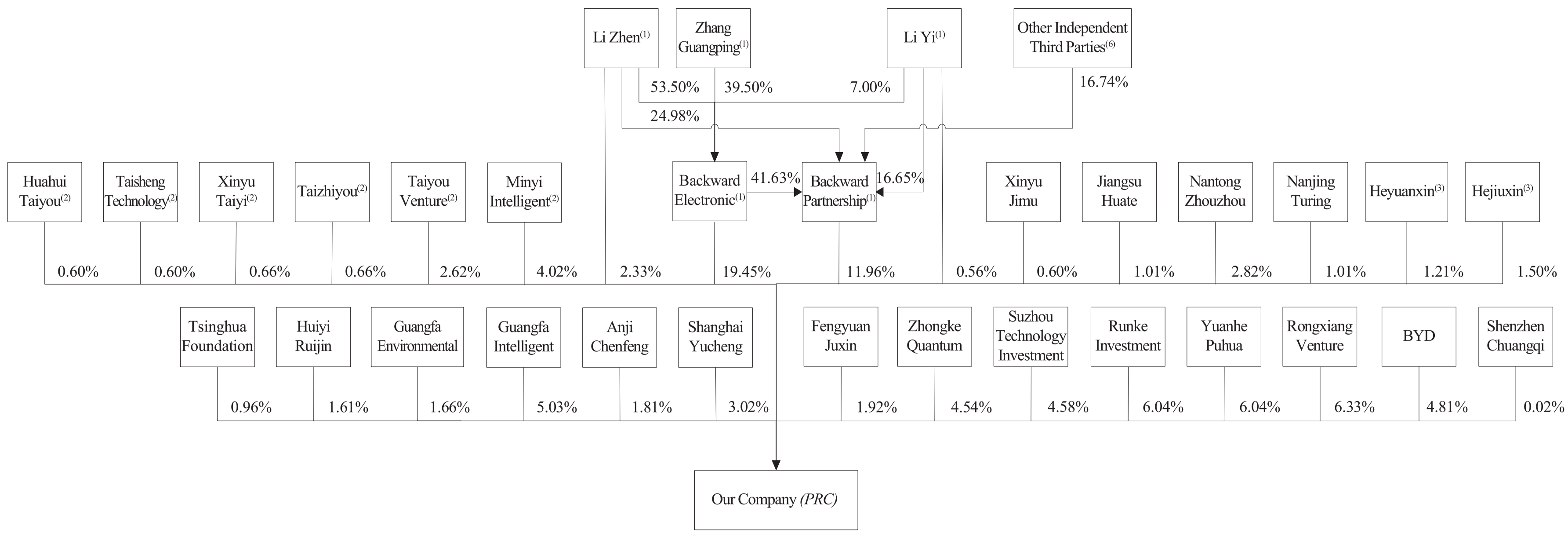
(ii) the Listing would give us a better platform to further develop our business; and

(iii) the Listing will further raise our brand awareness, business profile and thus, enhance our corporate image.

Since the execution of the 2022 Guidance Agreement and up to the Latest Practicable Date, our Company had not submitted any A-share listing application to the CSRC or any stock exchanges in the PRC and therefore had not received any comments or inquiries from the relevant regulators, including the CSRC, any stock exchanges in the PRC and/or their respective local offices. To the best of our Directors' knowledge and belief, our Directors are not aware of any other material matters relating to the A-share Listing Guidance stated above that might potentially affect the suitability of the Company to be listed on the Stock Exchange. Based on the independent due diligence work performed by the Sole Sponsor and the information and representation given to the Sole Sponsor, nothing has come to the Sole Sponsor's attention that could cast doubts on the Directors' views set out above.

## CORPORATE STRUCTURE IMMEDIATELY BEFORE THE GLOBAL OFFERING

The following diagram illustrates our shareholding structure immediately prior to the Global Offering:




*Notes:*

(1) On March 31, 2022, Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi entered into the Concert Party Agreement, pursuant to which the Concert Parties agreed and confirmed, among others, that from the date when they became direct and/or indirect Shareholders of our Company to such date when all of them cease to be directly or indirectly interested in our Company, they had been and would continue to be acting in concert.

(2) As confirmed by each of Minyi Intelligent, Taiyou Venture, Taizhiyou, Xinyu Taiyi, Taisheng Technology and Huahui Taiyou, they are parties acting in concert in respect of the interests in our Company.

(3) As confirmed by each of Hejiuxin and Heyuanxin, they are parties acting in concert in respect of the interests in our Company.

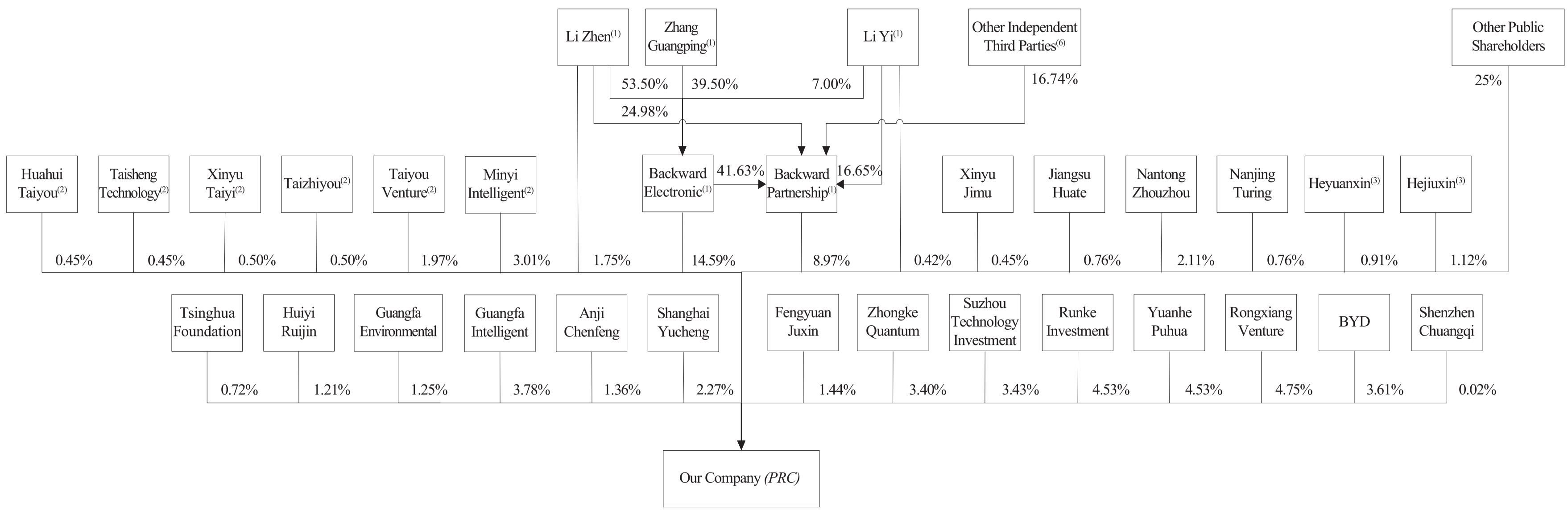
(4) See "– Pre-IPO Investments" above for details of the background of the Pre-IPO Investors.

(5) Share capital percentages may not add up to 100% due to rounding.

(6) Such Independent Third Parties include Mr. Shi Chao, Mr. Xiao Bin and Mr. Wei Yong.

## CORPORATE STRUCTURE IMMEDIATELY AFTER THE GLOBAL OFFERING

The following diagram illustrates our shareholding structure immediately following the Global Offering (assuming the Over-allotment Option is not exercised):




*Notes:*

(1) On March 31, 2022, Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi entered into the Concert Party Agreement, pursuant to which the Concert Parties agreed and confirmed, among others, that from the date when they became direct and/or indirect Shareholders of our Company to such date when all of them cease to be directly or indirectly interested in our Company, they had been and would continue to be acting in concert.

(2) As confirmed by each of Minyi Intelligent, Taiyou Venture, Taizhiyou, Xinyu Taiyi, Taisheng Technology and Huahui Taiyou, they are parties acting in concert in respect of the interests in our Company.

(3) As confirmed by each of Hejiuxin and Heyuanxin, they are parties acting in concert in respect of the interests in our Company.

(4) See "– Pre-IPO Investments" above for details of the background of the Pre-IPO Investors.

(5) Share capital percentages may not add up to 100% due to rounding.

(6) Such Independent Third Parties include Mr. Shi Chao, Mr. Xiao Bin and Mr. Wei Yong.

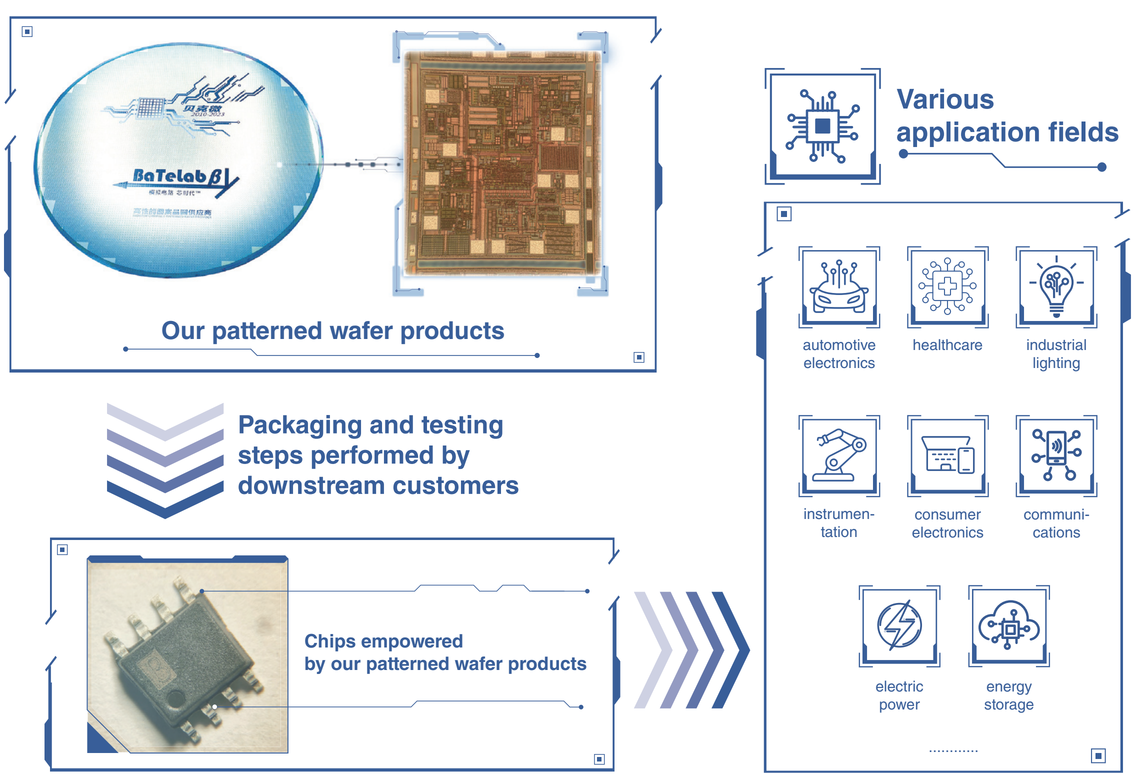
## OVERVIEW

### Who We Are

We are one of the analog IC patterned wafer providers with a prominent market position in China. Our deliverable products are analog IC patterned wafers with completed built-on circuits, which can then be fabricated into individual IC chips after standard and straightforward packaging and testing steps performed by our downstream customers at their discretion or using our available packaging and testing solutions.

The production of IC products consists of three stages, namely design, manufacturing, and packaging and testing. After determining the anticipated functionality of ICs, the design engineer creates layouts combining numerous electronic elements, including transistors, resistors, and capacitors, to realize the desired functions. As the design process generally involves a large volume of IC elements and complicated processes including schematic editing, layout editing and circuit simulation, design tools provided by upstream EDA software and IP companies are widely used to assist in the whole design process. When an analog IC design becomes available, a photomask is prepared based on the layout. Manufacturers then use the photomask to engrave the circuits on a blank silicon wafer, fabricating the blank wafer into a patterned wafer that contains multiple copies of the same analog IC dies. The analog IC patterned wafers are then sliced into individual dies, and each die is turned into an individual chip product after the packaging and testing process.

The following chart illustrates our patterned wafers and its downstream applications:



In the early years during the development of the IC industry, most IC companies operated with an IDM model, where they performed the whole process of design, manufacturing, packaging, testing and subsequent sales of the finished products. After the 1980s, with the continuous upgrade of IC products and differentiated sets of technology and skills required in each stage, a high degree of division of labor has gradually derived in the IC industry. Nowadays, according to Frost & Sullivan, a majority of IC design companies operate with a fabless model, where they focus on the design of IC products while cooperating with business partners for the manufacturing, packaging and testing processes. Moreover, considering the fragmented analog IC market and to ensure centralized management of sales requests and demands from downstream customers, it is common for analog IC design companies like us to collaborate with professional distributors for marketing and sales of products. Despite the substantial collaboration with upstream and downstream business partners, analog IC design companies can achieve higher profitability as the IC design stage is at the core of the entire value chain with high economic value and generates the most added value in a final product, according to Frost & Sullivan.

Based on our insights in the long-tail analog IC market as well as our full-stack design capabilities, we strategically focus on the design and provision of patterned wafers. Unlike traditional IC companies operating with a fabless model that relies on third-party EDA software and IP providers, according to Frost & Sullivan, we have developed the only full-stack design platform in China integrating the entire analog IC design chain, including EDA, IP and design, enabling our efficient product development and standardized high-performance patterned wafer delivery, as well as ensuring our competitive advantages in the industry. As one of the few IC design companies in China that focus on patterned wafer designs which require substantial collaboration with upstream and downstream business partners, according to Frost & Sullivan, we are dedicated to meeting the rapidly growing market demand for patterned wafers against the backdrop of the increasingly granular division of labor in the IC industry and have maintained a prominent position in the Chinese patterned wafer market. We are the largest provider of analog IC patterned wafers in China in terms of revenue in 2022, accounting for a market share of 1.7% of the total market size of RMB21.3 billion in China in the same year, according to Frost & Sullivan.

We offer approximately 400 types of diversified industrial grade analog IC patterned wafer products across seven sub-categories, namely switching regulators, multi-channel ICs and PMICs, linear regulators, battery management ICs, monitoring and modulating ICs, driver ICs, and linear products, in the power management category and the signal chain category as of the Latest Practicable Date. Our general-purpose, standardized analog IC patterned wafers are adaptable to a variety of end products in different application scenarios, and enable cost-efficient development and manufacturing of high-performance industrial grade IC chips for a wide range of downstream customers, including chip design companies, commercial distributors, brand-name manufacturers and ODMs. Our products have empowered numerous downstream customers, including well-known brand-name manufacturers and industry-leading chip design companies, in various application fields, such as automotive electronics, healthcare, industrial automation, industrial Internet of Things, industrial lighting, instrumentation, communications, electric power, energy storage and consumer electronics. According to Frost & Sullivan, the vast majority of chips made from our analog IC patterned wafers can achieve performance metrics comparable to those of leading international manufacturers. In 2020, 2021 and 2022, we successfully launched eight, 45 and 157 analog IC patterned wafer products, respectively, representing a CAGR of 343.0%, which demonstrated the fastest expansion of analog IC product offerings in China, according to Frost & Sullivan. These new products had driven most of our revenue increase during the Track Record Period. During the Track Record Period, we generated substantial amount of revenue from downstream customers (including direct sale customers and the ultimate end customers through distributors, but excluding distributors) engaging in industrial and automotive sectors. Our sales generated from downstream customers (including direct sale customers and the ultimate end customers through distributors, but excluding distributors) who have cooperated with us for at least three years accounted for over 50% of our total sales during such periods.

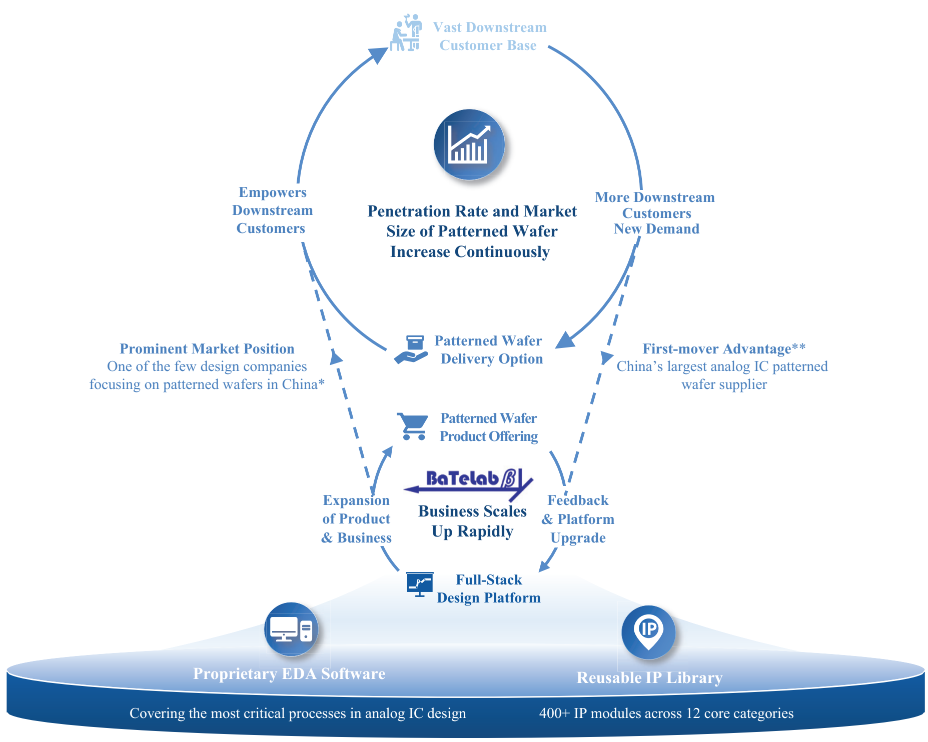
According to Frost & Sullivan, most of the IC design companies in China use imported EDA software tools and commercial IP modules designed by third parties, or develop their own IP modules by using the imported third-party EDA software tools. Unlike traditional IC companies operating with a fabless model that relies on third-party EDA software and IP providers, according to Frost & Sullivan, we have built the only full-stack analog IC design platform in China integrating the entire analog IC design chain, including EDA, IP and design. This provides us with a one-stop solution of analog IC design, enabling our effective product development and standardized high-performance patterned wafer delivery, as well as ensuring our competitive advantages in the industry. Our platform has achieved technical breakthroughs in both EDA software and IP module design, empowering efficient standardized design of analog IC products.

- ***Analog IC Design is Our Platform's Core Capability.*** We are the only analog IC design company in China equipped with proprietary EDA software, according to Frost & Sullivan. Our platform covers all major functions relating to schematic editing, layout editing and simulation, the three most critical processes in analog IC design.

- ***Rich and Reusable IP Library Ensures Platform Scalability.*** We prioritize batch design of similar products, and we often design IP modules to have regular shapes such as compact rectangles, enhancing standardization and reusability. We conduct research on manufacture processing technologies and develop our IP modules adaptable to industry leading processes, improving the compatibility of our design with manufacturing. As of the Latest Practicable Date, we have amassed more than 400 IP modules covering 12 core categories of analog IC design and adaptable to nine core processing technologies, representing the most comprehensive IP coverage among all analog IC design companies in China.

- ***Smart Design Enables Efficient Product Development.*** Our platform supports standardized, visualized, and easy-to-operate analog IC design, with the automation level close to digital IC design, which significantly reduces learning barrier for R&D personnel as well as development cost and time. In 2022, for each new product, our average R&D expenditure was about 45% lower, and our average design time was about 25% shorter, than the industry average, according to Frost & Sullivan.

- ***Powerful Network Effect Drives Continuous Platform Upgrades.*** Our platform allows us to expand our product portfolio and cultivate a large and loyal downstream customers base in a cost-effective manner. The patterned wafers delivered by us significantly enhance the operational efficiency of downstream customers. We are committed to supporting our downstream customers throughout their entire lifecycles. Heeding their feedback on the needs of latest application scenarios, we continuously enhance our platform's capability and enrich our product offerings. This powerful network effect enables us to scale up our patterned wafer business, and more importantly it enhances the market acceptance and market share of patterned wafer as the preferred delivery option in the IC industry, and as a result increases industry-wide patterned wafer delivery volume.




* Requiring substantial collaboration with upstream and downstream business partners.

** First-mover advantage refers to an advantage gained by a company that first introduces a product to the market. As one of the few IC design companies in China focusing on patterned wafer designs, we take a leading role in the commercialization of analog IC patterned wafers. We have gained first-mover advantages from our prominent market position, and become the largest analog IC patterned wafer provider in China.

Benefiting from our powerful platform and rich product offerings, our business scale has expanded rapidly without compromising profitability and operational efficiency, making us a prominent force in terms of growth and profitability in China's analog IC industry. During the Track Record Period, our revenue increased from RMB88.7 million in 2020 to RMB212.7 million in 2021 and further to RMB352.5 million in 2022, representing a CAGR of 99.3%, and increased by 26.1% from RMB162.1 million for the six months ended June 30, 2022 to RMB204.4 million for the six months ended June 30, 2023. Despite the high growth of revenue, we consistently maintained high gross profit margin at 54.9%, 56.4%, 56.5%, 57.4% and 55.2% in 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, respectively. Contributed by the high gross profit margin and operational efficiency, our gross profit increased from RMB48.7 million in 2020 to RMB120.0 million in 2021 and further to RMB199.3 million in 2022, representing a CAGR of 102.2%, and increased by 21.3% from RMB93.1 million for the six months ended June 30, 2022 to RMB112.9 million for the six months ended June 30, 2023. Our net profit increased from RMB14.0 million in 2020 to RMB57.0 million in 2021 and further to RMB95.3 million in 2022, representing a CAGR of 160.9%, and increased by 7.3% from RMB42.8 million for the six months ended June 30, 2022 to RMB45.9 million for the six months ended June 30, 2023. Our adjusted net profit (Non-HKFRS measure) increased by 32.5% from RMB42.8 million for the six months ended June 30, 2022 to RMB56.6 million for the six months ended June 30, 2023. See "Financial Information – Non-HKFRS Measure."

**Market Opportunities**

China's analog IC market is expanding rapidly due to surging domestic demand for analog IC products, and has become the largest analog IC market in the world in terms of downstream customer purchases in 2022. According to Frost & Sullivan, China's analog IC market reached RMB348.6 billion in 2022 in terms of revenue and is expected to increase to RMB516.5 billion in 2027, representing a CAGR of 8.2%. With the increasingly granular division of labor in the semiconductor industry value chain, the market of patterned wafers in the analog IC market has been increasing faster than the analog IC market. The analog IC patterned wafer market in China was approximately RMB21.3 billion in 2022 in terms of revenue, and is expected to increase to RMB52.2 billion in 2027, representing a CAGR of 19.7%.

Currently, the Chinese analog IC market is extremely fragmented. As the vast majority of analog IC design companies in China focus on finished IC chip products, there is a shortage of providers that are capable of volume supplying analog IC patterned wafers cost-effectively. With the top five providers in aggregate accounting for just 5.0% market share in 2022, the analog IC patterned wafer market is even more fragmented. In this market landscape, the delivery of analog IC products face the following challenges.

- ***Application Scenario.*** Compared to digital ICs that process binary digital signals, analog ICs process continuous physical analog signals observed in the nature, bringing about widely diverse application scenarios for industrial grade products. According to Frost & Sullivan, there are currently more than 63,000 types of industrial grade analog IC products in the market, and approximately 80% of the total sales in the market are attributed to a large number of individual products each of whose sales accounts for no more than 0.02% of the total market size, indicating an immense demand from long-tail application scenarios. These application scenarios include automotive electronics, healthcare, industrial automation, industrial Internet of Things, industrial lighting, instrumentation, communications, electric power, energy storage and consumer electronics. However, there is a lack of IC design companies that are capable of providing integrated solutions for these scattered individual products in a cost-effective manner.

- ***R&D Investment.*** Analog IC design involves a great variety of integrated circuit elements, the interactions of which are complex. Without sufficient high-performance EDA software and reusable IP libraries, analog IC design often relies heavily on the experience and know-how of scarce talented design engineers, and requires costly R&D expenditure. According to Frost & Sullivan, the average R&D expenditure required to develop a new type of industrial grade analog IC in China was approximately RMB5.5 million in 2022.

- ***Development Cycle.*** Analog IC product development requires intensive communication and cooperation with foundries from design to tape-out and to volume production, which results in a prolonged development cycle. According to Frost & Sullivan, the average development cycle for a new type of industrial grade analog IC in China is 13-14 months in 2022.

- ***Economies of Scale.*** With the long-tail analog IC market, it is often difficult for IC design companies to secure foundry capacity or establish economies of scale for products with small volume requirements. On the other hand, as traditional scaling of transistors becomes increasingly difficult, advanced packaging technologies have emerged as new ways to continue improving the performance and functionality of ICs. These technologies enable the integration of multiple unpackaged dies sliced from patterned wafers with diverse functions into a single package, providing significant benefits in terms of power consumption, performance, and form factor, and have become one of the most important methods of "More-than-Moore," where added value to devices is provided by incorporating functionalities that do not necessarily scale according to the traditional "Moore's Law." In such advanced packaging scenario, the traditional packaged chip delivery form of analog IC products results in wasteful repackaging cost for the downstream participants.

Our business model, based on our full-stack design platform with patterned wafers as major deliverable products, enables us to focus on the analog IC design that we excel in, which addresses the delivery challenge of analog IC products in the long-tail market and enhance the overall economies of scale of the analog IC industry.

**Our Values**

We aspire to become China's leading provider of all major types of analog IC patterned wafer products accompanying our downstream customers' full lifecycle success. The core values we provide to our downstream customers include:

- ***Broader Industry Collaboration.*** Leveraging our diversified product offerings and patterned wafers as deliverable products, we can integrate downstream customers' needs for different products and applications, taking full advantage of foundry capacity and providing affordable patterned wafer products for the long-tail demand in various industries. Our patterned wafers are chiplet-ready, which means that they can be fabricated into small, modular chips that can be combined to form a more complex chip, giving our downstream customers more design flexibility and optimizing their products' performance and power consumption.

- ***Lower R&D Expenditure.*** Our patterned wafers can be manufactured into finished chip products after standard and straightforward packaging and testing. It allows various downstream customers, including chip design companies, commercial distributors, brand-name manufacturers and ODMs, to significantly reduce development costs of IC chips, helping them launch new chip products in a cost-effective manner. By adopting patterned wafers, our downstream customers can reallocate the funds saved from reduced R&D expenditure to other core products or marketing activities.

- ***Shorter Time-to-Market.*** Our downstream customers, especially chip design companies, can launch new products in several weeks at most after purchasing our analog IC patterned wafers, significantly mitigating uncertainty for product development and shortening their products' time-to-market, which facilitates their penetration into broader end markets.

- ***More Reliable Product Performance.*** Our design platform ensures consistency in the design process, which allows us to more easily identify and address any issues or challenges that may arise during the design process, as well as minimize the risk of errors or inconsistencies that could impact the final product's performance. This enables our patterned wafers to meet the requirements of a wide variety of industrial grade application scenarios.

- ***More Versatile Packaging.*** Our patterned wafers enable our downstream customers to avoid wasteful repeated packaging and improve product integration efficiency by enabling advanced packaging technologies such as SiP.

## COMPETITIVE STRENGTHS

### Prominent Market Position in China's Patterned Wafer Industry

We enjoy a prominent market position in the patterned wafer industry in China, taking a leading role in the commercialization of analog IC patterned wafers.

We are one of the few IC design companies in China that focus on patterned wafers which require substantial collaboration with upstream and downstream business partners. Unlike traditional IC design companies that mainly deliver finished IC chips, we strategically focus on delivering patterned wafer products. We always maintain neutrality in selecting customers and cooperating with foundries, which helps us fully integrate customer needs and foundry capacity, and effectively synergizes with upstream and downstream participants, keeping our growth sustainable.

We are among the earliest players in achieving large-scale patterned wafer delivery in the analog IC long-tail market, giving us an edge in scaling up our business operation. We have rapidly grown into the largest provider of analog IC patterned wafer products in China in terms of revenue derived from sales of analog IC pattern wafers in 2022, and we rank No. 4 among globally leading IC design companies in terms of total revenue derived from sale of patterned wafers in China in 2022, according to Frost & Sullivan.

Focusing on industrial grade analog ICs, we have successfully become a provider of industrial grade analog IC products with a prominent market position. According to Frost & Sullivan, we rank top five among global fabless IC design companies of industrial grade analog IC in terms of revenue derived from China in 2022. We are also one of the most comprehensive industrial grade analog IC product providers in China in terms of product categories we offer as of December 31, 2022, according to Frost & Sullivan.

### Differentiated Analog IC Design Platform

Integrating the entire analog IC design chain, including EDA, IP, and design, we have built the only full-stack analog IC design platform in China, according to Frost & Sullivan. Our analog IC design platform has the following differentiated advantages:

- ***Intelligent***. Based on machine learning technology, our design platform supports automatic fitting and optimization of historical simulation data, which eliminates the need to build complex circuitry matrix. This significantly reduces the computational resources required to run a simulation, while greatly improving the efficiency and accuracy of the simulation results.

- ***Flexible***. Our platform supports graphical code-light IC design, which replaces the text-based coding process with graphical Play-and-Plug visual process. This effectively simplifies and visualizes IC layout design and allows fast and flexible responses to downstream customers' new application needs.

- ***Scalable***. Our platform has accumulated a library of layout-level IP modules. Covering 12 major categories of analog IC design and adaptable to nine core processing technologies, our IP modules are almost 100% reusable, allowing block-building type of rapid products development. Our IP modules have strong inherent correlations and compatibility, allowing for deep coupling and calls for multiple IP modules simultaneously, which optimizes our design process by allowing for better coordination between different modules. In terms of layout area, approximately 80% of the circuit designs in our products can be completed using existing IP modules in the library.

- ***Reliable***. Our platform supports separate stabilization and optimization for application scenario environments as well as automatic addition of auxiliary circuitry to the original layout, thus enabling our products to function normally in extreme temperature and electromagnetic environments. Almost 100% of our analog IC patterned wafers have achieved industrial grade standards.

**Ever-expanding High-Performance Industrial Grade Product Portfolio**

Leveraging our full-stack design platform, we offer diversified high-performance industrial grade products. As of the Latest Practicable Date, we had nearly 330 patented layouts and offer approximately 400 types of industrial grade patterned wafers that cover a total of seven sub-categories of analog IC products, namely switching regulators, multi-channel ICs and PMICs, linear regulators, battery management ICs, monitoring and modulating ICs, driver ICs, and linear products, in the power management category and the signal chain category. The vast majority of chips made from our analog IC patterned wafers have an operating temperature range of -45~85°C, and over 75% of these chips can achieve performance metrics comparable to those of leading international manufacturers. Our products in core sub-categories, such as the DC-DC regulators and battery management products, have achieved industry-recognized performance in key parameters such as power consumption, noise level, and anti-interference capabilities.

To meet the needs of downstream customers in various application fields, we continuously innovate our products, expanding our product portfolio in an economical and standardized manner, with eight, 45, 157 and 78 analog IC patterned wafer products launched in 2020, 2021 and 2022 and for the six months ended June 30, 2023, respectively. Over 70% of the 100+ industrial grade analog IC patterned wafer products that we are developing are expected to be completed within one year. We are ready to capture every market opportunity as it emerges. For instance, we strategically target the new energy sector ahead of the industry. In 2019, we launched the world's first battery management analog IC patterned wafer specifically developed for e-bikes, and the chips produced therefrom have been adopted by and bulk shipped to multiple well-known e-bike brands. Furthermore, we have independently developed multiple analog IC patterned wafer products to meet the demands of the automotive industry. Certain of our products have successfully passed the AEC-Q100 certification and we are gradually preparing for volume production for leading domestic automotive brands.

**Diversified and Loyal Downstream Customer Base**

Our patterned wafers can be readily made into IC chips after standard and straightforward packaging and testing. This enables various downstream customers, including chip design companies, commercial distributors, brand-name manufacturers and ODMs, to flexibly and expeditiously develop high-performance chips in a cost-effective manner, building a thriving ecosystem. Our products have empowered numerous downstream customers, including well-known brand-name manufacturers and industry-leading chip design companies, in various application fields, such as automotive electronics, healthcare, industrial automation, industrial Internet of Things, industrial lighting, instrumentation, communications, electric power, energy storage and consumer electronics. We cover the broadest range of industrial grade downstream applications among China's analog IC design companies in terms of application fields, according to Frost & Sullivan.

The supplier qualification process in the industrial sector is complex and lengthy, and requires a high level of product stability, which creates a high entry barrier to our advantage and strengthens the stickiness of our customers. During the Track Record Period, sales generated by downstream customers who have cooperated with us for at least three years accounted for over 50% of our total sales.

**Management and R&D Team with Forerunning Spirit and Extensive Experience**

Our founder, Mr. Li Zhen, is an innovative visionary who keeps faith and persists in innovation. With a distinguished academic and industry experience record, Mr. Li Zhen uses his foresight and understanding of the industry trends and customer needs to guide the Company's technological advancement and product positioning. He studied in the Basic Science Program at Tsinghua University and earned his master's degree in engineering from the Massachusetts Institute of Technology. He also possesses over 12 years of experience in the IC design industry. After obtaining his master's degree in the United States, Mr. Li Zhen returned to China in 2010 to start his own business, exploring and leading the continuous innovation of analog IC design and patterned wafer delivery business model. Led by Mr. Li Zhen, our management team on average possesses over eight years of experience in enterprise management, product development and marketing.

Based on the full-stack design platform, we have established a comprehensive R&D system and training mechanism to cultivate R&D team from scratch, which has broken through the bottleneck of experienced talents in the field of analog IC design and ensured sustainable supply of talent. Our R&D team is young, dedicated, and creative. As of June 30, 2023, our R&D team comprises 64 members, who on average are only 29 years old. Our R&D personnel efficiency is industry-leading, with annual revenue driven by each member reaching RMB5.5 million in 2022, which is about 20% higher than the industry average in the same year.

## OUR STRATEGIES

### Extend Our Technology Leadership

To extend our technology leadership in the analog IC design industry, we will continue to upgrade our design capabilities and invest in R&D infrastructure.

By introducing talents and reinforcing research on our critical technologies in EDA software and IP modules, we will further upgrade our full-stack design platform by improving its intelligence, flexibility, scalability, and reliability, which will all contribute to our enhanced design capabilities.

We will increase our investment in R&D infrastructure, including purchasing wafer manufacturing-related equipment, such as lithography machine and equipment for etching, vacuum sputtering, vapor deposition, glue development, glue removal and cleaning. We also plan to upgrade our R&D center for in-depth research and analysis of processing technologies which, in particular, include the different manufacturing process technologies and multiple technology nodes that these technologies may cover. These upgrades will improve our R&D efficiency and accuracy and enhance our research on the manufacturing process of the analog ICs, which will help improve the compatibility of our design with the manufacturing process and the quality and performance of our products. For details of future investment in our R&D infrastructure and innovation capabilities, see "Future Plans and Use of Proceeds – Use of Proceeds."

### Grow and Enrich Our Product Offerings

We will continue to grow and enrich our product offerings, as well as to improve product performance. Taking into account our downstream customers' product iteration cycles and application needs, we plan to expand our product offerings to cover more application fields and improve the performance of our existing products. We aspire to become a leader in all major categories of analog IC solutions in China. For details of our future plan to further enrich our product portfolio and expand our business, see "Future Plans and Use of Proceeds – Use of Proceeds."

We are exploring the possibility to open limited APIs or source code of our EDA software to certain business partners, external IC designers or developers and grant non-exclusive licenses for them to use our IP library. It may create synergies among participants in the ecosystem of our full-stack design platform and generate additional revenue streams for us in the future.

### Broaden Our Customer Base and Deepen the Relationships with Customers

We plan to acquire new customers to grow our customer base. We will focus on catering to evolving market trends, strengthening our advantages in design capabilities and product quality. Meanwhile, leveraging end-to-end data from our marketing and sales channels and feedback from existing partners, we will improve our capabilities to provide high-performance products in key application fields such as new energy, which will help us attract premium customers and improve customer stickiness. In particular, we plan to deepen our collaboration with existing customers, and attract and establish long-term business relationship with new customers, including direct sale customers and distributors, by expanding our sales and marketing team, participating in industry exhibitions, strengthening our brand promotion, providing sufficient technical support and after-sales services, and collaborating with top market players in the industry. We also plan to improve the abilities of our in-house sales and marketing team members.

We will further deepen and broaden our business cooperation with existing customers. Focusing on our customers' needs is critical for maintaining long-term relationships with them. We are dedicated to aligning the development of our products with their strategic goals and creating values for them. For details of future expansion of our customer base and deepen our relationship with customers, see "Future Plans and Use of Proceeds – Use of Proceeds."

### Pursue Strategic Investments and Acquisitions

We may pursue strategic investments and acquisitions of teams, assets, and companies that will enhance our technology capabilities.

We primarily focus on targets with differentiated proprietary insights in processing technologies, IP, and IC design. Through strategic investments and acquisitions, we aim to expand our technology portfolio, improve our product quality, and increase our addressable market to accelerate our revenue growth. For details of strategic investments and acquisitions to achieve our long-term growth strategies, see "Future Plans and Use of Proceeds – Use of Proceeds."

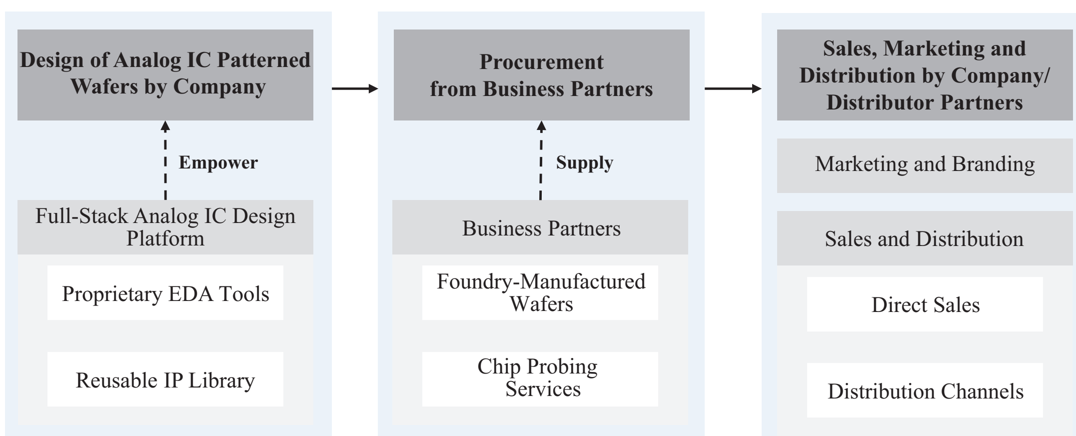
## OUR BUSINESS MODEL

### Overview

We are one of the analog IC patterned wafer providers with a prominent market position in China. Leveraging our full-stack analog IC design platform, we primarily focus on the design and provision of industrial grade analog IC patterned wafers that have achieved reliability and stability in accordance with internationally recognized standards. Empowered by proprietary EDA software tools and reusable IP library, we have effectively improved the product design efficiency, and are able to supply downstream customers with quality products.

We operate with a fabless model, a typical operation model adopted by many IC design companies focusing on the design process and outsource the IC manufacturing to foundries. We have established strong and long-term cooperation with a commercial patterned wafer channel partner for procurement of foundry-manufactured wafers with completed built-on circuits designed by us. This way, we are able to leverage the patterned wafer channel partner's diversified foundry supplier base and customer base, and thus are provided with an effective way to secure foundries' manufacturing capacity with relatively competitive prices. Once the foundry-manufactured wafers are ready, our business partner, Nantong Yourui Semiconductor Co., Ltd. (南通優睿半導體有限公司) which is a major chip probing service provider, conducts inspection and testing work to ensure the quality of the delivered products. As we enter the sales, marketing and distribution stage, to meet the needs of the downstream customers, capture better market opportunities in the long-tail analog IC sector and increase our market share, in addition to direct sales, we primarily partner with well-known distributors for branding, marketing and subsequent sales of our analog IC patterned wafers.

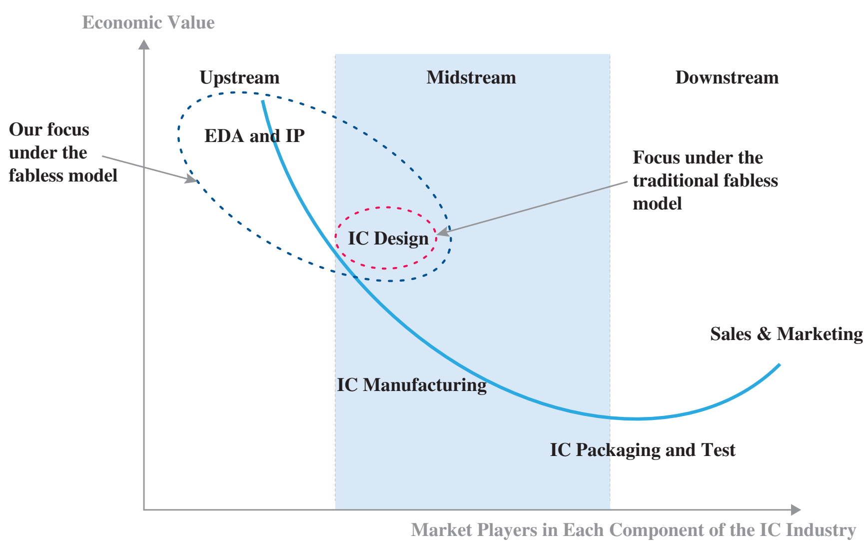
The following flowchart illustrates our business model:




**Fabless Model**

We operate with a fabless model, where companies focus on designing their own IC products and outsource IC manufacturing to foundries. The IC industry has developed to a high degree of division of labor, and each of the market players on the IC value chain, including service and solution providers of supporting technologies and tools (such as EDA software and IP), IC manufacturing, packaging and test companies, and distributors and system manufacturers, requires a different set of skills. Meanwhile, with more and more types of IC chips coming out, there has been a trend of intricate division of labor within the field of IC design. IC chip design companies tend to cooperate with patterned wafer design companies on a variety of products, but only focus on design, sales and marketing of limited key products of their own. Therefore, it is more cost-effective for IC chip design companies not to internalize R&D and design of all products in spite of similar skillsets required for design of IC chips and patterned wafers. Although IC design companies operating with a fabless model and focusing on patterned wafers generally need to collaborate with upstream and downstream market players, as IC design is at the core of the entire value chain with high economic value, and generates the most added value in a final product, IC design companies usually achieve higher profitability than most of the other market players on the IC value chain, according to Frost & Sullivan.

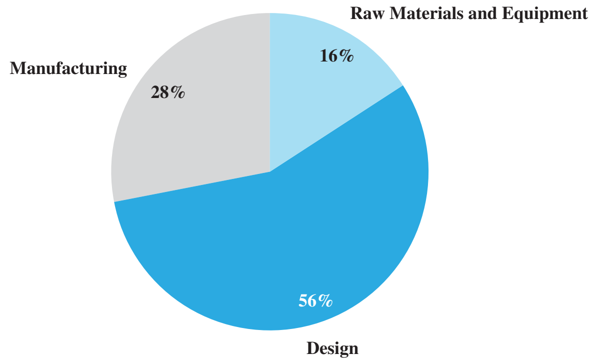
According to Frost & Sullivan, the economic value of each component of the IC industry is defined as the average profitability and efficiency of generating profits of market players in each component. Return-on-equity (ROE) is considered a reasonable metric to measure such profitability and efficiency of generating profits. The following chart illustrates the economic value (linked to the ROE) of market players in each component of the IC industry:




*Source: Frost & Sullivan Report*

According to Frost & Sullivan, the economic value of EDA and IP providers is the highest among all market players in the IC industry, as EDA software and IP modules are critical and lay the foundation to IC design. Followed by IC design companies, the economic value of which is also high as IC design directly affects the performance of IC products. The economic value of IC manufacturers is slightly lower than that of IC design companies but higher than that of distributors, because IC manufacturing capabilities are also essential to the completion and subsequent sales of IC products. Assembling and testing companies have the lowest economic value, because the assembling and testing processes have limited add-on value and do not have high requirements of specific technical skills. Our fabless model and our possession of the only full-stack analog IC design platform in China that has achieved technical breakthroughs in both EDA software and IP module design have collectively enabled us to take up the two components with the highest economic value in the entire value chain.

The following figure illustrates the value-add proportions of an IC chip:




| Stage | Activities | Value-add Proportion |
|---|---|---|
| Raw Materials and Equipment | • Raw Materials | 5% |
| | • Equipment | 11% |
| Design | • EDA/IP | 6% |
| | • IC Design | 50% |
| Manufacturing | • Wafer Fabrication | 24% |
| | • Assembly, Packaging & Testing | 4% |
| **Total** | | **100%** |

*Source: Frost & Sullivan Report*

## OUR PRODUCT OFFERINGS

### Overview

The integrated circuit, or IC, is a miniature electronic device or component that combines multiple elements to form a complete electronic circuit. Serving as the fundamental building blocks and central components of the global information technology industry, ICs can be further segmented by delivery forms (including patterned wafers and chips) and functions (including digital ICs and analog ICs).

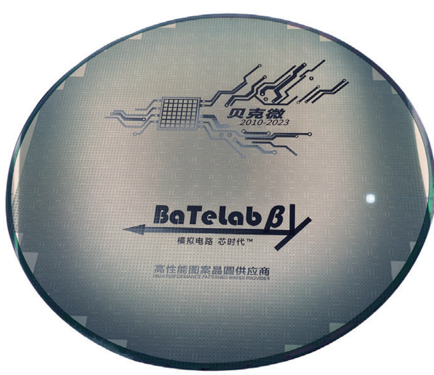
- *Patterned wafers*. Patterned wafers are wafers with built-on circuits. Each piece of patterned wafers contains a number of dies, which can be easily turned into chips after subsequent packaging and testing by downstream customers. Compared to chips, patterned wafers provide downstream customers with a cost-effective manner to launch new products, flexible packaging and assembling options and design flexibility.

- *Analog ICs*. Analog ICs, as opposed to digital ICs, modulate real-world signals, such as sound, temperature, pressure or images, by conditioning them, amplifying them and often converting them into a stream of digital data that can be processed by other semiconductor devices. Analog ICs are also used to manage power usage in electronic equipment by converting, distributing, storing, discharging, isolating and measuring electrical energy.

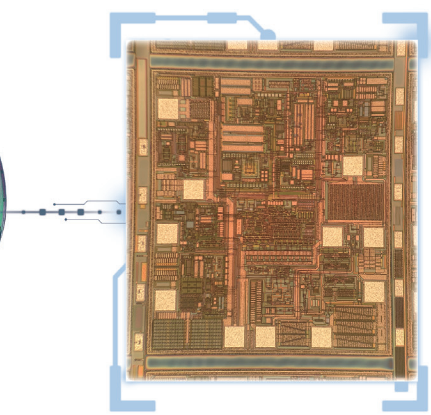
We offer a portfolio of high-performance industrial grade analog IC patterned wafers with refined built-on electronic circuits designed by us. Our general-purpose, standardized analog IC patterned wafers are adaptable to a variety of end products in different application scenarios. Our broad and diverse product portfolio can accomplish many different tasks, including conversion, distribution and protection of power supply voltage, management, monitoring and protection of lithium batteries, and collection, comparison and amplification of signals. Our patterned wafers are adapted to commonly used IC package types, including SOT, SOP and DFN, and advanced IC packaging technologies, including SiP. Our products are applied in different industry verticals, including automotive electronics, healthcare, industrial automation, industrial Internet of Things, industrial lighting, instrumentation, communications, electric power, energy storage and consumer electronics. Our patterned wafer products enjoy a lifecycle of approximately ten years, which is longer than the lifecycle of consumer grade analog ICs of approximately five years, according to Frost & Sullivan, due to the higher stability requirement and longer lifecycle of industrial grade end products.

Dies are function units on patterned wafers. Each patterned wafer, depending on the functionality of its built-on electronic circuit, manufacturing processes, and qualification rate, contains different number of dies. Each die can be easily turned into chip products after subsequent packaging and testing by downstream customers. Therefore, the price of our patterned wafer products is based on the selling price of each die times the number of qualified dies on each patterned wafer. According to Frost & Sullivan, it is consistent with the practice of industry peers to count the selling price and quantity of products in the form of dies.

The following pictures illustrate our patterned wafers:




An eight-inch patterned wafer[1]



A die on the eight-inch patterned wafer

*Note:*

(1) The number of dies on our eight-inch patterned wafer varies from approximately 100 to 20,000, depending on the complexity of built-on electronic circuits which determines the area of a die and the manufacturing processes of the die's edges.

We perform design of our patterned wafer products leveraging our full-stack analog IC design platform, which equips us with strong design capabilities and a semi-automatic way of design. Our analog IC design platform enables our products to encompass multiple processing technologies, providing us with significant latitude and flexibility to design and optimize a range of basic integrated analog IC building-block components. By importing detailed technical processing parameters into our EDA software tools, we are able to design, generate and verify new IP modules or improve our existing IP modules compatible with these processing technologies. Such a module and circuit design process informed by the processing technologies that will be used to manufacture the actual circuits leads to better design and high-performance final products. In addition, along with the sales of patterned wafer products, we provide after-sales technical support to downstream customers, especially during their packaging and testing processes. As technical support from patterned wafer product provider is indispensable to downstream customers' use and application of products, our value-added services effectively support their business operations, and thus solidify our competitiveness.

As of the Latest Practicable Date, we had built up a broad product portfolio covering approximately 400 types of analog IC patterned wafer products that are integral and critical components to a wide variety of electronic equipment. We first divide our products into two major categories, namely power management products and signal chain products, and then divide them into seven sub-categories, namely switching regulators, multi-channel ICs and PMICs, linear regulators, battery management ICs, monitoring and modulating ICs, driver ICs, and linear products, based on their functions. Products within the same sub-categories are further divided into different types according to their performance parameters, such as input voltages and output amperage. There are multiple types of products in the same sub-category. Each type of product has a unique code for identification purpose. For example, our DC-DC regulators, a collective type of products in the sub-category of switching regulators, differentiate from other types of products in the same sub-category in many aspects, which mainly include (i) the input voltage, which ranges from 2.7V to 100V; (ii) the output amperage; (iii) isolation status, which may be isolated or non-isolated; and (iv) other aspects, such as the specifications, modulation method and frequency.

***Power Management Products***

Our power management products help downstream customers manage power across different voltage and/or current levels, including AC-DC and DC-DC switching regulators, multi-channel ICs and PMICs, linear regulators, battery management ICs, monitoring and modulating ICs, and driver ICs. Our power management products typically can be used in industries and fields including automotive electronics, healthcare, industrial automation, industrial Internet of Things, industrial lighting, instrumentation, communications, electric power, energy storage and consumer electronics.

- *Switching regulators*. We offer a comprehensive portfolio of high-performance DC-DC and AC-DC switching regulators to realize functions including boosting, bucking, buck-boosting and isolation of power supply. Our switching regulators can be used in industrial, medical, automation and automotive sectors. Typical applicable scenarios include audio equipment, in-car equipment, communications equipment, new energy, special-purpose computers and portable electronic devices.

- *Multi-channel ICs and PMICs*. Our scalable multi-channel ICs and PMICs realize functions including voltage converters and regulators, battery chargers, battery meters, LED drivers, real-time clocks, power sequencers, and power controls. Our multi-channel ICs and PMICs can be used for multiple types of motherboards, medical or handheld portable instruments.

- *Linear regulators*. Our linear regulators produce a regulated output voltage that features a stable supply voltage with low self-loss, powering sensitive analog systems and extending battery life. Our linear regulators can be used on battery chargers, switching power supply regulators, microprocessor power supply devices, and personal digital devices including Bluetooth earphones and headphones, laptops and digital cameras.

- *Battery management ICs*. Our battery management ICs provide for battery monitoring and protection to ensure safe use of battery and improve battery's service life, making it easier for downstream customers to design efficient, long-lasting and reliable battery-powered applications. Our battery management ICs are typically used on battery-powered electric equipment such as electric vehicles and e-bikes, backup battery systems and mobile radios.

- *Monitoring and modulating ICs*. Our monitoring and modulating ICs monitor the system voltage or current signals to ensure that the system voltage and current are within the specified safety range. Typical use scenarios of our monitoring and modulating ICs include hot-swap power supply, redundant power supply, laptop power supply, load protection and anti-surge lightning strike for computers, servers, and communication equipment.

- *Driver ICs*. Our driver ICs can maximize current limit, enable thermal protection and ultra-high efficiency while minimizing power losses, and allow the circuit to perform fast turn-on and turn-off, which helps achieve good picture quality in consumer electronics, industrial and automotive applications and makes it easier for downstream customers to design efficient, reliable and power-dense systems. Our driver ICs can be used for LCD bias, OLED monitors, and high-power high-efficiency flyback power supply equipment.

***Signal Chain Products***

Our signal chain products include products that sense, condition and measure real-world signals to allow information or signal to be transferred or converted for further processing and control. Our signal chain products are all linear products. Our signal chain products typically can be used in industries and fields including industrial automation and electric power.

- *Linear products*. We primarily offer comparators and operational amplifiers. Our comparators are used to achieve extended battery life, fast response in critical timing measurement, greater detection capability and precision in sensitive applications, providing versatility to design. Our comparators can be used in industrial testing equipment, factory and building automation equipment, and motor drives. Our operational amplifiers realize signal amplification and transmission, and can be used on signal generators and portable measurement equipment.

### Our Operational Highlights

During the Track Record Period, our revenue was primarily generated from the sales of patterned wafer products carrying power management ICs and signal chain ICs, reaching RMB88.7 million, RMB212.7 million, RMB352.5 million, and RMB162.1 million and RMB204.4 million in 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, respectively, the details of which are set forth as follows:

| | Year ended December 31, | | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | | 2022 | | 2023 | |
| | Sales Amount | | Sales Amount | | Sales Amount | | CAGR[1] | Sales Amount | | Sales Amount | |
| | *(RMB'000)* | % | *(RMB'000)* | % | *(RMB'000)* | % | | *(RMB'000)* *(Unaudited)* | % | *(RMB'000)* | % |
| **Power management products** | **87,075** | **98.1** | **192,899** | **90.7** | **294,797** | **83.6** | **84.0%** | **133,228** | **82.2** | **179,596** | **87.9** |
| Switching regulators | 28,453 | 32.1 | 99,445 | 46.8 | 149,500 | 42.4 | 129.2% | 77,804 | 48.0 | 75,701 | 37.1 |
| Multi-channel ICs and PMICs | 44,362 | 50.0 | 79,832 | 37.5 | 109,794 | 31.1 | 57.3% | 36,705 | 22.6 | 85,283 | 41.7 |
| Others[2] | 14,260 | 16.1 | 13,622 | 6.4 | 35,503 | 10.1 | 57.8% | 18,719 | 11.6 | 18,612 | 9.1 |
| **Signal chain products** | **1,645** | **1.9** | **19,812** | **9.3** | **57,713** | **16.4** | **492.3%** | **28,837** | **17.8** | **24,826** | **12.1** |
| Linear products | 1,645 | 1.9 | 19,812 | 9.3 | 57,713 | 16.4 | 492.3% | 28,837 | 17.8 | 24,826 | 12.1 |

*Notes:*

(1) CAGR only refers to the growth rate from the year ended December 31, 2020 to the year ended December 31, 2022.

(2) Others mainly include linear regulators, battery management ICs, monitoring and modulating ICs and driver ICs.

For a detailed analysis of the material fluctuations of our revenue during the Track Record Period, see "Financial Information – Description of Major Components of Our Results of Operations – Revenue – Revenue by Business Line."

During the Track Record Period, we sold 17.1 million, 37.4 million, 87.5 million, 42.3 million and 52.9 million of qualified dies in 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, respectively, the details of which are set forth as follows:

| | Year ended December 31, | | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | | 2022 | | 2023 | |
| | Sales Volume | | Sales Volume | | Sales Volume | | CAGR[(1)] | Sales Volume | | Sales Volume | |
| | *('000)* | *%* | *('000)* | *%* | *('000)* | *%* | | *('000)* | *%* | *('000)* | *%* |
| **Power management products** | **16,966** | **99.0** | **34,220** | **91.5** | **72,880** | **83.3** | **107.3%** | **35,422** | **83.8** | **45,253** | **85.5** |
| Switching regulators | 10,240 | 59.7 | 26,354 | 70.5 | 53,729 | 61.4 | 129.1% | 26,406 | 62.5 | 33,567 | 63.4 |
| Multi-channel ICs and PMICs | 1,226 | 7.2 | 1,895 | 5.1 | 3,495 | 4.0 | 68.8% | 834 | 2.0 | 3,904 | 7.4 |
| Others[(2)] | 5,500 | 32.1 | 5,971 | 16.0 | 15,656 | 17.9 | 68.7% | 8,182 | 19.3 | 7,782 | 14.7 |
| **Signal chain products** | **177** | **1.0** | **3,183** | **8.5** | **14,596** | **16.7** | **808.1%** | **6,847** | **16.2** | **7,685** | **14.5** |
| Linear products | 177 | 1.0 | 3,183 | 8.5 | 14,596 | 16.7 | 808.1% | 6,847 | 16.2 | 7,685 | 14.5 |

*Notes:*

(1) CAGR only refers to the growth rate from the year ended December 31, 2020 to the year ended December 31, 2022.

(2) Others mainly include linear regulators, battery management ICs, monitoring and modulating ICs and driver ICs.

During the Track Record Period, we generally experienced overall constant increases in the sales volume of our power management products and signal chain products, resulting from the continuous launch of new product types driven by our initiatives and capabilities to design new products as well as the increasing demands from our downstream customers. We experienced some fluctuations in the percentage of each sub-category of our products during the Track Record Period, which was primarily due to a shift in our product mix.

- *Power management products*. The sales volume of our power management products experienced significant growth during the Track Record Period, primarily due to the constant increase in the sales volume of switching regulators driven by our continuous launch of new types of products.

- *Signal chain products*. The sales volume of our signal chain products increased during the Track Record Period, primarily resulting from our efforts to launch new products as well as the increasing demands from downstream customers.

During the Track Record Period, the average selling price of the qualified dies* was RMB5.2, RMB5.7, RMB4.0, RMB3.8 and RMB3.9 in 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, respectively, the details of which are set forth as follows:

| | Year ended December 31, | | | | Six months ended June 30, | |
|---|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **CAGR(1)** | **2022** | **2023** |
| | *(RMB)* | *(RMB)* | *(RMB)* | | *(RMB)* | *(RMB)* |
| **Power management products** | **5.1** | **5.6** | **4.0** | **-4.3%** | **3.8** | **4.0** |
| Switching regulators | 2.8 | 3.8 | 2.8 | 0% | 3.0 | 2.3 |
| Multi-channel ICs and PMICs | 36.2 | 42.1 | 31.4 | -4.6% | 44.0 | 21.9 |
| Others(2) | 2.6 | 2.3 | 2.3 | -4.0% | 2.3 | 2.4 |
| **Signal chain products** | **9.3** | **6.2** | **4.0** | **-24.5%** | **4.2** | **3.2** |
| Linear products | 9.3 | 6.2 | 4.0 | -24.5% | 4.2 | 3.2 |

*Notes:*

(1) CAGR only refers to the growth rate from the year ended December 31, 2020 to the year ended December 31, 2022.

(2) Others mainly include linear regulators, battery management ICs, monitoring and modulating ICs and driver ICs.

During the Track Record Period, each type of the qualified dies had a relatively stable selling price. The decreasing trend in the average selling price of our power management products and signal chain products was primarily due to changes in our product mix driven by downstream customer demand.

- *Power management products*. The average selling price of our power management products in 2020 and 2021 were at a relatively higher level as compared to that in 2022, primarily attributable to downstream customers' higher demand. The global semiconductor industry experienced a supply shortage from the second half of 2020 to the first half of 2021, during which period downstream customers had an overall higher demand for analog IC products than usual in order to maintain a sufficient inventory level. In particular, products with high selling prices experienced a faster sales volume increase than products with low selling prices, primarily because (i) downstream customers were more willing than usual to pay a premium for

* As each piece of patterned wafers generally contains hundreds to thousands of dies and each die can be turned into an individual IC chip product, our average selling price is significantly different from the average purchase price of untested patterned wafers. See "– Our Product Offerings – Pricing of Our Products – Our Raw Material Purchase Price" for a detailed analysis of our average purchase price. In 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, we sold 9,276, 23,002, 37,578, 17,881 and 22,631 pieces of patterned wafers, respectively, the average selling price of which reached RMB9,564.9, RMB9,247.5, RMB9,380.8, RMB9,063.5 and RMB9,032.6, respectively, in the corresponding periods.

products with high selling prices in order to cope with the global supply shortage, and (ii) with the COVID-19 pandemic slowing down the import of international products and accelerating the replacement of imported products with domestic substitutes, the suppliers of domestic substitutes with high selling prices were more limited than those of low selling prices given the higher reliability and more complex functions generally required for the products with high selling prices. All of these contributed to the high demand of our products with high average selling prices during the same period. When the global supply shortage has been eased since the second half of 2021, we experienced a decrease in the revenue contribution by our products with high average selling prices. The average selling price of our power management products increased from the six months ended June 30, 2022 to the six months ended June 30, 2023, primarily attributable to an increase in the portion of revenue contribution by multi-channel ICs and PMICs, the sub-category of products with the highest average selling price.

➢ *Switching regulators*. The average selling price of our switching regulators increased from RMB2.8 in 2020 to RMB3.8 in 2021, primarily attributable to the 12 types of switching regulators we launched in 2021 with relatively high average selling price (the "**High ASP Switching Regulators**"), which accounted for 31.8% of the revenue of all switching regulators in 2021. These High ASP Switching Regulators are benchmarked to international competitors and have relatively average selling prices, reaching between RMB26.0 to RMB38.0 during the Track Record Period, as they have higher reliability and more complex functions as compared to other types of switching regulators we launched before or thereafter.

  The average selling price of our switching regulators decreased from RMB3.8 in 2021 to RMB2.8 in 2022, and from RMB3.0 for the six months ended June 30, 2022 to RMB2.3 for the six months ended June 30, 2023, primarily because we launched multiple types of products with relatively low average selling prices in such periods to diversify our product offerings (the "**Low ASP Switching Regulators**"). These Low ASP Switching Regulators generally had an average selling price ranging from RMB1.0 to RMB2.6 during the Track Record Period. Although these products have simpler functionality and lower performance parameters, they could still meet the needs of the downstream customers in most scenarios and combine satisfactory performance with competitive prices. With the ease of supply shortage and increased demand for our Low ASP Switching Regulators since the second half of 2021, downstream customers became more cost-sensitive as compared to previous periods. As our Low ASP Switching Regulators offered more cost-effective solutions, we experienced a substantial increase in the revenue contribution by our Low ASP Switching Regulators from 68.2% in 2021 to 80.0% in 2022, and from 78.2% for the six months ended June 30, 2022 to 90.1% for the six months ended June 30, 2023, of the total revenue of all switching regulators in the corresponding periods.

➢ *Multi-channel ICs and PMICs*. The average selling price of our multi-channel ICs and PMICs increased from RMB36.2 in 2020 to RMB42.1 in 2021, primarily due to our expanded product offerings in types of multi-channel ICs and PMICs with relatively high average selling price (the "**High ASP Multi-channel ICs and PMICs**"). These High ASP Multi-channel ICs and PMICs are benchmarked to international competitors and have relatively high average selling prices, reaching between RMB91.0 to RMB141.0 during the Track Record Period, as they have higher reliability and more complex functions as compared to other types of multi-channel ICs and PMICs we launched before or thereafter. In 2020, we launched two original types of High ASP Multi-channel ICs and PMICs, which had an average selling price ranging from RMB84.0 to RMB98.0 during the Track Record Period, based on which we further launched two types in 2021, which had an average selling price of approximately RMB190.0 during the Track Record Period. Driven by the high demand during the global semiconductor industry from the second half of 2020 to the first half of 2021, the revenue contribution by our High ASP Multi-channel ICs and PMICs increased from 55.8% in 2020 to 60.1% in 2021 of the total revenue of all multi-channel ICs and PMICs in the corresponding periods, resulting in a higher average selling price of High ASP Multi-channel ICs and PMICs in 2021.

The average selling price of multi-channel ICs and PMICs slightly increased from RMB42.1 in 2021 to RMB44.0 for the six months ended June 30, 2022, primarily due to (i) an increase in the revenue contribution by the High ASP Multi-channel ICs and PMICs we launched in 2021 from 2.6% in 2021 to 19.0% for the six months ended June 30, 2022 of the total revenue of all multi-channel ICs and PMICs in the corresponding periods, and (ii) we further launched two types of High ASP Multi-channel ICs and PMICs in the first half of 2022, the revenue contribution by which increased from nil in 2021 to 13.3% for the six months ended June 30, 2022 of the total revenue of all multi-channel ICs and PMICs.

In spite of the increased average selling price from 2021 to the six months ended June 30, 2022, the average selling price of multi-channel ICs and PMICs decreased from RMB42.1 in 2021 to RMB31.4 in 2022, and from RMB44.0 for the six months ended June 30, 2022 to RMB21.9 for the six months ended June 30, 2023, primarily because we launched multiple types of products with relatively low average selling prices in such periods to diversify our product offerings (the "**Low ASP Multi-channel ICs and PMICs**"). These Low ASP Multi-channel ICs and PMICs generally had an average selling price ranging from RMB14.0 to RMB28.0 during the Track Record Period. Although these products have simpler functionality and lower performance parameters, they could still meet the needs of the downstream customers in most scenarios and combine satisfactory performance with competitive prices. With the ease of supply shortage and increased demand for our Low ASP Multi-channel ICs and

PMICs since the second half of 2021, downstream customers became more cost-sensitive as compared to previous periods. As our Low ASP Multi-channel ICs and PMICs offered more cost-effective solutions, we experienced a substantial increase in the revenue contribution by our Low ASP Multi-channel ICs and PMICs from 39.9% in 2021 to 62.4% in 2022, and from 46.3% for the six months ended June 30, 2022 to 83.3% for the six months ended June 30, 2023, of the total revenue of all multi-channel ICs and PMICs products in the corresponding periods.

➢ *Others*. We experienced some fluctuations in the average selling price of other sub-categories of products during the Track Record Period, including linear regulators, battery management ICs, monitoring and modulating ICs and driver ICs, primarily due to a shift in our product mix in accordance with the changing downstream market demands. The revenue contributions of these sub-categories of products during the Track Record Period were insignificant.

- *Signal chain products*. The average selling price of our signal chain products experienced a constant decrease during the Track Record Period due to an increase in the portion of revenue contribution of the types of products with a relatively lower average selling price as compared to the other types of products resulting from increasing market demand. We launched our first signal chain product in 2020. This signal chain product, being a two-channel amplifier, allows a higher input voltage to be supplied at its input terminals, and such specification is rarely seen among amplifiers in the market. Due to its advanced technological specifications, such signal chain product has a relatively high average selling price as compared to our other signal chain products launched thereafter and limited downstream market demand, we did not sell this product in the six months ended June 30, 2023. In order to diversify our product offerings and cover a broader range of downstream applications, we have successively launched other signal chain products since 2021. These types of products include comparators and operational amplifiers with various capabilities and specifications. Although these signal chain products are not as technologically advanced as our first signal chain product, they can still meet the needs of our customers in most scenarios and combines good performance with competitive prices. Revenue generated from these signal chain products accounted for nil, 91.4%, 96.7%, 93.4% and 100% of our revenue from signal chain products in 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, respectively.

As described above, the overall average selling prices of each sub-category of our products experienced a general decreasing trend during the Track Record Period primarily due to changes in our product mix. The respective average selling prices of our products, however, generally remained stable during the same periods, which are generally within the market price range, according to Frost & Sullivan. This is primarily because we mainly focus on the design and provision of industrial grade analog IC patterned wafers, the overall market prices of which are relatively stable. In addition, the trend of the overall average selling prices of our products is generally consistent with the market price trend, according to Frost & Sullivan. Based on the independent due diligence conducted by the Sole Sponsor, nothing has come to its attention that would reasonably cause the Sole Sponsor to cast doubt on the reasonableness of the average selling prices of the Company's products, the trend of which is consistent with those of the general market price range.

During the Track Record Period, we primarily generated revenue from our High ASP Multi-channel ICs and PMICs and High ASP Switching Regulators. The details are set forth in the following tables:

***For the year ended December 31, 2020***

| **Ranking** | **Product** | **Sub-category** | **Revenue** | **Percentage of total revenue** |
|---|---|---|---|---|
| | | | *(RMB'000)* | |
| 1. | Type A | High ASP Multi-channel ICs and PMICs | 13,865 | 15.6% |
| 2. | Type B | High ASP Multi-channel ICs and PMICs | 10,887 | 12.3% |
| 3. | Type C | Multi-channel ICs and PMICs | 6,785 | 7.6% |
| 4. | Type D | Multi-channel ICs and PMICs | 5,551 | 6.3% |
| 5. | Type E | Switching regulators | 5,288 | 6.0% |

***For the year ended December 31, 2021***

| **Ranking** | **Product** | **Sub-category** | **Revenue** | **Percentage of total revenue** |
|---|---|---|---|---|
| | | | *(RMB'000)* | |
| 1. | Type A | High ASP Multi-channel ICs and PMICs | 24,679 | 11.6% |
| 2. | Type B | High ASP Multi-channel ICs and PMICs | 21,179 | 10.0% |
| 3. | Type F | High ASP Switching Regulators | 13,520 | 6.4% |
| 4. | Type C | Multi-channel ICs and PMICs | 10,746 | 5.1% |
| 5. | Type G | High ASP Switching Regulators | 8,156 | 3.8% |

*For the year ended December 31, 2022*

| Ranking | Product | Sub-category | Revenue (RMB'000) | Percentage of total revenue |
|---|---|---|---|---|
| 1. | Type H | High ASP Multi-channel ICs and PMICs | 8,893 | 2.5% |
| 2. | Type I | High ASP Multi-channel ICs and PMICs | 8,157 | 2.3% |
| 3. | Type A | High ASP Multi-channel ICs and PMICs | 7,885 | 2.2% |
| 4. | Type J | High ASP Multi-channel ICs and PMICs | 6,361 | 1.8% |
| 5. | Type B | High ASP Multi-channel ICs and PMICs | 5,196 | 1.5% |

*For the six months ended June 30, 2023*

| Ranking | Product | Sub-category | Revenue (RMB'000) | Percentage of total revenue |
|---|---|---|---|---|
| 1. | Type H | High ASP Multi-channel ICs and PMICs | 4,538 | 2.2% |
| 2. | Type I | High ASP Multi-channel ICs and PMICs | 3,708 | 1.8% |
| 3. | Type A | High ASP Multi-channel ICs and PMICs | 3,115 | 1.5% |
| 4. | Type K | Multi-channel ICs and PMICs | 2,832 | 1.4% |
| 5. | Type L | Multi-channel ICs and PMICs | 2,569 | 1.3% |

During the Track Record Period, we experienced a decreasing trend in the product concentration in terms of revenue contribution due to the diversification of products brought by the constant increase in new types of products we offered. The top five products that contributed the most to our total revenue each year/period comprising the Track Record Period experienced a slight fluctuation, primarily driven by changes in our downstream customer demand. Specifically, with the ease of supply shortage since the second half of 2021, downstream customers became more cost-sensitive as compared to previous periods, resulting in a decrease in revenue from our products with high average selling prices.

**Pricing of Our Products**

We base our pricing strategies for patterned wafer products according to a range of factors, including the purchase price of our raw materials (i.e. untested patterned wafers), R&D costs, and the demand of downstream markets. We also take into consideration prices of domestic and international competitive products. In particular, the purchase price of our raw materials, being the untested patterned wafers, is one of the most important factors that we consider when developing our pricing strategies.

***Our Raw Material Purchase Price***

The purchase price of our untested patterned wafers is primarily affected by manufacturing processes adopted by foundries that fabricate silicon wafers into ICs or patterned wafers with specific functions and application scenarios as well as the market demand of foundries' manufacturing capacity. Generally speaking, more complicated manufacturing processes adopted by foundries in accordance with the specific IC design requirements lead to higher prices of untested patterned wafers. For example, a patterned wafer with more stringent requirements for size and integration level costs a higher purchase price.

The industry average purchase price of raw materials of companies operating on a fabless model (i.e. untested patterned wafers) experienced a continuously increasing trend during the Track Record Period, according to Frost & Sullivan, reaching RMB2,500 to RMB4,500 in 2020, RMB2,800 to RMB5,000 in 2021, and RMB3,000 to RMB5,300 in 2022, respectively. According to Frost & Sullivan, such increase was primarily due to (i) a switch in the downstream market demand from consumer grade IC products to industrial grade IC products (which have higher unit prices), and (ii) the overall shortage in manufacturing capacity due to the rapid growth in market demand for IC products from the second half of 2020 to the first half of 2021. See "Industry Overview – Raw Material Purchase Price in the Analog IC Patterned Wafer Market – Recent Trend of Raw Material Purchase Price." As each piece of patterned wafers generally contains hundreds to thousands of dies and each die can be turned into an individual IC product, the industry average purchase price of untested patterned wafers is significantly different from the average selling price of our products.

Our Directors are of the view that the fluctuations in the price of silicon wafers do not and will not have a material adverse effect on our selling prices, purchase costs or profitability, as we operate with a fabless model and do not directly purchase silicon wafers for purposes of manufacturing. Instead, we are affected by the fluctuations in the purchase price of untested patterned wafers. In spite of the increasing industry average untested patterned wafer purchase price during the Track Record Period, our average overall purchase price did not experience significant fluctuation during the same periods, reaching RMB3,248.6 in 2020, RMB3,630.5 in 2021 and RMB3,454.0 in 2022, respectively. Our average overall raw material purchase price decreased from 2021 to 2022 in spite of an increase in the industry average purchase price in the same year. This was because we pre-ordered untested patterned wafers based on our anticipated product mix and delivery schedule before the price hike. Moreover, we experienced a change in product mix resulting from our continuous efforts in the expansion of product offerings as well as the high market demand. In particular, the proportion of relatively low cost untested patterned wafers (with unit purchase price of less than RMB3,000) we purchased from our wafer channel partner Supplier A increased from 39.3% in 2021 to 53.8% in 2022. We cannot assure that the average overall purchase price may or may not increase after our pre-ordered untested patterned wafers are fully utilized, as the average overall purchase price is affected by various factors that are beyond our control. See "Industry Overview – Raw Material Purchase Price in the Analog IC Patterned Wafer Market – Factors Affecting the Raw Material Purchase Price." However, with effective procurement and inventory management, we believe we are able to continue to increase the proportion of low cost untested patterned wafers to mitigate our potential exposure to increase in procurement cost.

The global semiconductor industry operates in cycles, experiencing periodic supply shortages. From the second half of 2020 to the first half of 2021, the industry faced a shortage in manufacturing capacity due to the rapid growth in market demand for semiconductor chips, which are the final products in the entire IC supply chain, according to Frost & Sullivan. During the Track Record Period, to optimize our inventory level while maintaining our competitiveness, we typically placed purchase orders and were able to make 100% prepayments to our patterned wafer supplier at least six months ahead of time to secure foundry's manufacturing capacity, while most of the IC design companies do not have comparable prepayment capabilities and are only able to make prepayments ranging from around 5% to 10%, according to Frost & Sullivan. Our procurement and inventory management effectively facilitated us in coping with the global supply shortage and to maintain a relatively stable purchase price of untested patterned wafers. For more details of our inventory management measures, see "– Inventory Management." Since the second half of 2021, the supply shortage has gradually eased. Due to our effective inventory management and sufficient inventory level, such shortage did not have, and going forward is not likely to have, material adverse impact on our supply chain, our business relationships with our major suppliers or our business operations and financial performance.

**U.S.-China Trade Tensions and Its Impact**

In 2017, the U.S. and PRC governments entered into negotiations to address various trade-related issues between the two countries. Since then, the two countries have been engaged in protracted discussions over the government acts, policies and practices relating to technology transfer, intellectual property and innovation, which led to the imposition by the U.S. of high tariffs in 2018 and 2019 on imports of certain Chinese-origin products. These tariffs are still in place. In addition, the U.S. has recently implemented various export control measures intended to slow the pace at which China acquires certain advanced U.S. technology.

In order to facilitate the imposition of export controls, the U.S. has in place the Export Administration Regulations (the "**EAR**") which contains a list of items, software, and technology that are subject to export controls (the "**Commerce Control List**" or "**CCL**"). While the CCL is primarily based on multilateral export control lists, such as the Wassenaar Arrangement's List of Dual-Use Goods and Technologies and Munitions List, the U.S. Commerce Department's Bureau of Industry and Security ("**BIS**") can also implement unilateral licensing requirements and other controls on items subject to U.S. export controls jurisdiction that can restrict exports and reexports to certain countries, as well as transfers within a country to a different end-user or end-use. On October 7, 2022, BIS released an interim final rule (the "**BIS October 7, 2022 IFR**"), which imposed restrictions on China's ability to obtain advanced computing chips, develop and maintain supercomputers, and manufacture advanced semiconductors. On October 18, 2023, BIS issued another interim final rule (the "**BIS October 18, 2023 IFR**") amending certain aspects of the controls contained in the October 7, 2022 IFR "to more effectively achieve the policy objectives identified in the October 7 IFR." The export controls set forth in the October 18, 2023 IFR are effective on November 17, 2023. These two BIS rules included, among other measures, adding to the CCL certain advanced and high-performance computing chips and computer commodities that contain such chips and new license requirements for items subject to the EAR destined for an end-use in the development or production of supercomputers, certain types of advanced semiconductors in China, or those destined to a semiconductor fabrication facility in China that fabricates ICs meeting specified requirements. During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of Jacobson Burton Kelley PLLC ("**JBK**"), our legal advisor as to U.S. foreign investment, export controls, sanctions laws and import law, there were no sourcing restrictions from U.S. or non-U.S. suppliers that would impact the production of our products, as (i) we were not a target of any U.S. or non-U.S. sanctions, (ii) there were no export controls measures targeting us, and (iii) our products were not subject to any export controls administered by BIS. Because the BIS October 7, 2022 IFR on advanced computing export controls has been in place for one year, we expect that any such restrictions would have already been mentioned by U.S. or non-U.S. suppliers if applicable to the products sold to us for use in the production of analog IC patterned wafers or analog ICs. We do not expect the changes made by the October 18, 2023 IFR to impact this analysis. However, it is possible that additional export and reexport controls could be issued by BIS in the future that might negatively impact the production of our products in China. It is also possible that the extent and scale of trade restrictions between the two countries might be escalated if the U.S. and China fail to reach any agreement on the various trade tensions that remain. See "Risk Factors – Risks Relating to Our Business and Industry – Our Business, financial condition and results of operations may be materially and adversely affected by international policies and international export controls and economic sanctions."

***Impacts of August 9 Executive Order***

On August 9, 2023, President Biden issued an executive order (the "**August 9 Executive Order**") authorizing certain notification requirements and prohibitions on certain U.S. investments in national security technologies and products in "countries of concern," including China. In connection with the issuance of the August 9 Executive Order, the U.S. Treasury Department's Office of Investment Security issued an Advance Notice of Proposed Rulemaking ("**ANPRM**") and a Fact Sheet providing an overview of the issues described in the August 9 Executive Order and seeking public comments on various topics related to the regulations that will be codified in the U.S. Code of Federal Regulations to implement the August 9 Executive Order.

As concluded by JBK, the key points addressed in the August 9 Executive Order and the Treasury Department's ANPRM are as follows:

- The August 9 Executive Order will require "U.S. persons" to provide notification of information involving certain "covered transactions" involving "covered foreign persons" (referred to as "notifiable transactions") and will prohibit U.S. persons from engaging in certain other transactions involving covered foreign persons. As noted in the ANPRM, the U.S. Department of the Treasury is considering defining the term "covered transaction" to mean a U.S. person's direct or indirect (1) acquisition of an equity interest or contingent equity interest in a covered foreign person; (2) provision of debt financing to a covered foreign person where such debt financing is convertible to an equity interest; (3) greenfield investment that could result in the establishment of a covered foreign person; or (4) establishment of a joint venture, wherever located, that is formed with a covered foreign person or could result in the establishment of a covered foreign person. Thus, it is clear that this is not intended to cover product sales.

- The ANPRM states that the August 9 Executive Order focuses on "semiconductors and microelectronics, for which the Treasury Department is considering a prohibition on transactions related to certain advanced technologies and products, and considering a notification requirement related to other technologies and products." With respect to semiconductors and microelectronics, the Treasury Department's Fact Sheet on the August 9 Executive Order and the ANPRM states that Treasury is considering prohibiting U.S. investments in PRC entities engaged in the design, fabrication, or packaging of advanced integrated circuits, and is also considering requiring notification for U.S. investments in PRC entities engaged in the design, fabrication, and packaging of less advanced integrated circuits.

- The Treasury Department's Fact Sheet states that it is considering creating an exception for certain types of "passive and other investments that may pose a lower likelihood of conveying intangible benefits or in an effort to minimize unintended consequences." In addition, the ANPRM states that "the Treasury Department expects to create a carveout or exception for specific types of transactions, such as certain investments into publicly-traded securities or into exchange-traded funds." The proposed definition of "excepted transaction" would also include index funds, mutual funds, exchange-traded funds and similar investments.

- It will likely be some time before proposed or final regulations are issued by the Treasury Department. While it is difficult to predict with certainty, based on prior experience, it appears likely that the interim final rule or final rule will not be issued until the first quarter of 2024 or later.

Based on the scope of the August 9 Executive Order and the ANPRM, even after it takes effect, at this time JBK does not believe the foreign investment prohibitions or restrictions, once implemented, will likely prohibit investment by U.S. persons in the Global Offering and will not likely impact the sale of our products within China or elsewhere. Further, JBK advises that we are unlikely to be subject to the August 9 Executive Order and the ANPRM since passive investments by U.S. persons are not likely to be covered by the restrictions. Thus, our business operation, financial performance and compliance with relevant laws and regulations are not expected to be impacted in material and adverse respects. Based on the foregoing, having taken into account the view and analysis of JBK, nothing material has come to the attention of the Sole Sponsor as non-legal expert which would cause the Sole Sponsor to disagree with the aforementioned in any material respect.

***Impact of U.S. Sanctions and Export Controls***

During the Track Record Period and up to the Latest Practicable Date, all of our revenue was derived from China and, to the best knowledge of our Directors, our products were offered to downstream customers in China. We do not currently export our products directly or indirectly to the U.S. Moreover, unlike most of the IC design company peers who rely on the U.S. imported EDA software tools and IPs, our EDA software tools and IP modules are self-developed. Our major suppliers and customers during the Track Record Period are either headquartered in China or keep a major entity in China that operates independently from its parent company located outside China. As such, our major suppliers and customers have an inherent business tendency to perform transactions with domestic counterparties and are not subject to U.S. import and export restrictions.

During the Track Record Period and up to the Latest Practicable Date, as advised by JBK, our products were not subject to any U.S. sanctions. In particular, as advised by JBK, (i) we are currently not a target of any U.S. or non-U.S. sanctions, and (ii) there are no export controls measures targeting us. More specifically, we are not identified on any restricted parties lists administered by the U.S. Treasury Department's Office of Foreign Assets Control and generally are not subject to U.S. sanctions law jurisdiction, except when making sales into the U.S. or involving U.S. persons, or where the specific transaction otherwise involves a nexus to the U.S., such as the clearing of U.S. dollars through the U.S. banking system. In addition, we do not sell our products to countries subject to OFAC embargoes or sanctions, or to any parties on OFAC's SDN List. Considering that during the Track Record Period and up to the Latest Practicable Date, all of our revenue was derived from China and, to the best knowledge of our Directors, our products were offered to downstream customers in China, it is highly unlikely that U.S. sanctions would have any adverse impact on us, let alone a material adverse impact.

During the Track Record Period and up to the Latest Practicable Date, as advised by JBK, our products were not subject to any export controls administered by BIS. In particular, as advised by JBK, our products are not subject to the export controls jurisdiction of the EAR because our products are not of U.S. origin, not exported from the U.S., and do not contain more than a *de minimis* amount of U.S. export-controlled content, and are not subject to the EAR's foreign direct product rules. JBK further advises that, considering we do not currently export products to the U.S., (i) our products are not prohibited from being imported into the U.S. or subject to antidumping or countervailing duties, and (ii) it is unlikely that our products would be subject to the increased tariffs on certain Chinese products imposed pursuant to Section 301 of the Trade Act of 1974 during the Trump Administration.

According to Frost & Sullivan, on the one hand, the U.S-China trade tensions have resulted in export restrictions that have impacted the design, manufacture, and trade of certain IC products between the two countries and also disrupted the global tech supply chain. The trade tensions have limited certain Chinese IC design companies' access to advanced technology, software, and design tools from U.S. companies, preventing them from advancing in their IC design and manufacturing capabilities, and thus hinder their development of various strategic technologies, such as artificial intelligence or supercomputers. On the other hand, although analog IC patterned wafers or the analog ICs that we focus on were not subject to any kind of export controls to the U.S. as of the Latest Practicable Date, the continuous trade friction between the U.S. and China has strengthened the Chinese downstream customers' focus on the stability and effectiveness of their supply chain, which leads to an increasing trend of downstream customers trading with domestic IC design companies, providing valuable development opportunities to domestic IC design companies that have independent design capabilities who are able to provide quality IC product with internationally recognized standards.

Based on the foregoing, our Directors are of the view that during the Track Record Period, the U.S.-China trade issues have not affected us, and going forward are not likely to affect, our business relationships with our major suppliers and customers, our business operation and financial performance. In addition, to the best of our Directors' knowledge, to the extent that our purchases or sales are concerned, the U.S.-China trade tensions do not and will not have a material adverse impact on our major suppliers, our major customers (including Arrow) or us.

## OUR ANALOG IC DESIGN PLATFORM

### Overview

Integrating the entire analog IC design chain, including EDA, IP and design, we have built the only full-stack analog IC design platform in China, according to Frost & Sullivan. Our analog IC design platform is self-developed and wholly owned by us. Analog IC design is at the core of our platform, effectively improving our design efficiency and capability. With an extensive coverage of components, our platform comprehensively covers schematic editing, layout editing and simulation, the three most critical processes in analog IC design, equipping us with capabilities of full-stack analog IC design. Moreover, our successful breakthrough of the two underlying technical barriers, EDA software development and complementary IP modules, realizing system-level simulation and performance modeling. Together, our full-stack analog IC design platform has enabled us with large-scale design capability, and effectively lowered our internal barrier to IC design.

Our analog IC design platform has the following features:

- ***Novelty***. According to Frost & Sullivan, most of the IC design companies in China use imported EDA software tools and commercial IP modules designed by third parties, or develop their own IP modules by using the imported third-party EDA software tools. As the only IC design company in China equipped with a full-stack analog IC design platform, as advised by Frost & Sullivan, our EDA software tools and IP modules are synergistic and compatible. The off-the-shelf EDA software tools with a dominant market position used by a majority of industry participants need to be adapted to multiple types of IC designs so as to improve its popularity and practicality. As compared to these EDA software tools, our specifically designed, proprietary analog IC design platform is more advantageous, pertinent and compatible with our product focus and R&D system in that it is continuously modified, upgraded and iterated based on our actual functional needs in the design process and a target of lowering the design threshold for R&D personnel, as advised by Frost & Sullivan. In particular, our EDA software records and retains our R&D personnel's historic trial designs and the final designs, and perform analytical comparison to generate design route and personalized suggestions for our R&D personnel, and thereby aligning the design characteristics among different personnel to the largest extent. As a result, our design is not dependent on any individual R&D personnel. Besides, our EDA software tools are deeply integrated with the IP library, and different IP modules can be retrieved from the IP library for simulation tests during the design process. All of these features have distinguished us from our competitors and greatly improve our design efficiency, and thereby saving our R&D costs.

- ***Technological barriers***. According to Frost & Sullivan, there are no comparable analog IC design companies in China that possess similar technologies or tools, as the technological barriers of the analog IC design platform are quite high. These technological barriers of developing a proprietary analog IC design platform in turn substantiate and solidify our overall competitiveness.

  ➢ *Technological barriers of EDA software*. It requires a profound understanding of the entire development process of IC products as well as multi-disciplinary knowledge of mathematics, computer science, physics, electronic engineering and algorithm, to develop and iterate EDA software tools. Long-term collaboration with, and timely feedback from, channel partners and manufacturing foundries are also crucial to keep self-developed EDA software tools progressing. Currently, all of the three main EDA software tools that enjoy a dominant place on the market are developed by international companies, which have been in existence and invested in R&D efforts for years, which intensifies the competition among new EDA software providers and thus raises the barriers of EDA software development. Consequently, domestic design companies are expected to take a long time to grow and develop their own EDA software tools.

  ➢ *Technological barriers of IP modules*. Development of IP modules require excellent IC architecture design capabilities and sufficient experience along with a thorough, in-depth and systematic understanding of IC products and functionalities. Expertise in developing and using EDA software tools is also crucial to IP module development, as compatible EDA software tools and modular IPs are synergistic and complementary, enhancing the efficiency of IC design.

- ***Competitive advantages***. Our analog IC design platform is intelligent, flexible, scalable and reliable, which differentiates us from other IC design companies. See " – Competitive Strengths – Differentiated Analog IC Design Platform." Our analog IC design platform facilitates a semi-automatic way of analog IC design. By using our platform, our analog IC design engineers can rapidly verify different design approaches, ensure circuit accuracy and controllability, and gain flexibility in layout design, thereby enhancing product quality and shortening the circuit design process, leading to improved design efficiency and reduced development costs.

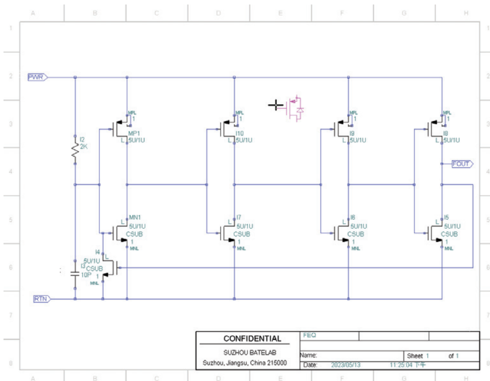
**Proprietary EDA Software Tools**

Over the course of 13 years since our inception, we have developed EDA software tools and technologies, enabling us to conduct EDA-assisted design of an array of analog IC patterned wafers and carry out day-to-day research and development. The development of EDA is a highly sophisticated and challenging process, involving development of software and hardware with the collective goal of assisting in the definition, planning, design, implementation and verification of ICs. The development process requires a profound understanding of the entire development process of IC products as well as multi-disciplinary knowledge of mathematics, computer science, physics, electronic engineering and algorithm. We cannot assure you that sufficient amount of time and resources can be invested in our design and development process, or whether we can retain sufficient R&D personnel to maintain our competitiveness. See "Risk Factors – Risks Relating to Our Business and Industry – Our inability to continuously develop our technological capabilities and improve our analog IC design platform could make our products uncompetitive and obsolete, which may impede our ability to address the requirements in technology segments that are expected to contribute to our growth."

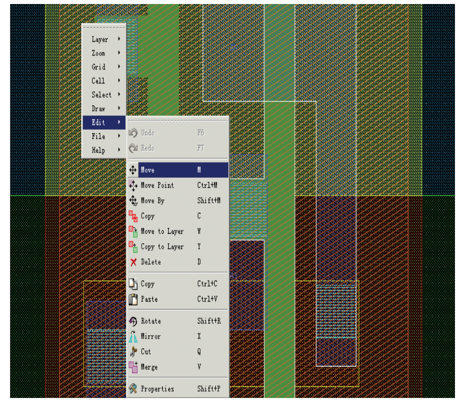
During our development of EDA software tools, we take into account the compatibility of these tools with mature manufacturing processes of foundries. We input the readily available design rules and parameters from the foundries into our EDA software through a reserved interface. This way, we do not need to upgrade our EDA software every time the cooperating foundries update their manufacturing processes. Given that the design rules we follow are mature, optimized and stable and are not prone to frequent iterations, our EDA software is not dependent on any single foundry technology, nor is it required to contain specific technologies to meet certain foundries' requirements.

Our EDA software tools are continuously modified, upgraded and iterated based on our actual functional needs in the design process and a target of lowering the design threshold for our R&D personnel. We released our proprietary EDA software BT EDA 1.0 in 2011 and started using it to provide IC design services, and have been continuously improving it since then. In particular, from 2018 to 2020, we made continuous upgrade to our EDA software by optimizing the graphical interface and the technology of processing input data model, enhancing operation experience for design engineers, and improving the speed of simulation and performance modeling, which could shorten the time to develop a product by up to six months. According to Frost & Sullivan, we are the only analog IC design company in China equipped with proprietary EDA software tools. Our self-developed, proprietary EDA software lays a solid foundation for our analog IC design and effectively lowers our internal barrier to analog IC design, presenting a competitive advantage for us.

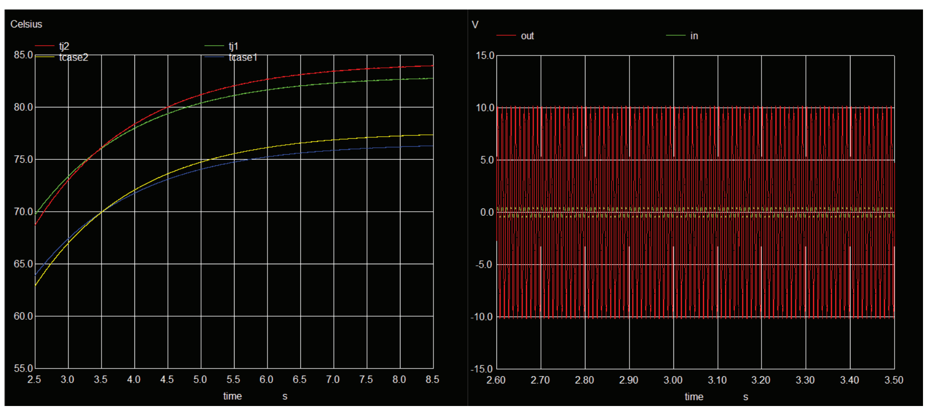
The following figures demonstrate our schematic editor, layout editor and IC simulation tool on our EDA software:




Schematic editor



Layout editor




IC simulation tool

Our EDA software tools support the following functions:

- *Graphical layout design*. We use EDA-assisted pre-compiled programs to convert coded text into graphical flow chart during layout design. Specifically, we replace plain text editing with assignment to graphical variables, which helps lower the difficulty in layout design and accelerate the entire process.

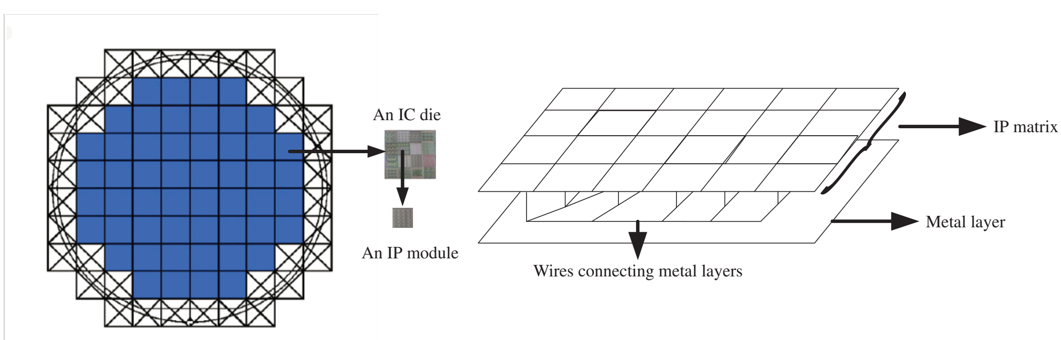
- *Assisted IC design based on machine learning*. We perform machine learning of the IC topology diagrams derived from historic IC designs. Based on the output results of machine learning, we can quickly make a simulation judgment on the modifications of IC topology or parameters, or optimize circuit designs. In addition, our EDA software records and retains our R&D personnel's historic trial designs and the final designs, and perform analytical comparison to generate design route and personalized suggestions for our R&D personnel, and thereby aligning the design characteristics among different personnel to the largest extent and improving our design efficiency. As a result, our design is not dependent on any individual R&D personnel.

- *Optimized IC simulation*. By using our EDA software, we divide the circuit layouts into multiple sub-circuit modules and fit all or part of them through the fitting function to present the circuit characteristics of these sub-circuit modules. We then simulate the fitting functions corresponding to the sub-circuit modules without constructing a circuit matrix with complicated data, and thereby improving the IC simulation efficiency.

**Reusable IP Library**

Our IP library encompasses modular IPs that are covered by our proprietary patents of which we wholly possess the intellectual property rights. As of the Latest Practicable Date, we have amassed more than 400 IP modules covering 12 core categories of analog IC design and adaptable to nine core processing technologies, representing the most comprehensive IP coverage among all analog IC design companies in China. Almost all of our IP modules are reusable and can be widely and readily applied to the design of many types of complex analog IC patterned wafers. As our IP modules are basic, generic and extensive, our IC design engineers can readily reuse them for similar but different types of products, making the design process efficient and cost-effective.

Below is an illustrative figure demonstrating how the IP modules function in our IC design:




A patterned wafer (illustrative)

An IC die (illustrative)

Our IP modules have strong inherent correlation and compatibility, allowing for deep coupling and calls for multiple IP modules simultaneously, which optimizes the performance of a system by allowing for better coordination between different modules. Our extensive and comprehensive IP library covers core functions of analog ICs, provides a semi-automatic way of analog IC design and helps save unnecessary time in repetitive work on new product design, making it possible for even undergraduates with relevant academic background to readily start performing analog IC patterned wafer design after a short period of on-the-job training.

**Synergies of Our Analog IC Design Platform**

The unique features of our analog IC design platform have brought us the following synergies, empowering and maximizing our analog IC design capabilities:

- *Co-optimization of EDA software and reusable IP modules.* We have gained full-stack analog IC design capabilities with the assistance of our proprietary EDA software and reusable IP modules as foundational tools and technologies. Our EDA software supports graphical circuit design instead of plain text editing, and through machine learning, reduces the computational time required for simulation and provide recommendation for circuit design. Moreover, our IP library consists of frequently used IP modules, which supports our effective analog IC "block-building" model. Leveraging the co-optimization of these technologies and tools, we on average save approximately 25% of design time as compared to other analog IC design companies, according to Frost & Sullivan. In 2020, 2021 and 2022, we successfully launched eight, 45 and 157 analog IC patterned wafer products, respectively, representing a CAGR of 343.0%, which, according to Frost & Sullivan, is the fastest expansion of analog IC product offerings in China and makes us one of the most comprehensive industrial grade analog IC product providers in China in terms of product categories we offer as of December 31, 2022. We also cover the broadest range of industrial grade downstream applications among China's analog IC design companies in term of application fields, according to Frost & Sullivan. As of the Latest Practicable Date, we successfully taped out more than 400 types of analog IC patterned wafers.

- *Complementary IP library and analog IC design.* Our extensive and compatible IP library is adaptable to nine core processing technologies and is crucial and foundational to our design platform. During IC design, we design and optimize circuit layouts for specific functions and categorize and store them as modules, basic building blocks for more complex circuit design. Sometimes, simpler modules can be assembled to perform a specified function so as to form a new, more complex module. These modules are constantly added to our IP library. On one hand, building up of IP modules enables us to perform product design efficiently, and on the other hand, modules for new functions developed in the design process of new products can be added to our IP library, which broadens our reusable IP library and further enhances our design efficiency.

- *Performance modeling and system-level simulation.* We feed circuit designs, which can consist of our multiple IP modules, into our EDA tools for system-level simulation and performance modeling. During the design, in order to optimize circuit performance, different IP modules can be readily retrieved from the IP library for simulation trials. The performance modeling and simulation process provides us with an opportunity to analyze the availability and compatibility of our existing IP modules with the desired analog IC products and can prompt us to broaden, improve and refine our IP library.

## DESIGN, RESEARCH AND DEVELOPMENT

We consider that we possess in-depth knowledge of the technical specifications and features, functionalities and applications of analog IC products, based on which we perform day-to-day design and R&D activities. Our design and R&D of analog IC patterned wafers are carried out as a group effort in close collaboration between our different teams. Our sales and marketing team is responsible for the initial conceptualization of product candidates, which is typically derived from in-house ideas as well as collaboration with our distributor partners who are deeply rooted in the industry and closer to downstream customers. Through these distributors, we are able to acquire first-hand market information and quickly respond to the demand of downstream customers. Our R&D team, comprising analog IC design group and foundational technologies R&D group, is responsible for the design and verification of analog IC patterned wafers. Apart from our R&D team members, certain members of our sales and marketing team also possess technical backgrounds which we believe directly contribute to an effective and seamless collaboration among the different teams for a successful and smooth analog IC design.

### Our Design Activities

Our design activities usually start with a detailed design planning, upon confirmation of which we evaluate the functionality and feasibility of the new product design, conduct verification of our design on the finished product sample, and eventually tape out of our analog ICs. Equipped with our proprietary EDA software tools and IP modules which are synergistic and compatible, our average design time for a new type of industrial grade analog IC product was about 25% shorter than the industry average development cycle of 13-14 months in 2022. For details of our EDA software tools, IP modules and their advantages and synergies, see "– Our Analog IC Design Platform."

- *Design planning.* At this stage, we analyze market trends, regulatory requirements and competing products or products in related areas and formulate a preliminary product specification. We aim to address the needs of downstream customers as well as our own design initiatives, taking into consideration market opportunities and our market strategies.

- *Design development.* Upon completion of the new product design planning, we transform the product specification into engineering requirements, followed by developing and assembling hardware components in order to achieve the desired function and performance of the new product.

- *Design verification.* At this stage, we conduct several verification tests, covering functionality, stability and operability of the new product. The goal at this stage is to evaluate and confirm our initial design plan and to ensure the design satisfies the needs of downstream customers and conforms to our design initiatives.

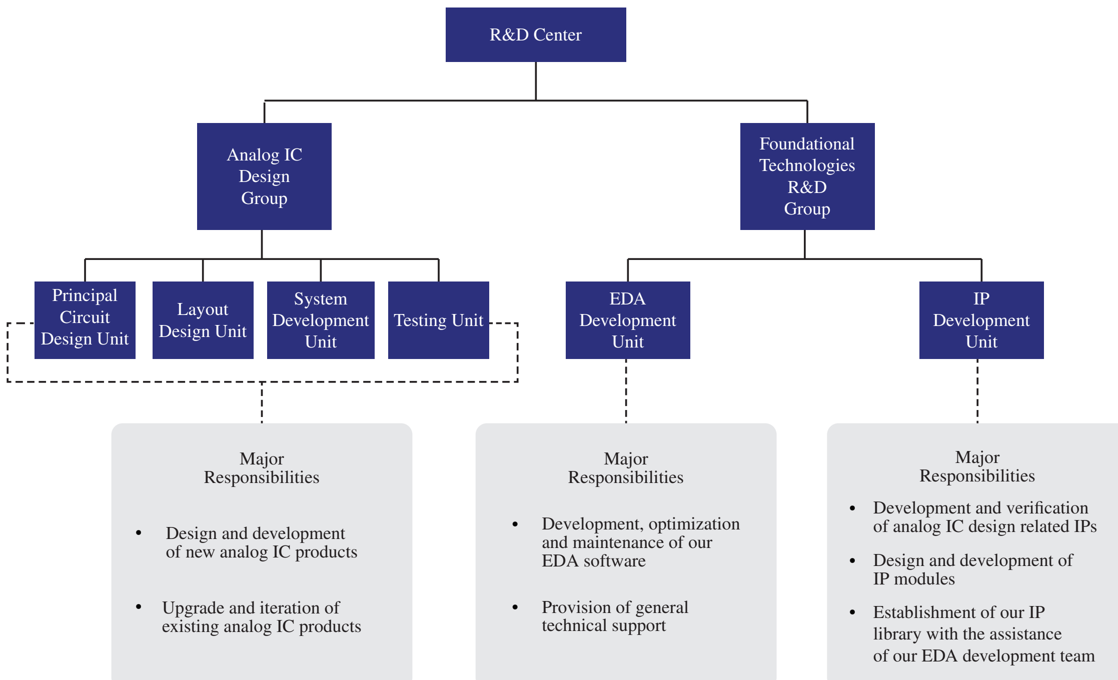
- *Tape-out*. After the planning, development and verification stages, we conduct tape-out for our products, which is the final stage in the whole IC design process before IC products are ready for mass production. If we detect any issues in the tape-out process, we will return to previous stages and fix the issues. Such process can be repeated several rounds before a successful tape-out, upon which our products can undergo the final manufacturing process.

Unlike digital IC products which emphasize computational performance and speed through advanced processes, analog IC products are more focused on achieving a balance among various parameters such as high signal-to-noise ratio, low distortion, high reliability and stability, leading to a longer product lifecycle after their commercialization. Among them, general-purpose analog ICs are adaptable to various application scenarios and vertical markets, including automotive electronics, healthcare, industrial automation, industrial Internet of Things, industrial lighting, instrumentation, communications, electric power, energy storage and consumer electronics. Each of these markets require technologies, expertise and operations infrastructure that are application-specific. In particular, there are higher stability requirements for industrial grade analog IC products, leading to more difficulties in the design of industrial grade general-purpose analog ICs. Once they are successfully designed, they enjoy longer product lifecycles. As our business strategy is to expand our business scale with a focus on the design and provision of multiple high-performance patterned wafer products by expanding the performance of, and the scenarios to which our products are adapted, we continue to invest R&D efforts in our full-stack analog IC design platform to strengthen our design capability and cater to the evolving technological requirements of new products. Our R&D team members keep abreast with new technological trends by receiving on-the-job training and occasionally attending lectures and seminars, and our sales and marketing team acquires first-hand market information to capture the trends of evolving demands of downstream customers. We believe that, and as advised by Frost & Sullivan, having taken into consideration the potentiality of the analog IC patterned wafer market in China, in particular the stable, long-lifecycle analog IC end products as well as low technology iteration rate resulting from technology barriers, analog IC designs and technology would not obsolete in the foreseeable future. However, if we are not able to develop or maintain the market specific capabilities, our ability to expand our business in these vertical markets would be affected. See "Risk Factors – Risks Relating to Our Business and Industry – Rapid technological changes in the industries and markets to which our products are sold require us to constantly develop new technologies and products."

**Our R&D Team**

Traditionally, analog IC design companies mainly rely on the personal deep expertise and broad experience of their design engineers for reliable and timely product designs. Considering the relatively long training time and working experience required to produce such engineers, it is usually difficult to recruit and costly to maintain a team of such expert-level analog IC design engineers. Our full-stack analog IC platform is user-friendly and easy to learn, making it possible for even undergraduates with relevant academic background to readily start performing analog IC design after a short period of on-the-job training.

We currently operate an R&D center in Suzhou, China where we carry out day-to-day operational activities. Our R&D center enables us to conduct R&D activities and onward design of analog IC patterned wafers. Our R&D center consists of two major groups, namely analog IC design group and foundational technologies R&D group. The organizational structure and major responsibilities of each group are shown in the following chart:




We maintain and manage our analog IC design group following a "matrix" model. Horizontally, we maintain four functional units, each focusing on a particular R&D field. Vertically, we select a certain number of engineers from each of the functional units to form different project teams. Considering the broad range of our analog IC patterned wafer products, we generally maintain several product lines to carry out day-to-day design and R&D of different types of products. For each product line that focuses on specific types of products, we typically form several project teams to take responsibility in monitoring the entire design and development progress and leading daily design work. Each project team usually consists of four to five members, including one or two principal circuit design engineers, one layout design engineer, one system development engineer and one testing engineer.

Each of our project pipelines contains one to four sub-projects that can hatch out different types of patterned wafers. Our R&D center keeps a Gantt chart, on which we list out the manufacturing processes and number of IP modules used in each sub-project, and keep track of each sub-project's milestone dates, including project commencement date, estimated completion date, report release date and various testing completion dates. We use key performance indicators (KPIs) to manage our personnel on the R&D and launch of new products, including punctuality of product development, interim phase achievement, simulation accuracy, product reliability, among other indicators. We do not impose minimum number of new products to be developed and launched each year. During the Track Record Period, our R&D pipeline projects hatched out multiple types of AC-DC and DC-DC switching regulators, multi-channel ICs and PMICs, linear regulators, battery management ICs, monitoring and modulating ICs, driver ICs and signal chain products. In the near future, we plan to expand our product offerings to cover more application fields while maintaining the seven sub-categories of products. See "Future Plans and Use of Proceeds – Use of Proceeds."

Our design and R&D capabilities enable us to possess solid foundational technologies, an integrated analog IC design platform, a science-oriented and rigorous R&D management system, and an ability to develop, upgrade and iterate existing and new products. As of June 30, 2023, we had 64 R&D members, nearly 90% of which possessed a bachelor's degree or above, and 40 of which possessed over five years of professional experience.

Our core R&D personnel are in charge of our design and R&D activities and leading the design and R&D of our new and existing analog IC products. Mr. Li Zhen, our founder and chairman of the board, has been leading our overall design and development activities. We have successfully designed and developed approximately 300 diversified analog IC patterned wafers, and are further exploring the iteration of our foundational technologies. Our core R&D personnel have served in the Company for more than five years, and all of them had remained with us as of the Latest Practicable Date.

Further, we occasionally invite industry experts from external institutions to provide advisory insights for our R&D teams. We also exchange ideas and thoughts on R&D progress or latest market trends by attending industry forums. We consider our communication with industry experts and participation in industry events helpful to our R&D activities.

For more details of our dedicated R&D team, see "– Competitive Strengths – Management and R&D Team with Forerunning Spirit and Extensive Experience."

## PROCUREMENT

We operate with a fabless model in order to optimize our IC design capabilities. Fabless is a typical operation model adopted by many IC design companies. Unlike the IDM model where companies perform design, manufacturing, packaging and testing of IC products, companies operating with a fabless model focus on the design process, and outsource the IC manufacturing to foundries. The fabless model allows us to maximize our design resources and capabilities with limited and efficient capital commitment.

During the Track Record Period, we primarily procured (i) foundry-manufactured wafers with completed built-on circuits designed by us, and (ii) chip probing services. Our procurement team is mainly responsible for formulating procurement plans based on the requests raised by our sales and marketing team and R&D team, and liaising with our suppliers, placing procurement orders and following up on deliveries.

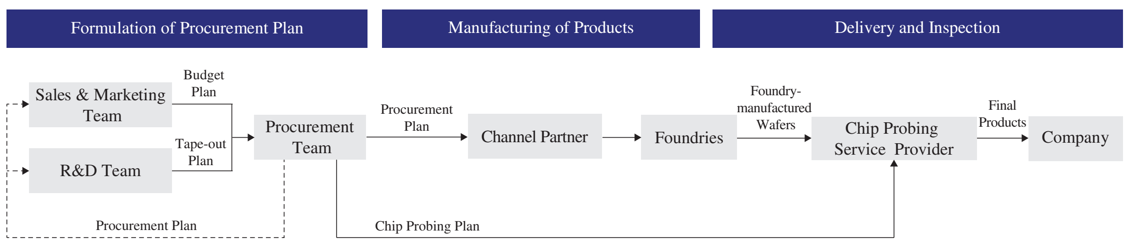
Our procurement process generally includes three phases, namely, formulation of procurement plan, manufacturing of products, and delivery and inspection.

- *Formulation of procurement plan*. In this stage, our sales and marketing team determines budget plans, and our R&D team forms tape-out plans, both of which are submitted to our procurement team for subsequent formulation of overall procurement plans. The procurement team then distributes the procurement plans to the sales and marketing team and R&D team for collaborative execution.

- *Manufacturing of products*. Following our procurement plans, we turn to our wafer channel partner for procurement of wafers which will be manufactured by third-party foundries. The wafers we procure have been built with our designed analog circuits.

- *Delivery and inspection*. We usually request the manufactured patterned wafers to be delivered to our escrow warehouse located at the chip probing service provider's plant, upon which we will arrange for subsequent inspection and chip probing on the delivered products.

The following flowchart illustrates our procurement process:




## OUR SUPPLIERS

Our suppliers primarily include companies with business operations in R&D, manufacturing or sales of wafers and relevant components and devices, chip verification design, test development, application development and testing equipment development. In each year/period during the Track Record Period, our purchases from our five largest suppliers accounted for 98.6%, 99.1%, 97.5% and 99.4% of our total purchases in 2020, 2021 and 2022 and for the six months ended June 30, 2023, respectively, while our purchase from the largest supplier accounted for 87.9%, 89.4%, 75.7% and 88.5% of our total purchases, respectively, for the same periods. During the Track Record Period, our suppliers generally (1) granted us a credit term of 10 to 60 days, or (2) requested us to make prepayment ranging from 50% to 100% of the purchase amount.

The following tables set out the details of our five largest suppliers in each year/period based on purchases from them during the Track Record Period:

***For the year ended December 31, 2020***

| Ranking | Supplier | Nature of Purchase | Year of commencement of business relationship with us | Purchase amount *(RMB'000)* | Percentage of total purchase |
|---|---|---|---|---|---|
| 1. | Supplier A[(1)] | Wafers for sale | 2018 | 78,561 | 87.9% |
| 2. | Supplier B[(2)] | Chip probing services | 2018 | 7,912 | 8.9% |
| 3. | Supplier C[(3)] | Aluminum electrolytic capacitors | 2019 | 1,007 | 1.1% |

| Ranking | Supplier | Nature of Purchase | Year of commencement of business relationship with us | Purchase amount *(RMB'000)* | Percentage of total purchase |
|---|---|---|---|---|---|
| 4. | Supplier D(4) | Wafers for R&D purpose and masks | 2019 | 364 | 0.4% |
| 5. | Supplier E(5) | Microcontroller units | 2019 | 224 | 0.3% |
| | **Total** | | | 88,068 | 98.6% |

***For the year ended December 31, 2021***

| Ranking | Supplier | Nature of Purchase | Year of commencement of business relationship with us | Purchase amount *(RMB'000)* | Percentage of total purchase |
|---|---|---|---|---|---|
| 1. | Supplier A | Wafers for sale | 2018 | 122,257 | 89.4% |
| 2. | Supplier B | Chip probing services | 2018 | 10,701 | 7.8% |
| 3. | Supplier F(6) | Equipment | 2021 | 1,108 | 0.8% |
| 4. | Supplier G(7) | Wafers for R&D purpose and masks | 2018 | 850 | 0.6% |
| 5. | Supplier D | Wafers for R&D purpose and masks | 2019 | 698 | 0.5% |
| | **Total** | | | 135,614 | 99.1% |

*For the year ended December 31, 2022*

| Ranking | Supplier | Nature of Purchase | Year of commencement of business relationship with us | Purchase amount (RMB'000) | Percentage of total purchase |
|---|---|---|---|---|---|
| 1. | Supplier A | Wafers for sale | 2018 | 214,836 | 75.7% |
| 2. | Supplier H(8) | Wafer manufacturing equipment for R&D purpose | 2021 | 40,972 | 14.4% |
| 3. | Supplier B | Chip probing services | 2018 | 13,480 | 4.8% |
| 4. | Supplier I(9) | Wafer bonding equipment for R&D purpose | 2022 | 4,032 | 1.4% |
| 5. | Supplier G | Wafers for R&D purpose and masks | 2018 | 3,472 | 1.2% |
| | **Total** | | | 276,792 | 97.5% |

*For the six months ended June 30, 2023*

| Ranking | Supplier | Nature of Purchase | Year of commencement of business relationship with us | Purchase amount (RMB'000) | Percentage of total purchase |
|---|---|---|---|---|---|
| 1. | Supplier A | Wafers for sale | 2018 | 160,340 | 88.5% |
| 2. | Supplier B | Chip probing services | 2018 | 10,938 | 6.0% |
| 3. | Supplier D | Wafers for R&D purpose and masks | 2019 | 5,890 | 3.3% |
| 4. | Supplier G | Wafers for R&D purpose and masks | 2018 | 2,233 | 1.2% |
| 5. | Supplier J(10) | Wafers for R&D purpose | 2020 | 648 | 0.4% |
| | **Total** | | | 180,049 | 99.4% |

*Notes:*

(1) Supplier A, with a business operation scale of approximately ten employees and registered capital of RMB2.0 million, is a private company primarily engaging in R&D, design and testing of electronic circuits and sales of electronic products. For a detailed introduction of the background of Supplier A and our business relationship, see "Business – Our Suppliers – Relationship with Supplier A."

(2) Established in 2016, headquartered in Qidong and with a business operation scale of approximately 100 employees and registered capital of RMB50.0 million, Supplier B is a private company primarily engaging in sales of semiconductor devices, R&D of ICs, and provision of technical services.

(3) Established in 2012, headquartered in Suzhou and with a business operation scale of approximately 30 employees and registered capital of RMB30.0 million, Supplier C is a private company primarily engaging in R&D, manufacture and sales of aluminum electrolytic capacitors.

(4) Established in 1953, headquartered in Korea and with a business operation scale of approximately 2,100 employees and US$1.3 billion in terms of its revenue in 2022, Supplier D is listed on the Korea Stock Exchange and primarily engages in provision of wafer foundry services. Based on Supplier D's First Quarter 2023 Earnings Release, it is one of the ten largest foundries in the world in terms of revenue in the first quarter of 2023.

(5) Established in 2007, headquartered in Shenzhen and with a business operation scale of less than 100 employees and registered capital of RMB50.0 million, Supplier E is a private company primarily engaging in provision of sales agency services and supply chain management of computer components.

(6) Established in 2005, headquartered in Suzhou and with a business operation scale of approximately 180 employees and registered capital of RMB30.0 million, Supplier F is a private company primarily engaging in sales of automobiles and automobile parts, and provision of related services.

(7) Established in 2002, headquartered in Wuxi and with a business operation scale of approximately 3,000 employees and registered capital of US$66.8 million, Supplier G is a private company primarily engaging in R&D, design and manufacture of ICs.

(8) Established in 2006, headquartered in Shanghai and with a business operation scale of approximately ten employees and registered capital of RMB5.0 million, Supplier H is a private company primarily engaging in sales of IC technology services, materials and spare parts.

(9) Established in 2009, headquartered in Shanghai and with a business operation scale of less than 50 employees and registered capital of RMB5.0 million, Supplier I is a private company primarily engaging in sales of electronic products and accessories, communication equipment, hardware and machinery.

(10) Established in 2008, headquartered in Hsinchu and with a business operation scale of approximately 3,600 employees, registered capital of approximately RMB113.5 million and approximately RMB9.4 billion in terms of its revenue in 2022, Supplier J is listed on the Taiwan Stock Exchange and primarily engages in provision of wafer foundry services and sales of IC technology services and materials. Based on Supplier J's 2022 annual report, some of its products are among the world's top three in terms of market share in personal computers and cloud applications in 2022, and sales volume of IC dies have reached 6.2 billion and sales of wafers have reached 312 thousand units in 2022.

We acquainted our five largest suppliers in each year/period through direct marketing efforts or friends' referrals, which mainly include referrals from our business partners and friends from peer companies.

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, all of our five largest suppliers in each year/period were Independent Third Parties. There was no past or present relationship (including business, employment, financing, family, trust or otherwise) between the five largest suppliers during the Track Record Period and us, our Directors, shareholders or senior management, or any of their respective associates.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant fluctuation in prices set by our suppliers, material breach of contracts on the part of our suppliers, or delay in delivery of our orders from our suppliers. Our average overall purchase price amounted to RMB3,248.6, RMB3,630.5, RMB3,454.0, RMB3,662.0 and RMB3,642.0 in 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes with the aforementioned suppliers.

To the best of our Directors' knowledge, none of our Directors or their respective close associates or any person who, to the knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest suppliers in each year/period as of the Latest Practicable Date.

**Relationship with Supplier A**

***Overview***

During the Track Record Period, we primarily procured foundry-manufactured wafers from Supplier A. Supplier A was established in the PRC in 2018 headquartered in Nantong, specializing in R&D, design and testing of electronic circuits and sales of electronic products. Supplier A had gained ample resources to connect with major foundries and gained experience in foundry supply chain management. This provides Supplier A with capabilities to collect orders from multiple IC design companies to receive competitive prices due to economy of scale at its commencement. Our Directors are of the view that Supplier A was a suitable supplier with a compatible scale of operation when we started business collaboration in 2018. We partner with Supplier A in choosing foundries to manufacture patterned wafers with refined built-on electronic circuits designed by us. Supplier A assists us in logistics management, saving us labor costs so we can focus our manpower on the design and R&D of our products. As Supplier A maintains good relationship with diversified foundries and IC design companies, Supplier A can collect requests from multiple IC design companies, and place a consolidated order to foundries. By doing so, Supplier A obtains advantageous prices from foundries due to the economies of scale. Considering our small-quantity, multiple-time orders, we believe it is more cost-effective for us to partner with patterned wafer channel partners like Supplier A, instead of reaching out to foundries directly. Leveraging Supplier A's valuable relationships with various foundries, we are able to secure stable foundries' manufacturing capacity with relatively competitive prices.

We made 100% prepayment to our wafer channel partner Supplier A during the Track Record Period to secure the manufacturing capacity of foundries. In 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, our purchases from Supplier A were RMB78.6 million, RMB122.3 million, RMB214.8 million, RMB100.7 million and RMB160.3 million, respectively, representing 87.9%, 89.4%, 75.7%, 87.9% and 88.5%, respectively, of our total purchases for the same periods. As our procurement of foundry-manufactured wafers primarily derived from our wafer channel partner Supplier A during the Track Record Period, if our relationship with Supplier A 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 procured all of our foundry-manufactured wafers from a commercial patterned wafer channel partner during the Track Record Period. Due to the material reliance we had on our patterned wafer channel partner, any decrease in purchase from, or loss of, our patterned wafer channel partner would have negative impacts on our results of operations." During the Track Record Period, the proportion of Supplier A's revenue contributed by us generally remained stable at approximately 10% to 20%. Although we are not an exclusive customer of Supplier A, having taken into account that, as advised by Frost & Sullivan, our revenue contribution during the Track Record Period was quite significant on the basis of fragmented customer bases of similar patterned wafer channel partners as Supplier A, we believe we are a major and valuable customer of Supplier A.

According to Frost & Sullivan, due to the nature of manufacturing needs for a small number of units for multiple types of analog IC products, it is common in the analog IC industry for companies to procure foundry-manufactured wafers with built-on analog circuits designed by these companies, including us, indirectly through third-party wafer channel partners for better prices and more sufficient manufacturing capacity. In addition, to ensure consistently quality products and centralized management of manufacturing demands, it is in line with industry practice for analog IC patterned wafer design companies to rely on a limited number of channel partners to secure foundry's manufacturing capacities, according to Frost & Sullivan.

Our Directors are of the view that the relationship between Supplier A and us is unlikely to materially adversely change or terminate, because (i) our procurement agreements with Supplier A are automatically renewed at expiration, and we have previously made five successful renewals of our procurement agreement with Supplier A, (ii) we have maintained a long-term and stable collaboration relationship with Supplier A for nearly five years, (iii) during the Track Record Period and up to the Latest Practicable Date, we did not have any disputes with Supplier A, and (iv) Supplier A believes we are a valuable business partner and have maintained a good business relationship with us, and currently there is no indication or sign from Supplier A that it will alter its existing relationship with us in any aspect in the near future. Based on the independent due diligence conducted, nothing material has come to the attention of the Sole Sponsor that would cast doubt on the Directors' view in respect of the relationship between Supplier A and the Company. According to Frost & Sullivan, there are over 80 patterned wafer channel partners in the market with similar operational scales and foundry supplier bases, who are able to provide quality services with similarly competitive prices as Supplier A. We generally take into consideration the corporate background, transaction counterparties including key account customers, transaction sizes with foundries, industry reputation and abilities to cope with previous capacity shortages when we switch to alternative wafer channel partners. As of the Latest Practicable Date, we had already been in discussion with three alternative wafer channel partners, all of which were under smooth progress. These alternative wafer channel partners are private companies based in Nantong[(1)], Shenzhen[(2)] and Nanjing[(3)]. In the event that Supplier A no longer works with us, if we were to switch to alternative wafer channel partners, we estimate the relevant costs would be approximately RMB5 million to RMB10 million (i.e. the deposits charged by our current wafer channel partner), plus the administrative costs spent on daily communications. Based on the above, we believe we are able to find alternative patterned wafer channel partners in a timely, efficient and cost-effective manner, and such replacement will not have a material adverse effect on our business operations.

***Key Terms of Procurement Agreements with Supplier A***

We have entered into framework procurement agreements with Supplier A, which are subject to annual renewal. The key terms and conditions of our framework procurement agreements with Supplier A are summarized as follows:

- *Procurement*. We place work orders under the framework agreement. A work order primarily includes unit price, quantity of units, purchase amount, delivery of products and settlement of payment. Supplier A does not impose requirement of minimum purchase amount on us.

- *Product return*. Not specified. During the Track Record Period and up to the Latest Practicable Date, there have been no material claims between Supplier A and us with respect to product return and refund.

- *Confidentiality*. Each party shall keep confidential the trade secrets, technologies and proprietary rights of the other party until five years after the termination or expiration of the agreement, unless otherwise required by laws and regulations, in which case a prior notification shall be provided to the other party.

- *Renewal and termination*. Each of the framework agreements is effective for one year and will be automatically renewed for another one year, unless either party intends to terminate by giving two months' prior written notice before the agreement expires. The framework procurement agreement may be terminated (i) upon mutual consent of both parties; (ii) in the event of a *force majeure*; and (iii) by the non-defaulting party in the event of a material breach.

- *Dispute resolution*. In the event of any dispute related to the enforcement of any agreement during our agreement term, both parties shall negotiate amicably. If an agreement cannot be reached, the parties have the right to sue.

*Notes:*

(1) The alternative wafer channel partner candidate headquartered in Nantong primarily engages in sales of electronic products. It has registered capital of RMB10 million.

(2) The alternative wafer channel partner candidate headquartered in Shenzhen primarily engages in sales of IC products. It has registered capital of RMB0.5 million.

(3) The alternative wafer channel partner candidate headquartered in Nanjing primarily engages in sales of IC products and related technical consultations. It has registered capital of RMB200 million.

## SALES, MARKETING AND DISTRIBUTION OF OUR PRODUCTS

We market our patterned wafer products through our sales and marketing team, who is responsible for identifying suitable potential markets and customers. Our dedicated sales and marketing team is responsible for formulating and coordinating marketing activities and promotion campaigns. Our sales and marketing members are equipped with knowledge and expertise about our patterned wafer products, and are able to identify the requests of downstream customers and provide technical support. They stay abreast of emerging products and technologies that appeal to our existing and potential customers and provide our customers with pre-sale consultations and recommendations tailored to their needs. As of June 30, 2023, our sales and marketing team consisted of eight members who worked closely with other teams as well as our distributor partners to execute our marketing strategies. For the years ended December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, our distribution costs were RMB0.8 million, RMB1.8 million, RMB3.6 million, RMB1.5 million and RMB2.9 million, respectively, accounting for 0.9%, 0.8%, 1.0%, 0.9% and 1.4%, respectively, of our revenue for the corresponding periods.

### Our Direct Sales

We directly acquire new direct sale customers primarily through (i) customer referrals, (ii) attending activities, exhibitions and conferences, and (iii) direct marketing efforts. All of our direct sales during the Track Record Period were derived from downstream customers directly without involving any distributor. In 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, our sales generated from direct sale customers amounted to RMB4.3 million, RMB20.5 million, RMB69.8 million, RMB30.0 million and RMB36.2 million, respectively, accounting for 4.8%, 9.6%, 19.8%, 18.5% and 17.7%, respectively, of our revenue for the corresponding periods. The increasing revenue contribution from our direct sale customers during the Track Record Period demonstrated our efforts in direct sales and marketing. Our direct sale customers primarily engage in distribution and sales of ICs and R&D of electronic components using ICs. For details of the principal businesses of our major direct sale customers during the Track Record Period, see "– Our Customers." After purchasing the products from us, our direct sale customers may perform packaging and testing procedures with a target of producing their self-branded IC products and sell to their respective customers, or directly use our patterned wafers in their own final products.

We consider it critical to diversify our revenue stream and plan to deepen our collaboration with existing direct sale customers and attract and establish long-term business relationship with new direct sale customers in the near future. See " – Our Strategies – Broaden Our Customer Base and Deepen the Relationships with Customers." As the proportion of our sales generated from direct sale customers slightly decreased from 2022 to the six months ended June 30, 2023 due to a slower growth rate of such sales as compared to those attributable to distributors, we are constantly making efforts in broadening our direct sale customer base. For example, we expect to use our net IPO proceeds to establish two sales centers in the pearl river delta region and central China, potentially in Shenzhen and Wuhan considering the market size, potential customers and R&D resources, and we also expect to use our net IPO proceeds to maintain customer relationship and develop new customers. See "Future Plans and Use of Proceeds – Use of Proceeds." As of the Latest Practicable Date, we had already been in discussion with six new direct sale customer candidates, all of which were under smooth progress. These potential direct sale customers are private companies based in Shenzhen and Guangzhou who are in demand of our products to be used in their industrial and automobile application scenarios.

**Our Distribution Channels**

During the Track Record Period, we primarily sold and marketed our patterned wafer products through third-party professional distributors. After purchasing the products from us, our distributors may at their discretion perform onward sales to their respective customers, or flexibly provide packaging services on the products according to their customers' demand. Our distributor customers primarily engage in distribution and sales of semiconductors and modular circuits and provision of enterprise computing solutions. For details of the principal businesses of our major distributor customers during the Track Record Period, see "– Our Customers." For the years ended December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, our total sales to distributors amounted to RMB84.4 million, RMB192.2 million, RMB282.7 million, RMB132.1 million and RMB168.2 million, respectively, accounting for 95.2%, 90.4%, 80.2%, 81.5% and 82.3%, respectively, of our revenue for the corresponding periods.

***"Buy-out" Model***

Our distributors maintain a "buy-out" model with us. We sell our products to our distributors according to the terms in our distribution agreements with the purchase amounts as specified in purchase orders based on the demand of our distributors, and do not impose minimum purchase or sales targets on our distributors. Our products are physically delivered to the distributors when they make purchases from us. Under the "buy-out" model, we do not monitor our distributors' inventory level. The whole process of our distributors' subsequent sales to their downstream customers falls within our distributors' absolute discretion, and we do not interfere with their selection of downstream customers, sales decisions or inventory management. Our distributors are independently responsible for their own inventory management, any risks arising from which will be taken by our distributors at their own cost. As advised by our Internal Control Consultant, it is common for an IC design company maintaining similar "buy-out" model not to monitor its distributors' inventory level, and no major issues were identified in terms of our management policies for the distributors during the Track Record Period. During the duration of our distribution agreements, our distributors are generally not allowed to return any unsold products to us. Product return policies are not applicable in our distribution agreements with our distributors, except that our distributors may negotiate with us on return and indemnification of defective products due to our faults according to relevant laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not received any product returns or indemnification claims from our distributors, nor had we made any provisions on any product returns or potential indemnification.

***Our Major Distributors during the Track Record Period***

We partnered with five distributors in 2020. In 2021, we terminated our relationships with (i) one distributor, Customer C, to cease related party transactions, (ii) a second distributor, as we terminated small-scale transactions and switched to more centralized management, and (iii) a third distributor*, as it changed the transacting entity to the same as Customer A, both of

* The third distributor is an independent third party of us and our connected persons. It was established in 2017 with a scale of operation of tens of millions of yuan in terms of its revenue in 2021. We commenced a business relationship with this distributor in 2019.

which were controlled by the same individual, who is deeply rooted in the IC chip distribution industry for over ten years. We did not have any material disputes with these three distributors. From 2021 and onwards, the number of our distributors remained unchanged as two, namely Arrow, a global leading IC distributor, and Customer A, a local IC distributor. We consider our choice of distributors are aligned with our comprehensive marketing strategies. All of our distributors are our customers and we maintain a buyer/seller relationship with them. See "– Our Customers – Relationship with Our Two Largest Customers."

All of our distributors are authorized distributors who enter into distribution agreements with us. For details of the salient terms of such distribution agreements with our largest two distributors during the Track Record Period, see "– Our Customers – Relationship with Our Two Largest Customers – Key Terms of Distribution Agreements with Arrow" and "– Our Customers – Relationship with Our Two Largest Customers – Key Terms of Distribution Agreements with Customer A." Our distributors are not subject to any geographic exclusivity clause.

We maintain good business relationship with our current distributors, and plan to deepen our collaboration with them. In spite of the decreasing number of our distributors during the Track Record Period, we still achieved significant increase in our sales as our major distributors, Arrow and Customer A, were capable of promoting our products leveraging their channel resources and large downstream customer base. We aim to attract and establish long-term business relationship with new distributors by expanding our sales and marketing team, participating in industry exhibitions, strengthening our brand promotion, providing sufficient technical support and after-sales services, and collaborating with top market players in the industry. We also plan to improve the abilities of our in-house sales and marketing team members. In addition, we aim to improve our capabilities to provide high-performance products which helps improve customer stickiness. See "– Our Strategies – Broaden Our Customer Base and Deepen the Relationships with Customers." With experience in logistics, marketing and sales of IC products, our distributor partners help us assemble downstream sales resources, provide useful and timely market demand information and broaden our sales channels. According to Frost & Sullivan, considering the fragmented analog IC market and to ensure centralized management of sales requests and demands from downstream customers, it is in line with industry practice for analog IC design companies like us to collaborate with limited number of third-party professional distributors for marketing and sales of products. Through our distribution channels, we are able to focus on the design aspects of analog IC patterned wafers and optimize our design capabilities.

During the Track Record Period, to the best knowledge of our Directors, there was no material channel stuffing issue and cannibalisation risks among our distributors as a result of their "buy-out" model with us. Considering that we do not impose minimum purchase requirement on distributors, and that our distributors are not allowed to return any unsold products to us, our Directors are of the view that the channel stuffing issue is inapplicable to us. To minimize the cannibalisation risks, we divide distributors with different downstream customer targets. In particular, Arrow leverages its parent company's global leading position and mainly targets mature, medium- to large-sized companies and multinational companies, covering IC companies, automobile and large equipment manufacturers, while Customer A as a local distributor mainly targets smaller-sized and local companies, covering module and solution providers and small equipment manufacturers. As part of our distributor management policy, we maintain regular communication with our distributors, and raise periodic requests to our distributors to provide sales reports for us to acknowledge their inventories and sales targets. In addition, along with the sales of patterned wafer products, we provide after-sales technical support to downstream customers, especially during their packaging and testing processes. As technical support from patterned wafer product provider is indispensable to downstream customers' use and application of products, our value-added services effectively support their business operations, and thus solidify our competitiveness. Based on the above, our Directors believe that these measures effectively prevented the channel stuffing issue and cannibalisation risks during the Track Record Period. Based on the independent due diligence conducted, nothing material has come to the attention of the Sole Sponsor that would cast doubt on the Directors' view in relation to the channel stuffing issue and cannibalisation risks among its distributors.

***Subsequent Sales of Our Products to Downstream Customers***

Our major distributors primarily sell our products to their respective customers from industrial (including industrial automation, industrial Internet of Things, industrial lighting, instrumentation, measurement and infrastructure, motor drives, healthcare, energy storage and electric power), automotive (including automotive electronics, motion transmission systems and in-car equipment and instruments), consumer electronics and communications industry verticals. The customers of these industries primarily comprise our major downstream customers. These downstream customers purchase our products for sales and marketing of their self-branded finished IC products, or for flexibility in their subsequent packaging and test and prevention of repeated packaging wastes. Downstream customers engaging in IC design purchase our products, perform packaging and label with their own logos for sale, and downstream customers that use finished ICs for production of end products purchase our products and package by themselves, or purchase packaged and tested products from distributors, for direct use in their end products. For example, (i) downstream customers in the automotive electronics sector use our products in their power supply for in-car equipment, motor drivers and in-car battery management system (BMS), (ii) downstream customers in the electric power and energy storage sectors use our products in their BMS and backup power systems, and (iii) downstream customers in the communications and energy storage sectors use our products in their power platforms.

Based on the information provided by our distributors, during the Track Record Period, the revenue contribution from our major downstream customers experienced continuous increase, which was in line with our business growth. The revenue derived from downstream customers of industrial and automotive sectors accounted for a substantial amount of our total revenue.

## OUR CUSTOMERS

Our customers primarily include companies principally engaged in distribution and sales of electronic components, semiconductors and modular circuits. In each year/period during the Track Record Period, revenue contributed from our five largest customers accounted for 99.9%, 99.9%, 100.0% and 100.0% of our total revenue in 2020, 2021 and 2022 and for the six months ended June 30, 2023, respectively, while the largest customer contributed 54.1%, 54.7%, 44.3% and 42.2% of our total revenue, respectively, for the same periods. During the Track Record Period, we generally granted a credit term ranging from 30 to 90 days to our customers.

The following tables set out the details of our five largest customers in each year/period based on their revenue contribution during the Track Record Period:

***For the year ended December 31, 2020***

| Ranking | Customer | Nature of revenue | Year of commencement of business relationship with us | Type of customer | Revenue | Percentage of total revenue |
|---|---|---|---|---|---|---|
| | | | | | *(RMB'000)* | |
| 1. | Customer A[(1)] | Patterned wafers | 2020 | Distributor | 47,995 | 54.1% |
| 2. | Arrow[(2)] | Patterned wafers | 2018 | Distributor | 26,245 | 29.6% |
| 3. | Customer C* [(3)] | Patterned wafers | 2018 | Distributor | 9,897 | 11.1% |
| 4. | Customer D[(4)] | Patterned wafers | 2019 | Direct sale customer | 4,295 | 4.8% |
| 5. | Customer E[(5)] | Patterned wafers | 2019 | Distributor | 283 | 0.3% |
| | **Total** | | | | 88,715 | 99.9% |

***For the year ended December 31, 2021***

| Ranking | Customer | Nature of revenue | Year of commencement of business relationship with us | Type of customer | Revenue | Percentage of total revenue |
|---|---|---|---|---|---|---|
| | | | | | *(RMB'000)* | |
| 1. | Customer A | Patterned wafers | 2020 | Distributor | 116,393 | 54.7% |
| 2. | Arrow | Patterned wafers | 2018 | Distributor | 75,804 | 35.6% |
| 3. | Customer D | Patterned wafers | 2019 | Direct sale customer | 15,515 | 7.3% |
| 4. | Customer F[(6)] | Patterned wafers | 2021 | Direct sale customer | 4,957 | 2.3% |
| 5. | Customer G[(7)] | Patterned wafers | 2021 | Direct sale customer | 21 | 0.01% |
| | **Total** | | | | 212,690 | 99.9% |

* Customer C, controlled by Mr. Li Zhen, was a related party and a connected person in 2020. See note 29 to the Accountants' Report in Appendix I to this prospectus for related parties transactions during the Track Record Period.

***For the year ended December 31, 2022***

| Ranking | Customer | Nature of revenue | Year of commencement of business relationship with us | Type of customer | Revenue | Percentage of total revenue |
|---|---|---|---|---|---|---|
| | | | | | *(RMB'000)* | |
| 1. | Arrow | Patterned wafers | 2018 | Distributor | 156,094 | 44.3% |
| 2. | Customer A | Patterned wafers | 2020 | Distributor | 126,585 | 35.9% |
| 3. | Customer F | Patterned wafers | 2021 | Direct sale customer | 39,849 | 11.3% |
| 4. | Customer D | Patterned wafers | 2019 | Direct sale customer | 29,982 | 8.5% |
| 5. | – | – | – | – | – | – |
| | **Total** | | | | 352,510 | 100% |

***For the six months ended June 30, 2023***

| Ranking | Customer | Nature of revenue | Year of commencement of business relationship with us | Type of customer | Revenue | Percentage of total revenue |
|---|---|---|---|---|---|---|
| | | | | | *(RMB'000)* | |
| 1. | Arrow | Patterned wafers | 2018 | Distributor | 86,221 | 42.2% |
| 2. | Customer A | Patterned wafers | 2020 | Distributor | 82,021 | 40.1% |
| 3. | Customer D | Patterned wafers | 2019 | Direct sale customer | 22,257 | 10.9% |
| 4. | Customer F | Patterned wafers | 2021 | Direct sale customer | 13,922 | 6.8% |
| 5. | Customer H[(8)] | Patterned wafers | 2023 | Direct sale customer | 1 | 0.001% |
| | **Total** | | | | 204,422 | 100% |

*Notes:*

(1) Customer A, with a business operation scale of approximately 50 employees and registered capital of RMB0.5 million, is a private company primarily engaging in distribution and sales of semiconductors and modular circuits. For a detailed introduction of the background of Customer A and our business relationship, see "Business – Our Customers – Relationship with Our Two Largest Customers."

(2) Arrow, with a business operation scale of approximately 350 employees and registered capital of US$17.8 million, primarily engages in sales of electronic components using ICs and provision of enterprise computing solutions. Its parent company is listed on the New York Stock Exchange. For a detailed introduction of the background of Arrow and our business relationship, see "Business – Our Customers – Relationship with Our Two Largest Customers."

(3) Established in 2018, headquartered in Nanjing and with a business operation scale of less than ten employees and registered capital of RMB2.0 million, Customer C is a private company primarily engaging in sales of ICs and communication equipment.

(4) Established in 2012, headquartered in Nantong and with a business operation scale of approximately 30 employees and registered capital of RMB25.0 million, Customer D is a private company primarily engaging in R&D, production, processing and sales of industrial equipment and electronic products.

(5) Established in 2017, headquartered in Shanghai and with a business operation scale of approximately ten employees and registered capital of approximately RMB1.3 million, Customer E is a private company primarily engaging in sales of ICs and other electronic products.

(6) Established in 2004, headquartered in Shenzhen and with a business operation scale of approximately 200 employees and registered capital of RMB50.0 million, Customer F is a private company primarily engaging in sales of electronic components and provision of agent services.

(7) Established in 2020, headquartered in Shenzhen and with registered capital of RMB10.0 million and paid-up capital of RMB8.5 million, Customer G primarily engages in R&D and sales of smart home appliances, industrial equipment and electronic components. Its parent company is listed on the Shenzhen Stock Exchange.

(8) Established in 2008, headquartered in Shanghai and with a business operation scale of less than 50 employees and registered capital of RMB1.0 million, Customer H is a private company primarily engaging in R&D and sales of electronic components and energy-saving equipment and materials.

We acquainted our five largest customers in each year/period through direct marketing efforts or customers and friends' referrals, which mainly include referrals from our downstream customers, industry seminar participants and business partners. In addition, we plan to broaden our customer base and strengthen our relationship with customers by developing sales centers. Setting up new sales centers provides convenience for customer maintenance and our business trip to nearby cities, and allow us to have in-depth understanding of local market conditions, visit potential customers more frequently and penetrate into the markets effectively through the sales centers. For details of the expected implementation timetable of sales centers, see "Future Plans and Use of Proceeds – Use of Proceeds."

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, except for Customer C which was our connected person in 2020 only, all of our five largest customers in each year/period were Independent Third Parties. There was no past or present relationship (including business, employment, financing, family, trust or otherwise) between the five largest customers during the Track Record Period and us, our Directors, shareholders or senior management, or any of their respective associates.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes with the aforementioned customers, nor did we receive any material complaints from such customers. We did not receive any material product returns from our customers during the Track Record Period and up to the Latest Practicable Date, and to the best knowledge of our Directors and senior management, there were no potential material product returns as of the Latest Practicable Date.

To the best of our Directors' knowledge, except for Customer C which was controlled by one of our Directors in 2020, none of our Directors or their respective close associates or any person who, to the knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest customers in each year/period as of the Latest Practicable Date.

**Relationship with Our Two Largest Customers**

***Overview***

During the Track Record Period, our revenue was primarily derived from sales of patterned wafers to our distributor partners. During the Track Record Period, we primarily partnered with two distributors, namely Arrow, a global leading IC distributor, and Customer A, a local IC distributor. See "– Sales, Marketing and Distribution of Our Products – Our Distribution Channels." Arrow is the PRC subsidiary of Arrow Electronics, Inc., a well-known worldwide electronic components and enterprise computing solution provider listed on the New York Stock Exchange and headquartered in the United States. Arrow Electronics, Inc. has established profound, long-term relationship with world-famous IC design companies, visual computing solution providers and technology developers and manufacturers. Customer A was established in the PRC in 2018 headquartered in Shenzhen, specializing in distribution and sales of semiconductors and modular circuits.

During the Track Record Period, we allowed both Arrow and Customer A to settle their payment with us monthly within 30 days after receipt of invoice. In 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, our aggregate revenue generated from our two largest distributor partners during the Track Record Period, Arrow and Customer A, amounted to RMB74.2 million, RMB192.2 million, RMB282.7 million, RMB132.1 million and RMB168.2 million, respectively, representing 83.7%, 90.4%, 80.2%, 81.5% and 82.3%, respectively, of our total revenue for each year, and 87.9%, 100.0%, 100.0%, 100.0% and 100.0%, respectively, of our total sales to distributors in the same periods. During the Track Record Period, the proportion of purchases from us generally remained stable, accounting for approximately 20% of Customer A's total purchases. Although we are not an exclusive supplier of Customer A, Customer A's purchases from us in terms of percentage during the Track Record Period was quite significant as compared to similar distributors' average proportion of purchase amount. Specifically, as advised by Frost & Sullivan, such similar distributors in the industry on average purchased a proportion of 13.2% from their respective top five suppliers during the Track Record Period. Having taken into consideration that Customer A's purchases from us accounted for approximately 20% of its total purchases, we believe we are a major and valuable supplier of Customer A. Besides, we believe we are also a valuable supplier to Arrow in spite of the less significance of Arrow's purchases from us during the Track Record Period. We have established robust business cooperation with Arrow and become one of its strategic business partners in 2022. In particular, we were specifically introduced as one of the 39 outstanding suppliers, including well-known international and domestic suppliers, to share our insights on technology updates, as well as products and solutions, on Arrow Centralized Training Asia program in 2022, an annual technology expo hosted by Arrow for suppliers and downstream customers to exchange ideas on the latest industry updates and technology trends.

We were also granted a "gold sponsorship" prize, one of the highest prizes awarded to Arrow's suppliers which was only awarded to 13 suppliers by Arrow in 2022, in honor of our excellent contribution and business cooperation during the year. Due to their significant revenue contribution, any decrease in sales from, or loss of, one or more of them would harm our business, operating results, financial condition, and cash flows. See "Risk Factors – Risks Relating to Our Business and Industry – A significant proportion of our revenue was derived from our distributor partners, including Arrow and Customer A, during the Track Record Period. Any decrease in sales from, or loss of, one or more of our distributor partners would have negative impacts on our results of operations."

The following table demonstrates the sales amount generated from Arrow and Customer A during the Track Record Period:

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | Sales Amount | Contribution to Revenue | Sales Amount | Contribution to Revenue | Sales Amount | Contribution to Revenue | Sales Amount | Contribution to Revenue | Sales Amount | Contribution to Revenue |
| | *(RMB in millions)* | *(%)* | *(RMB in millions)* | *(%)* | *(RMB in millions)* | *(%)* | *(RMB in millions)* | *(%)* | *(RMB in millions)* | *(%)* |
| **Total sales amount** | **74.2** | **83.7** | **192.2** | **90.4** | **282.7** | **80.2** | **132.1** | **81.5** | **168.2** | **82.3** |
| – Arrow | 26.2 | 29.6 | 75.8 | 35.6 | 156.1 | 44.3 | 83.6 | 51.6 | 86.2 | 42.2 |
| – Customer A | 48.0 | 54.1 | 116.4 | 54.7 | 126.6 | 35.9 | 48.5 | 29.9 | 82.0 | 40.1 |

Our Directors are of the view that the relationships between Arrow or Customer A and us are unlikely to materially adversely change or terminate, because (i) our framework agreements with Arrow or Customer A either remains effective until either party intends to terminate or is automatically renewed at expiration, (ii) we have maintained long-term and stable collaboration relationships with Arrow and Customer A for over five and three years, respectively, (iii) during the Track Record Period and up to the Latest Practicable Date, we did not have any disputes with Arrow or Customer A, and (iv) both Arrow and Customer A believe we are a valuable business partner and have maintained good business relationships with us, and currently there is no indication or sign from Arrow or Customer A that they will alter their existing relationship with us in any aspect in the near future. Based on the independent due diligence conducted, nothing material has come to the attention of the Sole Sponsor that would cast doubt on the Directors' view in respect of the relationship between Arrow or Customer A and the Company. Although we have thriving business relationships with Arrow and Customer A, we have been planning to acquire new customers to grow our customer base. See "– Our Strategies – Broaden Our Customer Base and Deepen the Relationships with Customers." According to Frost & Sullivan, there are over 1,000 distributors in the market with similar operational scales and downstream customer bases, who are expected to accept our products with comparable prices as Arrow or Customer A. We take into consideration the scale of operations, the extent of overlapping downstream customers with our existing distributors and their plans of distribution when we switch to alternative distributors. As of the Latest Practicable Date, we had already been in discussion with five alternative distributors, all of which were under smooth progress. These alternative distributors are private companies based in Shanghai, Shenzhen and Chengdu who have sufficient downstream customer base. In the event that Arrow or Customer A no longer works with us, if we were to switch to alternative distributors, we estimate the relevant costs would be at least tens of millions of yuan, including administrative costs spent on business development as well as potential losses arising from a mismatch of our current inventory against the new market demand due to potential changes in downstream customers. We believe these potential costs and losses can be covered by the new revenue streams brought by the new distributors to a large extent. Based on the above, we believe we are able to develop new distributor partners as customers in a timely, efficient and cost-effective manner, and such change will not have a material adverse effect on our business operations.

During the Track Record Period and up to the Latest Practicable Date, there were no material claims from or against Customer A or Arrow.

***Key Terms of Distribution Agreements with Arrow***

We have entered into framework distribution agreements with Arrow. The key terms and conditions of our framework distribution agreements with Arrow are summarized as follows:

- *Purchases.* The purchase amount is specified in purchase orders. We typically do not impose requirement of minimum purchase amount on Arrow.

- *Selling prices.* The prices of our products are set forth in our price list in effect as of the date of the agreements. We shall notify Arrow of any change in the prices at least 30 days prior such change. In the event of a price increase, Arrow may order products and request delivery at the prior price before the new price becomes effective.

- *Obligations of each party.* We deliver the goods in the manner agreed upon in each purchase order, and furnish them with the current price and product information. We ensure that the products fully comply with all applicable laws, standards, codes, and regulations, are duly marked and labeled and are suitable for distribution. Arrow uses its best efforts to promote the distribution of our products, provides timely delivery of products to its customers and participates in such training programs as may be offered by us. Arrow is obligated to inspect the materials upon the arrival of the products at the warehouse or designated location.

- *Risk allocation*. Control of the products shall be passed to Arrow in accordance with its shipping term, which is Delivered-at-Place (DAP) (Incoterms 2010) at Arrow's designated place. Once our products reach Arrow's designated place, Arrow assumes control of these products. The risk of damage to, or loss of, the products shall be borne by Arrow upon receipt of the products.

- *Product return.* Not specified during the duration of the agreements, except that (i) Arrow may negotiate with us on return of defective products according to relevant laws and regulations, the issues of which are confirmed to have arisen from our reasons, and (ii) in the event of our termination of the agreements, we shall assist Arrow in handling the unsold products, and shall repurchase these unsold products at the price paid therefor by Arrow or arrange other distributors to purchase if such unsold products remain with Arrow for more than 90 days.

- *Warranty and indemnification.* Our products are covered by our standard warranty, which extends directly to Arrow's customer as if it had purchased our products directly from us. The warranty period lasts one year commencing upon Arrow's shipment to its own customer. Arrow may negotiate with us on indemnification of defective products according to relevant laws and regulations, the issues of which are confirmed to have arisen from our reasons.

- *Appointment of sub-distributors.* Not specified.

- *Confidentiality*. Each party shall keep confidential the trade secrets, technologies and proprietary rights of the other party, unless otherwise required by laws and regulations.

- *Renewal and termination*. Each of our framework agreements with Arrow remains effective, unless either party intends to terminate. The framework distribution agreement may be terminated (i) upon mutual consent of both parties; (ii) in the event of a *force majeure*; and (iii) by the non-defaulting party in the event of a material breach.

- *Dispute resolution.* In the event of any dispute related to the enforcement of any agreement during the term of the framework agreements, both parties shall negotiate amicably. If an agreement cannot be reached, the parties have the right to sue.

***Key Terms of Distribution Agreements with Customer A***

We have entered into framework distribution agreements with Customer A. The key terms and conditions of our framework distribution agreements with Customer A are summarized as follows:

- *Purchases.* The purchase amount is specified in purchase orders. We typically do not impose requirement of minimum purchase amount on Customer A.

- *Selling prices.* The prices of our products are set forth in our price list in effect as of the date of the agreements.

- *Obligations of each party.* We deliver the goods in the manner agreed upon in each purchase order, and furnish them with the current price and product information. We ensure that the products fully comply with all applicable laws, standards, codes, and regulations, are duly marked and labeled and are suitable for distribution. Customer A uses its best efforts to promote the distribution of our products and provides timely delivery of products to its customers. Customer A is obligated to inspect the materials upon the arrival of the products at the warehouse or designated location.

- *Risk allocation.* Control of the products shall be passed to Customer A upon its issuance of a signed receipt of the products to us. The risk of damage to, or loss of, the products shall be borne by Customer A upon receipt of the proof of delivery.

- *Product return.* Not specified, except that Customer A may negotiate with us on return of defective products according to relevant laws and regulations, the issues of which are confirmed to have arisen from our reasons.

- *Warranty and indemnification.* Warranty term is not specified in the agreements. Customer A may negotiate with us on indemnification of defective products according to relevant laws and regulations, the issues of which are confirmed to have arisen from our reasons.

- *Appointment of sub-distributors.* Not specified.

- *Confidentiality.* Each party shall keep confidential the trade secrets, technologies and proprietary rights of the other party, unless otherwise required by laws and regulations.

- *Renewal and termination.* Each of our framework agreements with Customer A remains effective for one year and will be automatically renewed for another one year, unless either party intends to terminate by giving two months' prior written notice before the agreement expires. The framework distribution agreement may be terminated (i) upon mutual consent of both parties; (ii) in the event of a force majeure; and (iii) by the non-defaulting party in the event of a material breach.

- *Dispute resolution.* In the event of any dispute related to the enforcement of any agreement during the term of the framework agreements, both parties shall negotiate amicably. If an agreement cannot be reached, the parties have the right to sue.

## QUALITY MANAGEMENT

Quality control and assurance are crucial to us, and we endeavor to ensure the quality of our operations through a comprehensive quality management system, which was formulated in accordance with the ISO9001:2015 standard in China, covering substantially every aspect of our operations including analog IC product design, procurement, among other things.

We have established a comprehensive set of quality control and assurance procedures to monitor our operations to ensure compliance with relevant regulatory requirements and our internal quality requirements. For example, we select our suppliers based on a strict set of criteria to make sure our requirements are being consistently met. In addition, we conduct inspection on delivered products in accordance with our quality management standards.

## INVENTORY MANAGEMENT

Our inventories primarily consist of raw materials and finished goods. See "Financial Information – Discussion of Certain Items of Statements of Financial Position – Inventories." In order to maintain our competitiveness, adapt our products to evolving demand trends and to avoid our inventories becoming obsolete, we have taken measures to optimize our inventory level, including minimizing inventory backlog in the process of inventory management. In addition, we have established internal submission and approval procedures to optimize the logistics of our inventory management and standard of purchase orders of our patterned wafer products. We standardize our inventory management through our digital warehousing system across our escrow warehouse at our chip probing service provider's plant located in Shanghai. Each of the inventories is given an unique identification code at the time of storage. This way, we are able to keep track of all inventories at all stages. We maintain sufficient level of inventories as a result of our effective inventory management.

We anticipate and prepare for product stocking based on feedback on demand of downstream customers. Despite 13-14 months of design time, as we deliver general-purpose, standardized analog IC patterned wafers that are adaptable to a variety of application scenarios in different end products and do not need to be customized for specific downstream customers, it does not affect us to generally fulfill each purchase order and complete product delivery within less than a month from receiving such purchase order. We reserve manufacturing capacity and place manufacturing orders before receiving orders from our customers based on their forecasted demand and our estimated sales volume. After we receive the purchase orders, we go through the chip probing process and deliver the analog IC patterned wafers to our customers. We reserve manufacturing capacity based on our estimated sales volume in the next year. Considering that our products are usually produced in small batches, we normally reserve the spare manufacturing capacity of foundries through our channel partner, which requires earlier reservation as the spare manufacturing capacity is difficult to reserve and is usually reserved only for companies with long-term cooperative relationship. By reserving manufacturing capacity early, we can ensure that manufacturing capacity is not affected by market conditions when market manufacturing capacity is tight, and secure manufacturing capacity with more competitive prices when there is overcapacity in the market. Our sufficient inventory level and prompt delivery of products help us respond fast to downstream customers' needs.

We conduct regular inventory check every six months, and conduct spot checks from time to time to ensure smooth operation within the warehouse. We perform on-site inventory audit and inspection annually, and prepare inventory inspection reports, according to which we deal with obsolete and slow-moving inventories in a timely manner. Led by a specially established working group, our finance team is responsible for inventory audit and inspection, and report to senior management the inspection results and shortfalls. Our Directors confirm that our inventory control system and policies have been effective and we did not experience any material shortage in supply or overstock of inventories during the Track Record Period and up to the Latest Practicable Date.

We may lose our competitive position if our products become obsolete. See "Risk Factors – Risks Relating to Our Business and Industry – Our inability to continuously develop our technological capabilities and improve our analog IC design platform could make our products uncompetitive and obsolete, which may impede our ability to address the requirements in technology segments that are expected to contribute to our growth." Our inventory management policies require us to preserve obsolete inventories in a specially produced cabinet for future sales when opportunities arise. For defective inventories, we claim them as worthless and report their residual value according to our financial policies. We do not have any hedging policies to offset our loss. However, due to the long product lifecycle of the industrial grade analog IC end products, we generally do not have significant obsolete inventories.

## INTELLECTUAL PROPERTY

We regard our patents, trademarks, trade secrets and other intellectual property rights as critical to our business operations. As of the Latest Practicable Date, we possessed 83 patents, 325 proprietary rights of IC layout design, 17 software copyrights and 75 trademarks in China. We had also filed applications for 7 patents and 20 trademarks in China and Hong Kong, and 17 patents under the Patent Cooperation Treaty (PCT) as of the same date. During the Track Record Period, we have filed and been granted 19 patents, 280 proprietary rights of IC layout design and 10 software copyrights in China, and we have not filed and been granted any intellectual property rights in other jurisdictions.

The following table sets out the information of all the patents filed and granted in China during the Track Record Period:

| Field of Application | Title of Patent | Expiry Date |
|---|---|---|
| R&D of EDA | An assisted chip design methodology to reduce simulation time (一種減少仿真時間的輔助芯片設計方法) | February 4, 2041 |
| | Graphical secondary development method for EDA software in chip layout design (EDA軟件在芯片版圖設計中的圖形化二次開發方法) | May 9, 2041 |
| | A chip design method for automatic addition of environmental stabilization system (一種自動添加環境穩定系統的芯片設計方法) | July 1, 2041 |
| | Artificial intelligence implementation method and system for circuit design (用於電路設計的人工智能實現方法及系統) | July 11, 2041 |
| | A system and method for circuit design based on machine learning (一種基於機器學習的電路設計系統及方法) | July 18, 2041 |
| | Circuit direct-current analysis simulation method, device, apparatus, and storage medium (電路直流分析仿真方法、裝置、設備及存儲介質) | August 8, 2041 |
| | A simulation optimization method and device for transient analysis of large-scale integrated circuits (一種用於大規模集成電路瞬態分析的仿真優化方法及裝置) | August 17, 2041 |

| Field of Application | Title of Patent | Expiry Date |
|---|---|---|
| | A modeling method to build a 3D diffusion model of a chip in EDA software (一種在EDA軟件中建立芯片三維擴散模型的建模方法) | August 22, 2041 |
| | A visualized computer-aided chip design and simulation verification method and system (一種可視化計算機輔助芯片設計和仿真驗證方法及系統) | September 12, 2041 |
| | An auxiliary circuit for integrated circuit chips and its design method (一種集成電路芯片的輔助電路及其設計方法) | April 15, 2041 |
| | A simulation request processing method, apparatus, electronic device, and readable storage medium (一種仿真請求處理方法、裝置、電子設備及可讀存儲介質) | June 30, 2041 |
| R&D of the design process | Single-layer polycrystalline embedded nonvolatile storage unit, storage array, and working method (單層多晶嵌入式非揮發存儲單元、存儲陣列及其工作方法) | December 2, 2041 |
| R&D of the testing process | A semiconductor chip test method for ICs and its test device (一種用於集成電路的半導體芯片測試方法及其測試裝置) | September 7, 2041 |
| | A chip test method and test device based on reconfiguration of internal circuit structure of a chip (一種基於芯片內部電路結構重構的芯片測試方法和測試裝置) | September 5, 2041 |
| Power management products | A battery power supply device and its power supply method (一種電池供電裝置及其供電方法) | July 27, 2041 |
| | A low-power battery management system (一種低功耗的電池管理系統) | January 9, 2042 |
| | A charging circuit that realizes short-circuit protection and automatic restarting (一種可實現短路保護及自動重啟的充電電路) | July 4, 2041 |
| | A power supply circuit with stabilized output voltage (一種具有穩定輸出電壓的供電電路) | September 25, 2041 |
| Signal chain products | A current detection device to reduce chip heating (一種減小芯片發熱的電流檢測裝置) | July 27, 2041 |

The following table sets out the information of major proprietary rights of IC layout design filed and granted in China during the Track Record Period, which are directly related to our major products. We consider the following proprietary rights of IC layout design as our major and typical ones because they are crucial and multiply applied to the interim versions of our power management and signal chain products, the designs of which are eventually turned into our products with high revenue contribution.

| Field of Application | Title of Proprietary Right of IC Layout Design | Expiry Date |
|---|---|---|
| Switching regulators | Low power switching regulators for medical and automation applications (用於醫療和自動化領域的低功耗開關穩壓器) | October 23, 2030 |
| | Built-in 2A power switching tube step-down regulator for automotive battery management (用於汽車電池管理的內置2A功率開關管降壓型穩壓器) | November 27, 2030 |
| | Built-in 3A power switching tube step-down regulator for industrial power applications (用於工業用電的內置3A功率開關管降壓型穩壓器) | November 27, 2030 |
| | 3A floating low dropout linear regulator (3A浮動型低壓差線性穩壓器) | April 11, 2032 |
| | 40V step-up DC-DC converter for automation applications (自動化領域適用的40V升壓型DC-DC轉換器) | June 6, 2032 |
| Multi-channel ICs and PMICs | Dual buck constant voltage and constant current sources for industrial lighting and distributed power supplies (用於工業照明和分佈式電源的雙通道降壓型恒壓恒流源) | January 6, 2030 |
| | Dual boost/negative output converter for medical device and OLED drivers (用於醫療設備和OLED驅動器的雙通道升壓/負輸出轉化器) | January 20, 2030 |
| | High efficiency dual buck constant voltage and constant current sources for industrial lighting (用於工業照明的高效率雙通道降壓型恒壓恒流源) | November 19, 2030 |
| | Dual buck constant voltage and constant current source for medical device and OLED drivers (用於醫療設備和OLED驅動器的雙通道降壓型恒壓恒流源) | November 19, 2030 |
| | Dual boost DC-DC converter with good output functions (具有輸出良好功能的雙通道升壓型DC-DC轉換器) | December 9, 2030 |
| | Dual boost DC-DC converter with soft-start (具有軟啟動的雙通道升壓型DC-DC轉換器) | December 9, 2030 |
| Battery management ICs | Battery pack overcurrent discharge protection chip for wireless base stations (用於無線基站的電池組過流放電保護芯片) | December 20, 2030 |
| | 10-13 series lithium battery pack management chip (10-13串鋰電池組管理芯片) | December 20, 2030 |
| | Battery pack management chip with built-in short-circuit protection (內置短路保護的電池組管理芯片) | December 20, 2030 |
| Linear products | High speed and high voltage bidirectional current sense amplifier (高速高壓雙向檢流放大器) | November 11, 2032 |
| | High precision battery pack detection chip (高精度電池組檢測芯片) | March 1, 2033 |

The following table sets out the information of all the software copyrights filed and granted in China during the Track Record Period:

| Field of Application | Title of Software Copyright | Expiry Date |
|---|---|---|
| Schematic editing | BT2747 chip test program V3.0 (BT2747芯片測試程序V3.0) | December 31, 2070 |
| | Integrated circuit sorting machine main control board software V3.0 (集成電路分選機主控板軟件V3.0) | December 31, 2070 |
| Layout editing | Integrated circuit layout editing tool software BTLE V3.0 (集成電路版圖編輯工具軟件BTLE V3.0) | December 31, 2070 |
| | Tool software for graphical secondary development in chip layout design 1.1 (在芯片版圖設計中進行圖形化二次開發的工具軟件1.1) | December 31, 2071 |
| | Tool software for graphical secondary development in chip layout design 1.0 (在芯片版圖設計中進行圖形化二次開發的工具軟件1.0) | December 31, 2072 |
| IC simulation | Integrated circuit principle design model optimization program V3.0 (集成電路原理設計模型優化程序V3.0) | December 31, 2070 |
| | Accelerated simulation software for transient analysis of large-scale integrated circuits 1.1 (用於大規模集成電路瞬態分析的加速仿真軟件1.1) | December 31, 2071 |
| | Tool software to assist in simulation verification 1.0 (輔助仿真驗證的工具軟件1.0) | December 31, 2071 |
| | Automated integrated circuit parallel simulation tool software 1.0 (自動化集成電路中可進行並行仿真的工具軟件1.0) | December 31, 2072 |
| | Tool software for efficiently shortening simulation time in integrated circuit design 1.0 (可高效縮短集成電路設計中仿真時間的工具軟件1.0) | December 31, 2072 |

For detailed information about our material intellectual property, see "Appendix VI – Statutory and General Information – B. Further Information about our Business – 2. Intellectual Property Rights of our Company."

We rely primarily on a combination of patents, trademarks, trade secrets, and unfair competition laws and contractual rights, such as confidentiality agreement, to protect our intellectual property rights. We generally state all rights and obligations regarding the ownership and protection of intellectual properties in employment confidentiality agreements and some commercial agreements we enter into. In addition, we have taken the following key measures to protect our intellectual property rights: (i) implementing a set of comprehensive internal policies to establish robust management over our intellectual property rights, (ii) deploying a special team to guide, manage, supervise and monitor our daily work regarding intellectual properties, (iii) timely registration, filing and application for ownership of our intellectual properties, (iv) actively tracking the registration and authorization status of intellectual properties and take action in a timely manner if any potential conflicts with our intellectual properties are identified, and (v) engaging professional intellectual property service providers.

In particular, as our EDA software tools and IP library, the two crucial components that build up our analog IC design platform, encompass modular IPs that are covered by our proprietary patents, we have placed special attention to protecting against imitation or infringement of our patents by third parties. We may rely, in some circumstances, on confidential information to protect aspects of the algorithm or implementation of EDAs. We have entered into agreements with confidentiality clause with all of our employees, and agreements with non-competition clause with our senior management and other employees who have access to trade secrets or confidential information about our business. Both the confidentiality clause and the non-competition clause have an unlimited term. Our standard confidentiality and intellectual property rights agreement, which we use to manage our employees who have access to trade secrets or confidential information about our business for work-performing purposes, contains an assignment clause, under which we own all the rights to all inventions, utility models, technology, know-how and trade secrets derived during the course of such employee's work. We also seek to preserve the integrity and confidentiality of our data and trade secrets related to EDA software tools and IP library by maintaining physical security of our premises and physical and electronic security of our information technology systems.

As of the Latest Practicable Date, we had not been subject to any material disputes or claims for infringement upon third parties' intellectual property rights in the PRC and, to the best knowledge of our Directors and senior management, they are not aware of any such disputes. However, these agreements or measures may not provide sufficient protection of our intellectual property rights. These agreements may be breached, resulting in the misappropriation of our intellectual properties, and we may not have an adequate remedy for any such breach. In addition, our intellectual properties may become known or be independently developed by third parties, or misused by any business partner to whom we disclose such information. Despite any measures taken to protect our intellectual properties, unauthorized parties may attempt to or successfully copy aspects of our products or to obtain or use information that we regard as proprietary without our consent. As a result, we may be unable to adequately protect our intellectual properties or proprietary rights. See "Risk Factors – Risks Relating to Our Business and Industry – We may be unable to adequately protect our proprietary rights, which may impact our ability to compete effectively."

## DATA PRIVACY AND INFORMATION SECURITY RISK MANAGEMENT

In the course of our business, we collect, store and process business data and transaction data. As we only make transactions with enterprises, we do not collect or process personal data. We maintain a financial system, a human resource management system and a business management system. See "Risk Factors – Risks Relating to Our Business and Industry – Security breaches and other disruptions could compromise our confidential and proprietary information, which could cause our business and reputation to suffer" and "Regulatory Overview – Laws and Regulations Relating to Cybersecurity and Data Protection."

We pay close attention to risk management relating to our IT system, as storage and protection of corporate data and related information is critical to us. To ensure data security, we have adopted a rigorous encrypted algorithm to store sensitive data and strictly execute a data accessing and transmitting policy to ensure the confidentiality of our data. We have also developed strict internal control and data accessing mechanisms and detailed approval and operation procedures regarding data storage and processing. We have established a set of internal protocols on data security, which set forth detailed, strict requirements in relation to the use, disclosure and protection of confidential information. Among other things, such internal protocols provide limited authorization to our employees holding specific positions at specific levels to access and process corporate data on a need-to-know basis, who shall use such data only for the purposes of performing their work assignment.

All of our employees are required to sign a confidentiality agreement with us, which prohibits them from disclosing any confidential information relating to their work without our consent. We have a comprehensive data backup system to encrypt and store data on servers in different locations in order to minimize the risk of data loss. We also conduct data restoration tests to examine the status of the backup system on a regular basis.

In addition, we have established a remote disaster recovery system for our server by setting up multiple storage for the same information and data of long time dimension on the cloud, local and remote locations. Even if the server is damaged due to the highest level of disasters such as earthquakes, mudslides and other irresistible natural disasters, we believe that it can safeguard and guarantee that the service and data can be completely restored within 24 hours.

Our PRC Legal Advisors are of the view that we have been in compliance with the relevant PRC laws, rules and regulations relating to cybersecurity and data protection in all material aspects during the Track Record Period and up to the Latest Practicable Date on the basis that (i) we do not collect or process personal data as we do not conduct business directly with individuals, (ii) we have implemented comprehensive cybersecurity and data protection policies, procedures, and measures to ensure secured storage and transmission of data, prevent unauthorized access or use of data and respond to network security incidents, (iii) we have not been subject to any material fines or administrative penalties, mandatory rectifications, or other sanctions by any competent regulatory authorities for violation of cybersecurity and data protection laws, rules and regulations, (iv) there have been no material cybersecurity and data protection incidents or infringement upon the rights of any third parties, or other legal proceedings, administrative or governmental proceedings, pending or, to the best of the knowledge of our Directors, threatened against or relating to us, and (v) we have not experienced any material leakage of data, any breach of confidential business data or violation of cybersecurity and data protection and privacy laws, rules and regulations which will have a material adverse impact on our business operations.

## COMPETITION

We face competition in respect of the quality of our products, our ability to meet downstream customers' expectations, and our experience and reputation. The principal competitive factors in our industry generally include product stability and reliability, price competitiveness, marketing and sales capabilities, and brand influence.

We believe that there are high barriers for our competitors to enter into the analog IC patterned wafer market, which include, among other things, design efficiency, first-mover advantages, extensive product lineup, downstream customers' recognition and collaboration with foundries or wafer channel partners. For more information on the competitive landscape of our industry, see "Industry Overview." Our Directors believe that we will maintain our competitiveness over other competitors and our market position by strengthening and developing our competitive strengths. Our competitive strengths are highlighted in the paragraph headed "– Competitive Strengths" in this section.

## EMPLOYEES

As of June 30, 2023, we had 106 full-time employees, all of whom were based in China. The following table sets forth the number of our employees by function as of June 30, 2023:

| **Function** | **Number of employees** |
|---|---|
| Senior management | 2 |
| R&D | 64 |
| Sales and marketing | 8 |
| Business operations and administration | 32 |
| Total | 106 |

We recognize the importance of talents for sustainable business growth and competitive advantages. We believe that our success depends on our ability to attract, retain and motivate qualified personnel. As part of our human resources strategy, we offer employees relatively competitive salaries, performance-based bonuses, and other incentives. We typically sign non-competition agreement with our senior management or other key employees for an unlimited term. We occasionally review the performance of our employees on the basis of, among other criteria, their abilities to achieve stipulated performance targets. As a result, we have generally been able to attract and retain qualified employees and maintain a stable core management team.

We plan to adopt a diversified recruitment approach to ensure a sufficient talent pool for key positions. We primarily recruit our employees through on-campus recruitment, online channels and third-party employment websites. We provide on-board training for all of our employees as well as periodic training or seminars to ensure their self-development. In particular, we provide a special training program which lasts for two to three weeks for our R&D employees to help them get familiar with R&D activities and project management. Experienced engineers serve as mentors in the program, and conduct tutoring with new R&D employees. Furthermore, we hold lectures and exchange ideas through seminars with external professionals. We also provide courses for our employees as an important part of their continuous self-learning. We strive to create a multiple-incentive mechanism and a friendly working environment to fulfil our employees' full potential. Due to our efforts, we generally maintain a stable team of employees that make continuous contributions.

Our employees are currently represented by our internal labor union. We believe that we generally maintain good working relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not experience any labor disputes or strikes.

**Social Insurance and Housing Provident Fund Contributions**

During the Track Record Period and up to the Latest Practicable Date, we did not make full social insurance and housing provident fund contributions for our employees in accordance with relevant laws and regulations, primarily because (i) certain employees have requested us not to make full contributions to housing provident funds due to personal reasons, and (ii) the social insurance and housing provident funds of new employees were not paid in their first month of employment. For the years ended December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2023, the aggregate shortfall in such contribution amounted to approximately RMB0.4 million, RMB2.1 million, RMB2.2 million and RMB0.6 million, respectively. If we fail to rectify the non-compliance of full payment of social insurance and housing provident fund contributions for our employees within the prescribed timeframe as required by the relevant PRC laws and regulations, we may be subject to fines and late payments in an aggregate maximum amount of RMB1.4 million. See "Risk Factors – Risks Relating to Our Business and Industry – We may be subject to additional contributions of social insurance and housing provident fund and late payments and fines imposed by relevant governmental authorities." According to the certifying letters issued by Suzhou New District Social Insurance Fund Management Center (蘇州高新區社會保險基金管理中心) and Suzhou Housing Provident Fund Management Center (蘇州市住房公積金管理中心) which, according to our PRC Legal Advisors, are the competent authorities for issuing such letters, during the Track Record Period, such authorities did not impose administrative penalties on us for failure to make full social insurance or housing provident fund contributions.

Our PRC Legal Advisors are of the view that our possibility of being subject to further administrative penalties for any outstanding social insurance and housing provident fund contributions incurred during the Track Record Period and up to the Latest Practicable Date is low, considering that: (i) we had not been imposed of any administrative penalties for not making full payment of the social insurance and housing provident funds, or received any notice to pay the shortfall, by relevant social insurance and housing provident fund bureaus during the Track Record Period; (ii) neither penalty records related to social insurance nor housing provident funds have been found through public search; (iii) as of the Latest Practicable Date, there were no pending disputes or controversies between our employees and us in connection with labor and employment matters including in respect of social insurance and housing provident fund contributions; (iv) during the Track Record Period, no employees or relevant competent authorities raised objections in relation to the contribution arrangements relating to social insurance or housing provident funds, and up to the Latest Practicable Date, we had not received any objections from any employees or authorities in relation to labor and employment, social insurance or housing provident funds; and (v) we have undertaken that in the event that we receive requests from the relevant authorities to pay any historical outstanding social insurance and housing provident fund contributions, or that we are required to pay any related late charges or penalties, we will timely make such payments in full.

Based on the above, our Directors are of the view that the abovementioned issues in relation to the contributions of social insurance and housing provident funds would not have a material adverse effect on our business, results of operations or financial condition and the possibility for any relevant competent authorities imposing administrative penalty or seeking recovery from the Company in relation to any outstanding social insurance and housing provident fund contributions incurred during the Track Record Period is low.

We will review our social insurance and housing provident fund contributions on a regular basis and will make social insurance and housing provident plan contributions in accordance with applicable legal requirements. We aim to implement the following internal control measures to rectify and prevent the recurrence of such issues: (i) we plan to adopt internal policies governing social insurance and housing provident fund arrangements and contributions according to the requirements of the Labor Law of the PRC and applicable regulations, for the purpose of monitoring and ensuring our compliance with such laws and regulations; (ii) we will consult PRC legal advisors as well as relevant competent authorities, as and when necessary and/or practicable, for the purpose of assessing and ensuring the contribution basis of social insurance and housing provident funds for our eligible employees comply with applicable laws and regulations on an ongoing basis; and (iii) we will keep abreast of latest developments in PRC laws and regulations in relation to social insurance and housing provident funds, and provide internal training for our Directors, members of senior management and employees on the relevant laws and regulations. In particular, we have adopted and will continue to adopt or expect to adopt the following measures to rectify these matters of social insurance and housing provident fund contributions before Listing: (i) we are in the process of communicating with our employees with a view to seeking their understanding and cooperation in complying with the applicable payment base, which also requires additional contributions from our employees; and (ii) we will designate our human resources team to review and monitor the reporting and contributions of social insurance and housing provident fund on a monthly basis before and going forward after Listing.

## LAND AND PROPERTIES

We are headquartered in Suzhou, and maintain certain operation functions in Shanghai. As of the Latest Practicable Date, we did not own any property in the PRC, and leased four properties in the PRC with an aggregate GFA of approximately 5,200 sq.m. from third parties. These properties were used primarily as premises of office spaces, R&D activities and daily operations. Our lease agreements in respect of the abovementioned leased properties generally have lease terms ranging from one to three years.

Pursuant to the applicable PRC laws and regulations, property lease agreements must be registered with the local property administration authority. As of the Latest Practicable Date, we had not obtained the registration of lease agreements for three of our leased properties in China, one of which was in the process of registration. The failure of registration was primarily due to the lack of cooperation from our lessors in registering the relevant lease agreements. 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. See "Risk Factors – Risks Relating to Our Business and Industry – We may be liable for failure to register and file our lease agreements, which may subject us to penalties." As of the Latest Practicable Date, we had not received any such request or suffered any such fine from the relevant government authorities.

The relevant properties were used primarily as premises of office spaces. During the Track Record Period, we did not generate material revenue from the activities conducted in these properties. Our main revenue was derived from our design and R&D activities conducted in our R&D center, the lease agreement of which had been registered with the relevant authority. Our Directors are of the view that the failure to complete the filing of these lease agreements does not have any material or adverse effect on our business operations or financial conditions, because (i) if we have to terminate the leases or relocate from such leased properties with defects, we are able to relocate to qualified alternative premises within a short period of time under comparable terms without incurring substantial additional costs, and (ii) even if we experience a temporary interruption in our use of any of the relevant properties, we believe our employees can continue to perform the material aspects of their duties remotely. As advised by our PRC Legal Advisors, the lack of registration of the lease agreements does not affect the validity of such lease agreements. We undertake to cooperate fully to facilitate the registration of lease agreements once we receive any requirements from relevant government authorities. To minimize the potential negative impact of the non-registered leases on our operations, we have taken all practicable and reasonable steps to ensure that these lease agreements can be properly and duly registered with competent authorities, including making continuous communication with the lessors to seek their cooperation to complete the registration process.

## INSURANCE

During the Track Record Period, we provided mandatory social insurance for our employees as required by PRC social insurance regulations, such as pension insurance, unemployment insurance, work injury insurance and medical insurance. During the Track Record Period, we had not been the subject of any project liability claims. Our Directors consider our insurance policy as a whole is in line with the general market practice and complies with the relevant rules and regulation in China. See "Risk Factors – Risks Relating to Our Business and Industry – We may not have sufficient insurance coverage to cover our potential liability or losses and as a result, our business, financial conditions, results of operations and prospects may be materially and adversely affected should any such liability or losses arise." As of the Latest Practicable Date, we had not experienced any business interruptions that had a material adverse effect on our business.

## AWARDS AND RECOGNITIONS

During the Track Record Period, we received awards and recognition in respect of our Company and our patterned wafer products, significant ones of which are set forth below:

| Award year | Award/Recognition | Awarding Institution/Authority |
|---|---|---|
| 2022 | "Processor power supply chip based on self-developed modular software" winning the 17th "CHINACHIP" Excellent Market Performance Product ("基於自研模塊化軟件的處理器供電芯片"獲第十七屆"中國芯"優秀市場表現產品) | China Center for Information Industry Development (中國電子信息產業發展研究院) |
| | Specialized and New SME in Jiangsu Province (江蘇省專精特新中小企業) | Industry and Information Technology Department of Jiangsu (江蘇省工業和信息化廳) |
| | Gazelle Enterprise of Sunan National Innovation Park (蘇南國家自主創新示範區瞪羚企業) | Sunan National Innovation Park (蘇南國家自主創新示範區) |
| 2020 | National High-Tech Enterprise (國家高新技術企業) | Jiangsu Provincial Department of Science and Technology (江蘇省科學技術廳), Department of Finance of Jiangsu Province (江蘇省財政廳), and Jiangsu Provincial Tax Service, State Taxation Administration (國家稅務總局江蘇省稅務局) |

## LICENSES, PERMITS AND APPROVALS

As of the Latest Practicable Date, as advised by our PRC Legal Advisors, we had obtained all material licenses and permits required for our business operations (i.e. business license) in the PRC, and such business license had remained in full effect. Our PRC Legal Advisors have advised us that there was no material legal impediment to renewing business license as of the Latest Practicable Date.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We believe our continued growth rests on integrating social values into our business and are committed to being a responsible corporate citizen. We are committed to promoting corporate social responsibility and sustainable development and integrating it into all major aspects of our business operations. We are also committed to complying with PRC regulatory requirements, abiding by environmental protection laws and regulations, and ensuring the health and safety of our employees.

### Governance regarding ESG Issues

Being environmentally friendly and having positive social impact are at the core of our business and corporate governance. We have implemented an ESG policy, which provides guidelines to the management of our environmental, social and climate-related issues. We believe that it requires collective effort from our Directors to evaluate and manage material ESG issues, therefore we have not established any sub-committee for ESG issues. Instead, our Directors take up the responsibility of monitoring and managing material ESG issues, with the assistance from the management team. Our Directors are principally responsible for setting up our overall ESG vision, direction and strategy, monitoring and reviewing our ESG performances and fulfillment of the Directors' ESG vision. Our Directors have also assigned our general manager to oversee the coordination of different teams to ensure that our operations and practices are in line with related ESG strategies.

We strive to continuously raise ESG awareness of all of our Directors, senior management and employees. For example, we plan to provide ESG-related training to our employees from time to time, including updating them with our latest ESG policy and current goals. Furthermore, our Directors closely follow and monitor the latest requirements regarding ESG disclosure and regulatory compliance. We place great emphasis on the Stock Exchange's ESG requirements, and in order to ensure compliance with the said requirements, our Directors and our general manager will oversee the compilation of our ESG report, and shall review the content and quality of the ESG report after the Listing.

With respect to the management of ESG issues, our Directors recognize the importance of shareholders' expectations and involvement, and therefore endeavor to maintain an effective communication channel between shareholders and us. Our Directors have assigned our general manager to identify, monitor and assess material ESG issues annually. Our Directors will review the results from the assessment and conclude on the issues that we shall focus on.

Besides, our Directors will set ESG targets, including establishing policies, systematic measures and one-year and five-year budgets, with a view of balancing business growth and environmental protection to manage material ESG issues and to achieve sustainable development. The targets will be reviewed on an annual basis to ensure that they remain appropriate to our needs. We aim to achieve a 100% target completion rate at the time of the annual assessment and maintain a record of zero ESG issues in the major areas we have identified as potential ESG risks.

**Identification, Assessment, Management and Mitigation of ESG Risks**

Our Company conducts periodic enterprise risk assessment on current and potential risks faced by us in our business, including ESG risks. In order to manage such risks, our Directors aspire to compile established ESG policy and measures to tackle the risks identified during the enterprise risk assessment and minimize any potential risks inherent in our business operations. We have set up an anti-bribery and fraud prevention management system. Under these internal control policies, we strictly prohibit the acceptance of bribes and kickbacks in the procurement of raw materials and chip probing services from our suppliers along our entire supply chain, as well as sales and delivery of patterned wafer products to our customers. We also consult with professional parties whenever necessary to ensure compliance with evolving requirements on resource consumption disclosures.

We currently do not operate any manufacturing facilities and are not subject to significant environmental risks. We do not expect to incur any material liabilities or expenditures in these respects. During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any fines or other penalties due to non-compliance in relation to ESG regulations, and have not had any accident or claim for personal or property damage made by our employees which had materially and adversely affected our financial condition or business operations.

We have identified the following ESG risks which we consider material and may have an impact on our business, strategy or financial performance, and have taken the following measures to mitigate such risks:

***Supply Chain and Foundry Management***

Responsible sourcing and sound supply chain management are essential for us to ensure reliable product quality and sustainability along our supply chain. If we are unable to select quality third-party suppliers, including patterned wafer channel partners who cooperate with reliable and capable manufacturing foundries and chip probing service providers, or monitor and manage these suppliers, we may be exposed to risks of suppliers' non-compliance with applicable laws and regulations and unethical practices, which could diminish our competitiveness and harm our reputation.

We have established a supply chain approval process, through which suppliers must provide relevant qualifications or certifications, such as their business licenses, among others, and demonstrate legal compliance with environmental and social policies prior to approval. If the suppliers are not compliant with the applicable laws and regulations regarding safety and quality or commit misconducts, we may terminate our contracts with them. We require that all the products we obtain from our patterned wafer channel partners fully comply with applicable industrial standards.

Although we currently do not operate any manufacturing facilities, we have a number of policies in place to select and continuously evaluate the foundries and ensure compliance with the relevant requirements.

The following sets out our selection criteria of new foundries and evaluation of selected foundries:

- *New foundries.* We select the foundries according to their processing technologies and compatibility to our products. We also take into consideration additional criteria, including among others, (i) relevant production qualifications of the foundries, (ii) product quality, (iii) corporate reputation, (iv) compliance with environmental protection requirements and (v) corporate social responsibility. Our personnel in charge of business operations will evaluate these key criteria and make the decision for approval of new foundries.

- *Selected foundries.* We evaluate the selected foundries periodically to ensure that they are in continuous compliance with our internal control requirements and provide qualified supplies in a timely manner. Our evaluation mainly covers (i) the overall product quality rate, (ii) the number of quality issues arising from foundries, (iii) punctuality in delivery, and (iv) quality of services, including attitude in problem solving. Our strict and precise requirements for product quality are also aimed at minimizing material waste and protecting the environment, and we expect the foundries to meet our supplier access standards and take initiatives in the areas of environmental conservation, labor standards and employee health. These measures assist us in selecting foundries that strive to maximize their capacity and resource utilization rate. In addition, product inspection is usually conducted by the chip probing service providers to ensure a professional and impartial process.

***Environmental Protection***

We take into account environmental, social and climate-related risks that may impact on our business, strategy and financial performance when developing our business strategy and may adjust our strategy in response to changing environmental, social and climate-related landscape. We consider coping with ESG issues our opportunities in creating a better community. We are committed to sustainability as part of our corporate strategy, and we strive to cultivate a sustainable mindset among our employees and work environment. We have conducted a series of campaigns that aim to reduce waste and carbon emissions of both our company and our employees, including trash-sorting in all of our offices, water reduction, and carbon emission reduction. We have also placed signs to remind our employees to reduce their water usage.

***Well-being and Development of Employees***

We embrace diversity and adhere to local labor law requirements to prevent any form of discrimination based on gender, age, nationality, religious beliefs, or social status. Set below is our employees' data categories by gender and age group in each year/period comprising the Track Record Period:

| | Year ended December 31, | | | | | | Six months ended June 30, | |
|---|---|---|---|---|---|---|---|---|
| | **2020** | | **2021** | | **2022** | | **2023** | |
| | | % | | % | | % | | % |
| *By gender* | | | | | | | | |
| Male | 47 | 61.8 | 55 | 61.1 | 62 | 57.9 | 61 | 57.5 |
| Female | 29 | 38.2 | 35 | 38.9 | 45 | 42.1 | 45 | 42.5 |
| *By age group* | | | | | | | | |
| At or below 30 | 60 | 78.9 | 65 | 72.2 | 75 | 70.1 | 73 | 68.9 |
| 31-40 | 14 | 18.4 | 22 | 24.4 | 28 | 26.2 | 28 | 26.4 |
| At or above 41 | 2 | 2.7 | 3 | 3.4 | 4 | 3.7 | 5 | 4.7 |

We recognize the importance of talents for sustainable business growth and competitive advantages. As part of our human resources strategy, we offer employees relatively competitive salaries, performance-based bonuses, and other incentives. We also attach great importance on staff training, and strive to create a multiple-incentive mechanism and a friendly working environment to fulfil our employees' full potential. For more details, see "– Employees."

***Social Responsibility***

We place great importance on our social responsibility and take active role in engaging with public welfare initiatives. For example, in July 2021, our co-founders, Mr. Li Zhen and Mr. Zhang Guangping as distinguished alumni, collectively made a donation to Tsinghua University for the establishment of "Chen-Ning Yang Education Development Fund" ("楊振寧教育發展基金"). Mr. Li Zhen and Mr. Zhang Guangping also make occasional lectures to students with various educational background to share their views and insights on the IC industry. We believe that corporate social responsibility is part of our core growth philosophy that will be pivotal to our ability to create sustainable value for our Shareholders by embracing public interests.

**Metrics and Targets on ESG Risks**

Major parameters and measurable metrics we use to assess and manage our ESG risks include electricity consumption. We typically do not generate electronic waste by ourselves. As a result, we did not generate any significant environmental compliance cost during the Track Record Period.

For the years ended December 31, 2020, 2021 and 2022, our electricity consumption expenses amounted to RMB106.8 thousand, RMB101.5 thousand and RMB177.3 thousand, respectively, representing a CAGR of 28.8% which is significantly lower than the CAGR of our revenue, 99.3%, during the same periods. Furthermore, our electricity consumption expenses increased by 1.2% from RMB82.4 thousand for the six months ended June 30, 2022 to RMB83.4 thousand for the six months ended June 30, 2023, at a pace much slower than the growth rate of our revenue for the same period. This reflects our efforts made in environmental protection and lays a solid foundation to accomplish our goal to establish an environmentally friendly enterprise in the long run. Our current target is to gradually adopt more environmentally friendly and energy efficient measures in our daily operations. We have implemented a series of measures to reduce the electricity consumption, including daily inspection to turn off electronic devices when not in use, and limiting office temperature setting range when using the air conditioning system. We intend to lower our office electricity consumption through such measures, target to maintain a 100% compliance rate concerning power usage going forward, and will make continuous efforts in accomplishing the target of reducing our electricity consumption per thousand yuan of operating expenses by 5% in 2025. We set our energy reduction target by taking into account of our historical electricity consumption and our overall goal to reduce our carbon footprint. This target will be reviewed on an annual basis to ensure that it remains appropriate to our needs. We aim to continuously develop overall environmental protection measures based on the characteristics of our business model, strategy and financial planning as well as the potential impact on the environment.

**Impact of ESG Changes in Future Trends and Policies**

We acknowledge that ESG issues pose a certain level of threat to us. We believe that ESG issues may bring about the risk of increasingly severe extreme weather events, such as more frequent storms, flooding and typhoons. We may potentially be impacted by higher operation and maintenance cost, as well as more insurance premium payable for protection. The health and safety of employees may also be endangered. Due to climate change and work safety and climate-related issues, regulators may require more extensive ESG-related disclosures. We may be impacted by increased cost to execute more stringent monitoring measures on resource consumption and employee protection. See "Risk Factors – Risks Relating to Our Business and Industry – We are subject to changing laws, regulations and social trends regarding environmental, social and governance risks, increasing both our costs and the risk of non-compliance."

## COVID-19 PANDEMIC AND EFFECTS ON OUR BUSINESS

The COVID-19 pandemic has caused and may continue to cause an adverse impact on the economy and social conditions, which may have an indirect impact on the industries we operate in, and in turn may adversely affect our business operations and future prospects. Despite the adverse impact caused by COVID-19 pandemic, we were able to sustain our strong growth momentum during the Track Record Period. Especially during the year ended December 31, 2022, when many local governments across the PRC reimposed quarantine measures and restrictive policies to contain the highly-transmissible Omicron variant, our quarterly revenue nevertheless increased steadily from RMB78.0 million in the first quarter to RMB84.1 million in the second quarter, and further increased to RMB95.5 million in the third quarter and remained stable at RMB94.9 million in the fourth quarter, respectively. This is primarily because the manufacturing and chip probing services of our suppliers were not interrupted, and our chip probing service provider was able to deliver our products directly to our customer in Shanghai, which would otherwise be impracticable for us during such period. While we did not experience material adverse impact from COVID-19 during the Track Record Period and up to the Latest Practicable Date and do not expect COVID-19 to have significant adverse impact on our business operations or financial position in the long run, we are uncertain as to when the COVID-19 pandemic will be completely contained nor can we guarantee whether the COVID-19 pandemic will impact on our business operations in the future. See "Risk Factors – Risks Relating to Our Business and Industry – We may experience additional challenges related to the COVID-19 pandemic."

## LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, we had not been and were not a party to any legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors. To the best knowledge of our Directors, our business operations had been carried out in compliance with applicable laws and regulations in all material aspects during the Track Record Period and up to the Latest Practicable Date.

See " – Employees – Social Insurance and Housing Provident Fund Contributions" and " – Land and Properties" in this section for a description of certain legal matters relating to our compliance with PRC employment and real property related laws and regulations which we consider would not have a material adverse effect on our business, financial condition, or results of operations. We are of the view that we have in place adequate internal control measures to ensure ongoing compliance with applicable laws and regulations.

## RISK MANAGEMENT AND INTERNAL CONTROL

It is the responsibility of our Board to ensure that we maintain sound and effective internal controls and risk management system to safeguard our Shareholders' investment and our assets at all times. We maintain internal manuals setting out operating procedures, internal control procedures and other policies and guidelines. We have adopted and implemented comprehensive risk management policies in various aspects of our business operations, such as financial reporting, compliance, and anti-bribery and kick-back.

Our Board of Directors and our general manager are responsible for the establishment, updating and implementation of our internal control policies and systems, while our management team monitors the daily implementation of the internal control procedures and measures with respect to our functional teams.

### Financial Reporting Risk Management

We have in place a set of accounting policies in connection with our financial reporting risk management. We have various procedures in place to implement accounting policies, and our financial team reviews our management accounts based on such procedures. We also provide regular training to our finance team members to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

### Compliance Risk Management

In order to effectively manage our compliance and legal risk exposures, we have adopted strict internal procedures to ensure the compliance of our business operations with the applicable rules and regulations. In accordance with these procedures, our in-house legal team performs the basic function of reviewing and updating the form of contracts we enter into with our customers, partners, and suppliers. Our legal team examines the contract terms and reviews all relevant documents for our business operations, including licenses and permits obtained by the counterparties to perform their obligations of business contracts and all the necessary underlying due diligence materials, before we enter into any contract or business arrangements.

Our in-house legal team is responsible for obtaining any requisite governmental pre-approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities, within the prescribed regulatory timelines. We continuously improve our internal policies according to changes in laws, regulations and industry standards, and update internal templates for legal documents. We undertake compliance management over various aspects of our operations and employee activities. We have also established an accountability system in respect of employees' violations of laws, regulations and internal policies. In addition, we continually review the implementation of our risk management policies and measures to ensure our policies and implementation are effective and sufficient.

**Anti-bribery and Kick-back Risk Management**

In terms of anti-bribery and kick-back prevention, we have implemented a series of policies and internal control measures against bribery and kick-back, which set forth procedures for implementing relevant anti-bribery procedures and setting out anti-bribery responsibilities for relevant personnel. We strictly prohibit bribery or other improper payments in any of our business operations according to our anti-bribery and kick-back prevention policies. Improper payments prohibited by such policies include bribes, kickbacks, falsification and alteration of accounting and business documents, or any other payment made or offered to obtain an undue business advantage. Moreover, we keep accurate books and records that reflect transactions and asset dispositions in reasonable detail. Payment made in violation of the anti-bribery and kick-back prevention policies is strictly prohibited. Our internal audit team is responsible for investigating the reported incidents and taking appropriate measures as necessary. We provide employees with adequate communication channels, establish whistle-blower policy and encourage employees to take the initiative to seek guidance from us regarding the implementation of anti-bribery policies. During such investigations, our internal audit team complies with relevant laws and anti-bribery policies and provides written feedback as necessary.

## BOARD OF DIRECTORS

Upon completion of the Global Offering, our Board will consist of nine Directors comprising three executive Directors, two non-executive Directors and four independent non-executive Directors. The powers and duties of the Board include determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposal for profit distributions and exercising other powers, functions and duties as conferred by the Articles. We have entered into a service agreement with each of our executive Directors and a letter of appointment with each of our non-executive Directors and independent non-executive Directors.

### Members of the Board

The table below shows certain information in respect of the members of our Board:

| Name | Age | Time of joining our Company | Position(s) in our Company | Date of appointment as Director | Key responsibilities | Relationship with other Director(s) and Senior Management |
|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | |
| Mr. Li Zhen (李真) | 37 | November 12, 2010 | Executive Director and chairman of the Board | November 12, 2010 | Strategic planning and business management of our Company | Cousin of Mr. Li Yi |
| Mr. Zhang Guangping (張廣平) | 38 | November 12, 2010 | Executive Director and general manager | December 15, 2015 | Overall operation and management of our Company | N/A |
| Mr. Li Yi (李一) | 44 | November 12, 2010 | Executive Director, deputy general manager, head of the financial department and joint company secretary | December 15, 2015 | Daily operations, financial management and company secretarial matters of our Company | Cousin of Mr. Li Zhen |

| Name | Age | Time of joining our Company | Position(s) in our Company | Date of appointment as Director | Key responsibilities | Relationship with other Director(s) and Senior Management |
|---|---|---|---|---|---|---|
| **Non-executive Directors** | | | | | | |
| Mr. Kong Jianhua (孔建華) | 40 | December 15, 2015 | Non-executive Director | December 15, 2015 | Provision of guidance for the overall development of our Company | N/A |
| Mr. Zhou Yufeng (周雨楓) | 34 | November 12, 2021 | Non-executive Director | November 12, 2021 | Provision of guidance for the overall development of our Company | N/A |
| **Independent non-executive Directors** | | | | | | |
| Mr. Zhao Heming (趙鶴鳴) | 66 | November 12, 2021 | Independent non-executive Director | November 12, 2021 | Provision of independent advice to the Board | N/A |
| Mr. Wen Chengge (溫承革) | 54 | November 12, 2021 | Independent non-executive Director | November 12, 2021 | Provision of independent advice to the Board | N/A |
| Mr. Ma Ming (馬明) | 46 | November 12, 2021 | Independent non-executive Director | November 12, 2021 | Provision of independent advice to the Board | N/A |
| Ms. Kang Yuanshu (康元書) | 37 | December 1, 2023 | Independent non-executive Director | December 1, 2023 | Provision of independent advice to the Board | N/A |

**Executive Directors**

**Mr. Li Zhen (李真)**, aged 37, is our co-founder. He was appointed as our executive Director on November 12, 2010. He was appointed as the chairman of the Board on December 15, 2015. Mr. Li Zhen served as the head of our R&D department from November 2010 to January 2023. Mr. Li Zhen is primarily responsible for the strategic planning and business management of our Company.

Mr. Li Zhen possesses over 12 years of experience in the IC design industry. After obtaining his master's degree in the United States, Mr. Li Zhen returned to China in 2010 to start his own business, exploring and leading the continuous innovation of efficient analog IC design and patterned wafer delivery business model. Led by Mr. Li Zhen, our management team on average possesses over eight years of experience in enterprise management, product development and marketing.

Mr. Li Zhen studied in the Basic Science Class of Tsinghua University (清華大學) in the PRC in 2004, majoring in mathematics and physics of the department of physics. He was later admitted as a regular student for fall term 2005-2006 from Tsinghua University to Massachusetts Institute of Technology in the United States in September 7, 2005, and obtained his bachelor's degree in electronic science and engineering in June 2009 and his master's degree in electrical engineering and computer science in February 2010. Mr. Li Zhen was recognized as Leading Talent in Science and Technology Innovation and Entrepreneurship of Suzhou New District (Class A) (蘇州高新區科技創新創業領軍人才(A類)) by the CPC Working Committee of Suzhou New District (中共蘇州高新區工作委員會) in September 2010 and Leading Talent in Innovation and Entrepreneurship of Gusu District (姑蘇創新創業領軍人才) by Suzhou Municipal People's Government (蘇州市人民政府) in July 2012.

Mr. Li Zhen was previously the supervisor of the following company which was established in the PRC and was dissolved on a voluntary basis:

| Name of company | Nature of business | Date of dissolution | Method of dissolution | Reasons for dissolution |
|---|---|---|---|---|
| Huizhou Backward Microelectronics Co., Ltd. (惠州貝克瓦特微電子有限公司) | Dormant | September 23, 2020 | Deregistered | Never commenced business |

Mr. Li Zhen confirmed that the aforementioned company was solvent prior to its dissolution and that, as of the Latest Practicable Date, no claims had been made against him and he was not aware of any threatened or potential claims made against him and there were no outstanding claims and/or liabilities as a result of the dissolution of such company.

**Mr. Zhang Guangping (張廣平)**, aged 38, is our co-founder. He was our Supervisor from November 2010 to September 2013. He served as our sales director from November 2010 to January 2021. Mr. Zhang Guangping was appointed as our Director on December 15, 2015 and our general manager on January 15, 2021. He was re-designated as our executive Director on April 27, 2023. Mr. Zhang Guangping is primarily responsible for the overall operation and management of our Company.

Mr. Zhang Guangping obtained his bachelor's degree in mathematics and physics from Tsinghua University (清華大學) in the PRC in July 2008.

Mr. Zhang Guangping was previously the executive director and general manager of the following company which was established in the PRC and was dissolved on a voluntary basis:

| Name of company | Nature of business | Date of dissolution | Method of dissolution | Reasons for dissolution |
|---|---|---|---|---|
| Huizhou Backward Microelectronics Co., Ltd. (惠州貝克瓦特微電子有限公司) | Dormant | September 23, 2020 | Deregistered | Never commenced business |

Mr. Zhang Guangping confirmed that the aforementioned company was solvent prior to its dissolution and that, as of the Latest Practicable Date, no claims had been made against him and he was not aware of any threatened or potential claims made against him and there were no outstanding claims and/or liabilities as a result of the dissolution of such company.

**Mr. Li Yi (李一)**, aged 44, is our co-founder. He served as our general manager from November 2010 to January 2021. He has been serving as our Director since December 15, 2015, the deputy general manager and the head of our financial department since January 15, 2021, the secretary of the Board since November 12, 2021. He was re-designated as our executive Director on April 27, 2023. Mr. Li Yi was appointed as a joint company secretary on June 1, 2023. Mr. Li Yi is primarily responsible for the daily operations, financial management and company secretarial matters of our Company and assisting the operation of the Board.

From August 2002 to July 2003, Mr. Li Yi worked at Jiangsu Vocational College of Business (江蘇商貿職業學院) (formerly known as Jiangsu Nantong Vocational Supply and Marketing School (江蘇省南通供銷學校)), where he was primarily responsible for education and teaching. From March 2004 to September 2008, he worked at Jiangsu Suzhou Steel Group Co., Ltd. (江蘇蘇鋼集團有限公司), an industrial company, where he was primarily responsible for accounting affairs.

Mr. Li Yi obtained his bachelor's degree in accounting from Shanxi University of Finance and Economics (山西財經大學) in the PRC in July 2002.

Mr. Li Yi was previously the legal representative and executive director of the following company which was established in the PRC and was dissolved on a voluntary basis:

| Name of company | Nature of business | Date of dissolution | Method of dissolution | Reasons for dissolution |
|---|---|---|---|---|
| Nanjing Micromodule Integrated Circuit Co., Ltd. (南京微模族集成電路有限公司) | Dormant | June 25, 2018 | Deregistered | Cessation of business |

Mr. Li Yi confirmed that the aforementioned company was solvent prior to its dissolution and that, as of the Latest Practicable Date, no claims had been made against him and he was not aware of any threatened or potential claims made against him and there were no outstanding claims and/or liabilities as a result of the dissolution of such company.

**Non-executive Directors**

**Mr. Kong Jianhua (孔建華)** ("**Mr. Kong**"), aged 40, was appointed as our Director on December 15, 2015 and redesignated as our non-executive Director on April 27, 2023. Mr. Kong is primarily responsible for the provision of guidance for the overall development of our Company.

Mr. Kong served as a staff of business development division at Jiangsu Branch of China Export & Credit Insurance Corporation (中國出口信用保險公司江蘇分公司), an insurance company. From August 2010 to March 2012, he served as the investment manager at Suzhou High-Tech Venture Capital Group Co., Ltd. (蘇州高新創業投資集團有限公司), an investment company, where he was primarily responsible for investment management. He served consecutively as the investment director, the deputy general manager and the general manager from March 2012 to April 2019, and has been serving as the director since August 2015 of Suzhou High-tech Venture Capital Group Ronglian Management Co., Ltd. (蘇州高新創業投資集團融聯管理有限公司), an investment company, where he was primarily responsible for investment management, the overall strategic planning and management and supervision of the daily affairs. Since December 2017, he has served as the director and general manager at Suzhou High-tech Venture Capital Group Rongxiang Investment Management Co., Ltd. (蘇州高新創業投資集團融享投資管理有限公司), a venture capital company, where he is primarily responsible for the overall management. Mr. Kong also holds directorship in several technology, manufacture and other companies concurrently, including Shanghai Yingshuang Electric Machinery Co., Ltd. (上海贏雙電機科技股份有限公司), Suzhou Zhizhu Telecommunication Technology Co., Ltd. (蘇州智鑄通信科技股份有限公司) and Jiangsu Tiangong Information Technology Co., Ltd. (江蘇天弓信息技術有限公司), etc., where he is primarily responsible for the overall management of the aforementioned companies.

Mr. Kong obtained his bachelor's degree in English from China University of Mining and Technology (中國礦業大學) in the PRC in July 2005 and his master's degree in laws from Peking University (北京大學) in the PRC in July 2008.

Mr. Kong was previously the director of the following company which was established in the PRC and was dissolved on a voluntary basis:

| Name of company | Nature of business | Date of dissolution | Method of dissolution | Reasons for dissolution |
|---|---|---|---|---|
| Changzhou Be-star Machinery Co., Ltd. (常州貝斯塔德機械股份有限公司) | Dormant | July 16, 2021 | Deregistered | Cessation of business |

Mr. Kong confirmed that the aforementioned company was solvent prior to its dissolution and that, as of the Latest Practicable Date, no claims had been made against him and he was not aware of any threatened or potential claims made against him and there were no outstanding claims and/or liabilities as a result of the dissolution of such company.

**Mr. Zhou Yufeng (周雨楓)**, aged 34, was appointed as our Director on November 12, 2021 and redesignated as our non-executive Director on April 27, 2023. Mr. Zhou Yufeng is primarily responsible for the provision of guidance for the overall development of our Company.

From February 2017 to December 2021, he served as the executive director of Shanghai Newbuild Information Technology Co., Ltd. (上海紐建信息科技有限公司), an information technology company, where he was primarily responsible for the overall management. From March 2019 to December 2019, he worked at Shanghai Junyuan Enterprise Development Co., Ltd. (上海君遠企業發展有限公司), a company principally engaged in enterprise management and business information consulting, where he served as the supervisor mainly responsible for supervising the operation. He has been serving as the vice president at Runke Investment Management (Shanghai) Co., Ltd. (潤科投資管理(上海)有限公司), a company principally engaged in investment management and consulting. Since February 2022, he has been serving as the director of Xianhai (Shanghai) Quantum Technology Co., Ltd. (弦海(上海)量子科技有限公司), a technology company, where he is primarily responsible for the overall management.

Mr. Zhou Yufeng obtained his bachelor's degree in engineering from City University of Hong Kong in July 2011 in Hong Kong. He obtained his master's degree in science from University of Oxford in the United Kingdom in November 2014.

Mr. Zhou Yufeng was previously the executive director of Shanghai Tongwu Cloud Computing Co., Ltd. (上海仝物雲計算有限公司) and the manager of Gewu (Shanghai) Information Technology Co., Ltd. (格霧(上海)信息科技有限公司), which were both established in the PRC and dissolved on a voluntary basis. Details of these companies are as follows:

| Name of company | Nature of business | Date of dissolution | Method of dissolution | Reasons for dissolution |
|---|---|---|---|---|
| Shanghai Tongwu Cloud Computing Co., Ltd. | Dormant | March 31, 2021 | Deregistered | Cessation of business |
| Gewu (Shanghai) Information Technology Co., Ltd. | Dormant | May 6, 2021 | Deregistered | Cessation of business |

Mr. Zhou Yufeng confirmed that the aforementioned companies were solvent prior to their dissolution and that, as of the Latest Practicable Date, no claims had been made against him and he was not aware of any threatened or potential claims made against him and there were no outstanding claims and/or liabilities as a result of the dissolution of such companies.

**Independent Non-executive Directors**

**Mr. Zhao Heming (趙鶴鳴)** ("**Mr. Zhao**"), aged 66, was appointed as our independent Director on November 12, 2021 and re-designated as our independent non-executive Director on April 27, 2023. Mr. Zhao is primarily responsible for the provision of independent advice to the Board.

Mr. Zhao joined Soochow University (蘇州大學) in 1993 and served as the assistant professor from 1993 to 1999. He was then appointed as the professor in 1999 and the doctoral supervisor in 2002, and currently serves as the professor, the doctoral supervisor and the dean of the department of information engineering. He has been engaged in teaching and scientific research in the field of speech signal processing, intelligent computing, and digital signal processing systems. Mr. Zhao served as a member of the Jiangsu Provincial People's Political Consultative Conference (江蘇省人民政治協商會議) from February 2003 to January 2018. Mr. Zhao is currently a member of the National Signal Processing Society (全國信號處理學會), a standing director of Jiangsu Electronic Society (江蘇省電子學會), and the president of Suzhou Electronic Society (蘇州市電子學會). In addition, he is also an editorial board member of the "Acta Acustica" (《聲學學報》), the "Journal of Electronics & Information Technology" (《電子與信息學報》) and the "Journal of Signal Processing" (《信號處理學報》).

In addition to the working experience above, Mr. Zhao has been an independent director in the following listed companies, where he was responsible for providing independence advice to the board of directors:

| Period of directorship | Name of entity | Principal business activities |
|---|---|---|
| From March 2007 to May 2013 | New SEA UNION Technology Group Co., Ltd. (新海宜科技集團股份有限公司) | A technology company listed on the Shenzhen Stock Exchange (stock code: 002089) |
| From December 2011 to November 2017 | Suzhou TFC Optical Communication Co., Ltd. (蘇州天孚光通信股份有限公司) | A technology company listed on the Shenzhen Stock Exchange (stock code: 300394) |
| From September 2014 to June 2019 and since June 2022 | Suzhou Anjie Technology Co., Ltd. (蘇州安潔科技股份有限公司) | A technology company listed on the Shenzhen Stock Exchange (stock code: 002635) |

Mr. Zhao obtained his bachelor's degree in physics from Soochow University (蘇州大學) (formerly known as Jiangsu Normal College (江蘇師範學院)) in the PRC in January 1982. He has obtained the independent director qualification certificate from Shenzhen Stock Exchange (深圳證券交易所) in April 2008.

**Mr. Wen Chengge (溫承革)** ("**Mr. Wen**"), aged 54, was appointed as our independent Director on November 12, 2021 and re-designated as our independent non-executive Director on April 27, 2023. Mr. Wen is primarily responsible for the provision of independent advice to the Board.

Mr. Wen has been serving as the associate professor of the School of Business in Suzhou University of Science and Technology (蘇州科技大學) since June 2000, where he is primarily responsible for scientific research and teaching.

Mr. Wen obtained his bachelor's degree in electromechanical foreign trade from Chongqing University (重慶大學) in the PRC in July 1990. He obtained a master's degree in business administration in July 1999 and a doctor's degree in enterprise management in June 2007 from Renmin University of China (中國人民大學) in the PRC.

Mr. Wen was previously the supervisor of the following company which was established in the PRC and was dissolved on a voluntary basis:

| Name of company | Nature of business | Date of dissolution | Method of dissolution | Reasons for dissolution |
|---|---|---|---|---|
| Suzhou Anjia Enterprise Management Consulting Co., Ltd. (蘇州安嘉企業管理諮詢有限公司) | Dormant | February 17, 2013 | Deregistered | Cessation of business |

Mr. Wen confirmed that the aforementioned company was solvent prior to its dissolution and that, as of the Latest Practicable Date, no claims had been made against him and he was not aware of any threatened or potential claims made against him and there were no outstanding claims and/or liabilities as a result of the dissolution of such company.

**Mr. Ma Ming (馬明)** ("**Mr. Ma**"), aged 46, was appointed as our independent Director on November 12, 2021 and re-designated as our independent non-executive Director on April 27, 2023. Mr. Ma is primarily responsible for the provision of independent advice to the Board.

Mr. Ma joined Ningxia Tianhua Accounting Firm (Co., Ltd.) (寧夏天華會計師事務所(有限公司)) ("**Ningxia Tianhua**") in October 2003, where he served as the director and deputy chief accountant from May 2018 to April 2022. Ningxia Tianhua was transferred into a partnership enterprise and renamed as Tianhua (Ningxia) Accounting Firm (Special General Partnership) (天華(寧夏)會計師事務所(特殊普通合夥)) in May 2022 and Mr. Ma has been serving as the managing partner and deputy chief accountant since then. Apart from the aforementioned working experience, he also has been the director of Ningxia Zhengyetong Management Consulting Co., Ltd. (寧夏正業通管理諮詢有限公司), a management consulting company, since May 2018 and Ningxia Construction Investment Group Co., Ltd. (寧夏建設投資集團有限公司), a company principally engaged in housing construction, project contracting of municipal infrastructure and investment management, from March 2017 to November 2019, where he was primarily responsible for the provision of guidance for the overall business development.

Mr. Ma obtained his bachelor's degree in accounting from Shanxi University of Finance and Economics (山西財經大學) in the PRC in June 2002. Mr. Ma has obtained the certified public accountant certificate (註冊會計師證書) from the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in October 2004 and the legal professional qualification certificate (法律職業資格證書) issued by the Ministry of Justice of the PRC (中華人民共和國司法部) in March 2012.

**Ms. Kang Yuanshu (康元書) (“Ms. Kang”)**, aged 37, was appointed as our independent non-executive Director on December 1, 2023. Ms. Kang is primarily responsible for the provision of independent advice to the Board.

Ms. Kang joined Q8 Aviation in 2008. Q8 Aviation is one of the world’s leading jet fuel marketers, providing fuel to airlines at airports across Europe, Africa, the Middle East and the Far East. She consecutively served as the new business analyst from October 2008 to February 2011, the aviation business co-ordinator from March 2011 to May 2014, the assistant account manager from June 2014 to December 2014, the account manager from January 2015 to February 2022 and the senior account manager since March 2022, where she is primarily responsible for directing marketing and sales affairs in throughout Asia and Australasia areas.

Ms. Kang obtained her bachelor’s degree in arts from the University of Sheffield in the United Kingdom in June 2007. She obtained her master’s degree in science from the City University of London in the United Kingdom in February 2009.

Ms. Kang was previously the director of the following company which was established in Hong Kong and was dissolved on a voluntary basis:

| Name of company | Nature of business | Date of dissolution | Method of dissolution | Reasons for dissolution |
|---|---|---|---|---|
| Sky Alliance Trading (HK) Limited (天聯貿易(香港)有限公司) | Dormant | April 3, 2020 | Deregistered | Never commenced business |

Ms. Kang confirmed that the aforementioned company was solvent prior to its dissolution and that, as of the Latest Practicable Date, no claims had been made against her and she was not aware of any threatened or potential claims made against her and there were no outstanding claims and/or liabilities as a result of the dissolution of such company.

**Resignation of Directors**

During the Track Record Period, Mr. Chen Datong and Mr. Ma Guolin resigned as Directors on voluntary and amicable basis due to personal reason. Mr. Chen Datong was appointed as a non-executive Director of our Company in November 2020 and resigned in April 2023. Mr. Ma Guolin served as a non-executive Director of our Company from December 2015 to November 2020. As non-executive Directors, neither Mr. Chen Datong nor Mr. Ma Guolin was involved in the day-to-day management of our Company during their tenure.

To the best of our Director’s knowledge and belief, there was no dispute or disagreement between (i) Mr. Chen Datong and Mr. Ma Guolin, and (ii) the Company, the Directors or Shareholders, and there is no other matter relating to their resignation that needs to be brought to the attention of our Shareholders.

## SUPERVISORS

In accordance with the PRC Company Law, all joint stock companies are required to establish a supervisory committee, responsible for supervising the directors and senior management on fulfilling their respective duties, financial performance, internal control management and risk management of the corporation. The Supervisory Committee consists of three members comprising one employee representative Supervisor, and two shareholder representative Supervisors.

The detailed information of our Supervisors is listed below.

| Name | Age | Time of joining our Company | Existing position in our Company | Date of appointment as Supervisor | Responsibilities |
|---|---|---|---|---|---|
| Mr. Zhou Taotao (周韜韜) | 28 | June 30, 2017 | President of the Supervisory Committee and shareholder representative Supervisor | June 30, 2017 | Presiding the work of the Supervisory Committee, supervising the Board and the senior management of our Company |
| Mr. Chen Xingyu (陳星宇) | 28 | November 17, 2020 | Shareholder representative Supervisor | November 17, 2020 | Supervising the Board and the senior management of our Company |
| Mr. Zhou Cheng (周承) | 34 | July 1, 2012 | Employee representative Supervisor | May 16, 2021 | Supervising the Board and the senior management of our Company |

**Mr. Zhou Taotao (周韜韜)**, aged 28, was appointed as the president of our Supervisory Committee and the Supervisor on November 12, 2021. Mr. Zhou Taotao is primarily responsible for presiding the work of the Supervisory Committee, supervising the Board and the senior management of our Company. He joined our Company in June 2017 and has been serving as a business assistant, where he is primarily responsible for assisting the business activities of our Company since then.

Mr. Zhou Taotao graduated from Tianping College of Suzhou University of Science and Technology (蘇州科技大學天平學院) in the PRC in June 2017, majoring in environmental engineering.

**Mr. Chen Xingyu (陳星宇)** ("**Mr. Chen**"), aged 28, was appointed as a Supervisor on November 17, 2020. Mr. Chen is primarily responsible for presiding the work of the Supervisory Committee, supervising the Board and the senior management of our Company.

Mr. Chen has been serving as the manager of the investment business department at Suzhou High-tech Venture Capital Group Small and Medium sized Enterprise Development Management Co., Ltd. (蘇州高新創業投資集團中小企業發展管理有限公司) since August 2017, where he is primarily responsible for daily management of the investment projects.

Mr. Chen also holds directorship concurrently in several technology companies including Suzhou Longyou Shanhai Network Technology Co., Ltd. (蘇州龍遊山海網絡科技有限公司) and Lanscientific Co., Ltd. (蘇州浪聲科學儀器有限公司), where he is primarily responsible for overall management. Mr. Chen has also been serving as the supervisor in several technology companies concurrently including Zhongke Wanxun Intelligent Technology (Suzhou) Co., Ltd. (中科萬勛智能科技(蘇州)有限公司) and Suzhou Hi Tech Investment Center Co., Ltd. (蘇州高新科技招商中心有限公司), where he is primarily responsible for supervising the operation of the relevant companies.

Mr. Chen obtained his bachelor's degree in engineering management from Tianping College of Suzhou University of Science and Technology (蘇州科技大學天平學院) in the PRC in June 2017.

**Mr. Zhou Cheng (周承)**, aged 34, was appointed as the employee representative Supervisor on May 16, 2021. Mr. Zhou Cheng is primarily responsible for supervising the Board and the senior management of our Company. Mr. Zhou Cheng joined our Company in July 2012 and has been serving as the EDA engineer and system engineer since then, where he is primarily responsible for research and development work.

Mr. Zhou Cheng obtained his bachelor's degree in electronic information science and technology from Suzhou University of Science and Technology (蘇州科技大學) in the PRC in June 2012.

Save as disclosed above, each of our Directors and Supervisors has confirmed that there is no other information in relation to his/her appointment which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and that there are no other matters need to be brought to the attention of our Shareholders.

## SENIOR MANAGEMENT

**Mr. Zhang Guangping (張廣平)**, aged 38, is the general manager of our Company. For the biographical details of Mr. Zhang Guangping, please refer to "– Board of Directors – Executive Directors" in this section.

**Mr. Li Yi (李一)**, aged 44, is the deputy general manager, secretary of the Board and head of the financial department of our Company. For the biographical details of Mr. Li Yi, please refer to "– Board of Directors – Executive Directors" in this section.

Save as disclosed above, none of our Directors, Supervisors or senior management has any directorships in listed companies during the three years immediately prior to the date of this prospectus.

## JOINT COMPANY SECRETARIES

**Mr. Li Yi (李一)**, aged 44, was appointed as our joint company secretary on June 1, 2023, with his appointment taking effect on December 1, 2023. For details of Mr. Li Yi, please refer to "– Board of Directors – Executive Directors" in this section.

**Mr. Cheung Kai Cheong Willie (張啟昌) ("Mr. Cheung")**, aged 49, was appointed as our joint company secretary on June 1, 2023, with his appointment taking effect on December 1, 2023. Mr. Cheung is a senior manager of SWCS Corporate Services Group (Hong Kong) Limited ("**SWCS**") where he is primarily responsible for assisting listed companies in professional company secretarial work.

Mr. Cheung has been serving as the company secretary of various companies listed on the Stock Exchange since joining SWCS including, among others, CALB Group Co., Ltd. (stock code: 3931), Excellence Commercial Property & Facilities Management Group Limited (stock code: 6989) and Shinsun Holdings (Group) Co., Ltd. (stock code: 2599). Prior to joining SWCS, he served as the company secretary and finance manager of Silkwave Inc (formerly known as Global Flex Holdings Limited and CMMB Vision Holdings Limited), a company listed on the Stock Exchange (stock code: 471) from August 2008 to June 2014. Mr. Cheung is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom.

Mr. Cheung obtained a Bachelor Degree of Arts (Honors) in Accounting and Finance from University of Glamorgan in the United Kingdom in June 1996.

## BOARD COMMITTEES

The Board has established the Audit Committee, the Nomination Committee, the Remuneration and Evaluation Committee and the Strategy Committee and delegated various responsibilities to these committees, which assist the Board in discharging its duties and overseeing particular aspects of our Company's activities.

### Audit Committee

Our Audit Committee was established on April 26, 2022. The written terms of reference of our Audit Committee are in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of Part 2 of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee include, but are not limited to, (i) reviewing and supervising our financial reporting process and internal control system of our Company, risk management and internal audit; (ii) making recommendations to the Board on the appointment, reappointment and removal of the external auditor; (iii) providing advice and comments to our Board; and (iv) performing other duties and responsibilities as may be assigned by our Board.

The Audit Committee consists of three members, namely Mr. Ma Ming, Mr. Zhao Heming and Mr. Wen Chengge. The chairman of the Audit Committee is Mr. Ma Ming, who is an independent non-executive Director of our Company and has the appropriate professional qualifications or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

### Nomination Committee

We have established a Nomination Committee on April 26, 2022 with written terms of reference in compliance with paragraph B.3 of the CG Code as set out in Appendix 14 of the Listing Rules. The primary duties of the Nomination Committee include, but are not limited to (i) reviewing the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes to the composition of the Board; (ii) identifying, selecting or making recommendations to the Board on the selection of individuals nominated for directorship, and ensure the diversity of the Board members; (iii) assessing the independence of our independent non-executive Directors; and (iv) making recommendations to the Board on relevant matters relating to the appointment, reappointment and removal of our Directors and succession planning for our Directors.

The Nomination Committee consists of three members, namely Mr. Zhao Heming, Mr. Wen Chengge and Mr. Li Yi. The chairman of the Nomination Committee is Mr. Zhao Heming.

### Remuneration and Evaluation Committee

We have established a Remuneration and Evaluation Committee on April 26, 2022 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of the CG Code as set out in Appendix 14 of the Listing Rules. The primary duties of the Remuneration and Evaluation Committee include, but are not limited to (i) establishing, reviewing and providing advices to the Board on our policy and structure concerning remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration; (ii) determining the terms of the specific remuneration package of each executive Director and senior management; and (iii) reviewing and approve performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time-to-time.

The Remuneration and Evaluation Committee consists of three members, namely Mr. Wen Chengge, Mr. Ma Ming and Mr. Zhang Guangping. The chairman of the Remuneration and Evaluation Committee is Mr. Wen Chengge.

### Strategy Committee

We have established a Strategy Committee on April 26, 2022 with written terms of reference. The primary duties of the Strategy Committee include, but are not limited to (i) reviewing and commenting on the overall development and strategy planning of our Company and advising the Board on related matters; (ii) reviewing and commenting on the operational, investment, financing plans and advising the Board on related matters; and (iii) supervising the implementation of the plans and the corporate government matters and advising the Board.

The Strategy Committee consists of three members, namely Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi. The chairman of the Strategy Committee is Mr. Li Zhen.

## BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in supporting the attainment of our Company's strategic objectives and sustainable development. Our Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to talents, skills, gender, age, ethnicity, experience, independence and knowledge. We will select potential Board candidates based on merit and his/her potential contribution to our Board while taking into account our board diversity policy and other factors. We will also take into consideration our own business model and specific needs from time to time. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on our Board.

Our Directors have a balanced mix of knowledge and skills, including electronic science, mathematics, physics, engineering, business management, strategic planning, accounting and financial management, investment, law and corporate governance, etc. They obtained degrees in various majors including electronic science and engineering, computer science, mathematics and physics, accounting, business administration and law, etc. We have four independent non-executive Directors with different industry backgrounds, representing more than one third of the members of the Board. Our Directors are of a wide range of age, from 34 years old to 66 years old. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of the Board satisfies the Board diversity policy.

We will continue to implement measures and steps to promote and enhance gender diversity at all levels of our Company. We will select potential Board candidates based on merit and his/her potential contribution to the Board while taking into account the Board diversity policy and other factors. Our Company will also take into consideration our own business model and specific needs from time to time. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.

Our Nomination Committee is responsible for ensuring the diversity of our Board members. After Listing, our Nomination Committee will review the board diversity policy and its implementation from time to time to ensure its implementation and monitor its continued effectiveness, and the same will be disclosed in our corporate governance report in accordance with the Listing Rules after Listing. Our Directors recognize the particular importance of gender diversity. Our Board currently comprises one female Director and eight male Directors. We will continue to take steps to promote and enhance gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels. We target to further increase the number of female members to our Board and to bring the female representation in our Board to at least 15% within three years after the Listing. To achieve such ratio and to ensure the diversity with a view to developing a pipeline of potential successors to our Board, Supervisors and senior management, we will also (i) ensure that there is gender diversity when recruiting staff at mid to senior level, retaining enough female talent, and promoting our staff; (ii) engage more resources in training female staff who we consider having the suitable experience, skills and knowledge for our business to equip themselves with the attributes and competencies required to serve as members of our Board in light of our strategic needs and the industry in which we operate, with the aim of promoting them to our Board in a few years' time; (iii) conduct annual review of the structure and composition of our Board with ample consideration on the gender diversity; (iv) require our Nomination Committee to select and recommend on suitable candidates for Board appointments based on their merit and with preferable consideration on female candidates, aiming to bring more diversified perspectives to our Board; and (v) make appointments based on merits with reference to board diversity as a whole. As female representation in senior roles throughout the industry and the pool of qualified females keeps growing, we expect to have more female members who would be qualified to sit on our Board in the future. We will ensure that an appropriate balance of gender diversity is achieved with reference to the expectations of stakeholders and international and local recommended best practices, with the ultimate goal of bringing our Board to gender parity.

## COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors and Supervisors receive compensation from our Company in the form of salaries, allowances, benefits in kind, discretionary bonuses and retirement scheme contributions.

The remuneration (including Directors' fees, salaries, allowances, benefits in kind, discretionary bonuses and retirement scheme contributions) recorded for our Directors and Supervisors in aggregate for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023 were RMB0.95 million, RMB2.85 million, RMB4.03 million and RMB2.15 million, respectively. The remuneration recorded for our Directors and Supervisors in aggregate was increased by 41.34% from RMB2.85 million in 2021 to RMB4.03 million in 2022, and by 34.10% from RMB1.60 million in the six months ended June 30, 2022 to RMB2.15 million in the six months ended June 30, 2023, as corresponding to the increase in our revenue for the same period and with reference to the directors' remuneration in our industry.

The remuneration (including salaries, allowances, benefits in kind, discretionary bonuses and retirement scheme contributions) recorded for our Company's five highest paid individuals included three, three, two and two Directors and Supervisors for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, respectively. The remuneration recorded for our Company's five highest paid individuals (who are not a director or supervisor) for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023 were RMB2.25 million, RMB2.06 million, RMB4.65 million and RMB12.73 million, respectively.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining our Company as a compensation for loss of office in respect of the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023.

None of our Directors and Supervisors had waived or agreed to waive any remuneration during the Track Record Period. Under the current arrangements, the aggregate remuneration (including salaries, allowances, benefits in kind, performance related bonuses and contributions to a pension scheme) of our Directors and Supervisors for the year ending December 31, 2023 is estimated to be no more than approximately RMB5.38 million in aggregate.

The Board will review and determine the remuneration and compensation packages of our Directors, Supervisors and senior management and will, following the Listing, receive recommendation from our Remuneration and Evaluation Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and Supervisors and performance of our Company.

Save as disclosed above, no other payments had been made, or are payable, by any member of our Company to our Directors and Supervisors during the Track Record Period. For additional information on our Directors and Supervisors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to notes 8 and 9 in the Accountants' Report set out in Appendix I to this prospectus.

## COMPLIANCE ADVISOR

Our Company has appointed Somerley Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. The material terms of the compliance advisor's agreement entered into between our Company and the compliance advisor are as follows:

(a) the compliance advisor shall provide our Company with services including guidance and advice as to compliance with the requirement of the Listing Rules and other applicable laws, rules, codes and guidelines, and accompany our Company to any meetings with the Stock Exchange;

(b) our Company may terminate the appointment of the compliance advisor by giving a no less than 30 days' prior written notice to the compliance advisor. Our Company will exercise such right in compliance with Rule 3A.26 of the Listing Rules. The compliance advisor will have the right to terminate its appointment as compliance advisor under certain specific circumstances and upon notification of the reason of its resignation to the Stock Exchange; and

(c) during the period of appointment, our Company must consult with, and if necessary, seek advice from the compliance advisor on a timely basis in the following circumstances:

    i. before the publication of any regulatory announcement, circular or financial report;

    ii. where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

    iii. where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results materially deviate from any forecast, estimate, or other information in this prospectus; and

    iv. where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

## CORPORATE GOVERNANCE CODE

Our Company recognizes the importance of incorporating elements of good corporate governance in our management structure and internal control procedures so as to achieve effective accountability. We have adopted the code provisions stated in the Corporate Governance Code. We are committed to the view that the Board should include a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors so that there is a strong independent element on the Board that can effectively exercise independent judgment.

Our Company strive to achieve the high standards of corporate governance and will comply with the Corporate Governance Code in Appendix 14 to the Listing Rules. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year.

## OVERVIEW

Our Company was established in the PRC as a limited liability company on November 12, 2010, and converted into a joint stock company with limited liability on November 15, 2021. As of the Latest Practicable Date and immediately following the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option), Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi, by virtue of the Concert Party Agreement entered into among them and together with Backward Electronic and Backward Partnership, will hold in aggregate approximately 34.30% and 25.73%, respectively, of our Company's total share capital. See the section headed "History, Development and Corporate Structure" in this prospectus for details of the concert party arrangement. Accordingly, Mr. Li Zhen, Mr. Zhang Guangping, Mr. Li Yi, Backward Electronic and Backward Partnership constitute a group of our Single Largest Group of Shareholders under the Listing Rules.

Each of Backward Electronic and Backward Partnership is an investment holding entity with no business activity. Details of their respective shareholding structure immediately before and after the Global Offering are set forth in the sections headed "History, Development and Corporate Structure" in this prospectus. Mr. Li Zhen is our executive Director and chairman of the Board. Mr. Zhang Guangping is our executive Director and general manager. Mr. Li Yi is our executive Director, deputy general manager and head of the financial department. See the section headed "Directors, Supervisors and Senior Management" in this prospectus for the biographical information of Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi.

## INTERESTS OF THE SINGLE LARGEST GROUP OF SHAREHOLDERS AND OUR DIRECTORS IN OTHER BUSINESS

Our Single Largest Group of Shareholders and our Directors confirmed that as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Company, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

## INDEPENDENCE FROM OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

We believe that we are capable of carrying on our business independently of our Single Largest Group of Shareholders and their respective close associates (other than our Company) after Listing for the following reasons:

### Management Independence

Our Board comprises three executive Directors, two non-executive Directors and four independent non-executive Directors. Save for (i) the three executive Directors, namely Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi, being members of the Single Largest Group of Shareholders, and (ii) Mr. Li Zhen and Mr. Li Yi serving as the supervisor and the executive director, respectively, of Backward Electronic which is an investment holding entity with no business activity, there is no overlap of directors and members of the senior management between our Company and our Single Largest Group of Shareholders and their respective close associates.

Despite the overlapping roles assumed by Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi as mentioned above, when performing their duties in our Company, Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi have been and will continue to be supported by the separate and independent board which comprises six other board members including four independent non-executive Directors. We believe that our Board as a whole is able to perform its roles in our Company independently and that our Company is capable of managing our business independently from the Single Largest Group of Shareholders and their respective close associates.

Each of our Directors is aware of his/her fiduciary duties as a Director, which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interests. In the event that there is an actual or potential conflict of interest arising out of any transaction to be entered into between our Company and any of the Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. We have also adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Company and the Single Largest Group of Shareholders which would support our independent management. For details, see "– Corporate Governance Measures" in this section.

All of the other Directors are independent of Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi, and decisions of the Board require the approval of a majority vote from the Board.

In addition, our Board comprises nine Directors, including four independent non-executive Directors, which represent more than one-third of the members of our Board. Our independent non-executive Directors have extensive experience in corporate management and governance, and they are appointed to ensure that our Board will only make decisions after due consideration of independent and impartial opinions. Certain matters of our Company must always be referred to the independent non-executive Directors for review.

Based on the reasons above, our Directors are of the view that our Company is capable of managing our business independently from our Single Largest Group of Shareholders and their respective close associates after the Listing.

**Operational Independence**

We do not rely on the Single Largest Group of Shareholders and their respective close associates for our research and business development, staffing, logistics, administration, finance, internal audit, information technology, sales and marketing, or company secretarial functions.

### *R&D*

We have our own R&D department and personnel which are independent of our Single Largest Group of Shareholders. All members of our in-house R&D team are full-time employees of our Company and do not hold any position in our Single Largest Group of Shareholders or their respective close associates. In addition, our Company owns over 80 registered patents in the PRC and over proprietary 200 layout designs of integrated circuits which are necessary for our R&D and operations. With such independent R&D department, an experienced and independent R&D team, independent supporting manufacturing capabilities and self-owned patents, our Directors believe that we have all the requisite resources to carry on our R&D process independently.

### *Licenses, permits and approvals*

As of the Latest Practicable Date, as advised by our PRC Legal Advisors, we had obtained all material licenses and permits required for our business operations (i.e. business license) in the PRC and such business license had remained in full effect.

### *Access to customers, suppliers and business partners*

We have independent access to our customers, our suppliers as well as our business partners. Our customers and suppliers bases are unrelated to our Single Largest Group of Shareholders and/or their respective close associates.

### *Operational facilities and administration*

We have independent R&D department, office and other operational facilities in Suzhou and Shanghai which are under leases between our Company and independent third parties and are unrelated to our Single Largest Group of Shareholders.

In addition, we have a full-time management team and staff to carry out our own administration and operation independently from our Single Largest Group of Shareholders and their respective close associates. All key administrative functions have been and will be carried out by our own without reliance or the support of our Single Largest Group of Shareholders and their respective close associates.

### *Employees*

As of the Latest Practicable Date, all of our full-time employees were recruited independently from our Single Largest Group of Shareholders and their respective close associates and primarily through both internal referrals and external sources such as campus recruitment, recruiting websites and third-party recruiters.

Based on the reasons above, our Directors are of the view that we have full rights to make all decisions on, and to carry out, our own business operations independently from our Single Largest Group of Shareholders and their respective close associates and will continue to do so after the Listing.

**Financial Independence**

We have an independent financial system and make financial decisions according to our Company's own business needs. We have internal control and accounting systems and an independent accounting and finance department for discharging the treasury function. We do not expect to rely on our Single Largest Group of Shareholders or their close associates for financing after the Listing as we expect that our working capital will be funded by cash flows generated from operating activities, bank loans as well as the proceeds from the Global Offering.

In addition, we are capable of obtaining financing from independent third parties without relying on any guarantee or security provided by our Single Largest Group of Shareholders or their respective associates. As of the Latest Practicable Date, our Company did not have any outstanding loans, advances or balances due to or from our Single Largest Group of Shareholders or their respective close associates or financial assistance arrangement with our Single Largest Group of Shareholders or their respective close associates, and our Company had not provided any guarantee in respect of any loans of our Single Largest Group of Shareholders and their respective close associates and vice versa. During the Track Record Period and as of the Latest Practicable Date, we had received a series of Pre-IPO Investments from third party investors independently. For details of the Pre-IPO Investments, see the section headed "History, Development and Corporate Structure" in this prospectus.

Based on the above, our Directors believe that we are able to maintain financial independence and would not place undue reliance on our Single Largest Group of Shareholders and their close associates.

## DEED OF NON-COMPETITION

Each of our Single Largest Group of Shareholders has entered into a Deed of Non-competition in favor of our Company, pursuant to which each of them has unconditionally and irrevocably undertaken to our Company that it will not, and will procure its close associates (save for members of our Company and its subsidiaries) not to directly or indirectly be involved in, interested in or undertake any business that directly or indirectly competes, or may compete, with our business which includes the provision of Analog IC Patterned Wafers (referred to as the "**Restricted Businesses**"), or hold shares or interest in any company or business that competes or may compete directly or indirectly with the business engaged by us from time to time, or conduct any Restricted Businesses, except where our Single Largest Group of Shareholders and their close associates hold less than 30% of interest of any company, which is engaged in any business that is or may be in competition with any business engaged by any member of our Company and its subsidiaries and they do not possess the right to control the board of directors of such company.

The Deed of Non-Competition will lapse automatically if our Single Largest Group of Shareholders together ceases to control, whether directly or indirectly, 20% or above of our Shares with voting rights or our H Shares cease to be listed on the Stock Exchange.

## CORPORATE GOVERNANCE MEASURES

Our Company expects to comply with the provisions of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules, which sets out principles of good corporate governance.

Each of our Single Largest Group of Shareholders has confirmed that it fully comprehends its obligations to act in our Shareholders' best interests as a whole. Our Directors recognize the importance of good corporate governance in protection of our Shareholders' interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Company and the Single Largest Group of Shareholders:

(a) as part of our preparation for the Global Offering, we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provided that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her associates have a material interest nor shall such Director be counted in the quorum present at the meeting;

(b) a Director with material interests shall make full disclosure in respect of matters that may have conflict or potentially conflict with any of our interest and abstain from the board meetings on matters in which such Director or his/her associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is permitted under the Listing Rules;

(c) we are committed that our Board should include a balanced composition with not less than one-third of independent non-executive Directors to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. We have appointed four independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they 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 public Shareholders. For details of our independent non-executive Directors, see "Directors, Supervisors and Senior Management – Board of Directors – Independent non-executive Directors" in this Prospectus;

(d) we have appointed Somerley Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules, 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;

(e) our Company has established internal control mechanisms to identify connected transactions. Upon and after the Listing, if our Company enters into connected transactions with our Single Largest Group of Shareholders or any of their associates, our Company will comply with the applicable Listing Rules; and

(f) as required by the Listing Rules, our independent non-executive Directors shall review any continuing connected transactions annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favorable to us than those available to or from independent third parties and on terms that are fair and reasonable and in the interests of our Shareholders as a whole.

Based on the above, our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest between our Company and the Single Largest Group of Shareholders, and to protect minority Shareholders' interests after the Listing.

So far as our Directors are aware, the following persons will, immediately prior to and following the completion of the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option), have interests or short positions in our Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the nominal value of any types of our issued voting shares of our Company.

| | | Shares held as of the date of this prospectus and immediately prior to the completion of the Global Offering[(1)] | | | Shares held immediately following the completion of the Global Offering[(1)] | | |
|---|---|---|---|---|---|---|---|
| **Name of Shareholder** | **Nature of interest** | **Type of Shares[(2)]** | **Number of Shares** | **Percentage of shareholding in the total issued share capital** *(approx..)* | **Type of Shares[(2)]** | **Number of Shares** | **Percentage of shareholding in the total issued share capital** *(approx..)* |
| Mr. Li Zhen | Beneficial owner | Unlisted Domestic Shares | 1,049,632 (L) | 2.33% | Unlisted Domestic Shares | 1,049,632 (L) | 1.75% |
| | Interest in controlled corporation[(3)] | Unlisted Domestic Shares | 14,134,213 (L) | 31.41% | Unlisted Domestic Shares | 14,134,213 (L) | 23.56% |
| | Interest held jointly with other persons[(4)] | Unlisted Domestic Shares | 252,800 (L) | 0.56% | Unlisted Domestic Shares | 252,800 (L) | 0.42% |
| Mr. Zhang Guangping | Interest held jointly with other persons[(4)] | Unlisted Domestic Shares | 15,436,645 (L) | 34.30% | Unlisted Domestic Shares | 15,436,645 (L) | 25.73% |
| Ms. Zhang Jingwen (張婧雯) | Interest of spouse[(4)] | Unlisted Domestic Shares | 15,436,645 (L) | 34.30% | Unlisted Domestic Shares | 15,436,645 (L) | 25.73% |
| Mr. Li Yi | Beneficial owner | Unlisted Domestic Shares | 252,800 (L) | 0.56% | Unlisted Domestic Shares | 252,800 (L) | 0.42% |
| | Interest held jointly with other persons[(4)] | Unlisted Domestic Shares | 15,183,845 (L) | 33.74% | Unlisted Domestic Shares | 15,183,845 (L) | 25.31% |

| | | Shares held as of the date of this prospectus and immediately prior to the completion of the Global Offering[1] | | | Shares held immediately following the completion of the Global Offering[1] | | |
|---|---|---|---|---|---|---|---|
| Name of Shareholder | Nature of interest | Type of Shares[2] | Number of Shares | Percentage of shareholding in the total issued share capital *(approx..)* | Type of Shares[2] | Number of Shares | Percentage of shareholding in the total issued share capital *(approx..)* |
| Backward Electronic | Beneficial owner | Unlisted Domestic Shares | 8,753,678 (L) | 19.45% | Unlisted Domestic Shares | 8,753,678 (L) | 14.59% |
| | Interest in controlled corporation[3] | Unlisted Domestic Shares | 5,380,535 (L) | 11.96% | Unlisted Domestic Shares | 5,380,535 (L) | 8.97% |
| | Interest held jointly with other persons[4] | Unlisted Domestic Shares | 1,302,432 (L) | 2.89% | Unlisted Domestic Shares | 1,302,432 (L) | 2.17% |
| Backward Partnership | Beneficial owner | Unlisted Domestic Shares | 5,380,535 (L) | 11.96% | Unlisted Domestic Shares | 5,380,535 (L) | 8.97% |
| | Interest held jointly with other persons[4] | Unlisted Domestic Shares | 10,056,110 (L) | 22.34% | Unlisted Domestic Shares | 10,056,110 (L) | 16.76% |
| Guangfa Intelligent | Beneficial owner | Unlisted Domestic Shares | 2,265,399 (L) | 5.03% | Unlisted Domestic Shares | 2,265,399 (L) | 3.78% |
| GF Securities Co., Ltd. | Interest in controlled corporations[5] | Unlisted Domestic Shares | 3,012,837 (L) | 6.69% | Unlisted Domestic Shares | 3,012,837 (L) | 5.03% |
| Rongxiang Venture | Beneficial owner | Unlisted Domestic Shares | 2,846,352 (L) | 6.33% | Unlisted Domestic Shares | 2,846,352 (L) | 4.74% |
| Suzhou Huqiu District People's Government | Interest in controlled corporation[6] | Unlisted Domestic Shares | 4,906,092 (L) | 10.90% | Unlisted Domestic Shares | 4,906,092 (L) | 8.18% |
| Yuanhe Puhua | Beneficial owner | Unlisted Domestic Shares | 2,718,339 (L) | 6.04% | Unlisted Domestic Shares | 2,718,339 (L) | 4.53% |
| Runke Investment | Beneficial owner | Unlisted Domestic Shares | 2,718,339 (L) | 6.04% | Unlisted Domestic Shares | 2,718,339 (L) | 4.53% |

*Notes:*

(1) The letter "L" denotes the person's long position in our Shares.

(2) Unlisted Domestic Shares and H Shares are regarded as two different types of Shares for the purpose of Part XV of the SFO.

(3) The general partner of Backward Partnership is Backward Electronic, which is in turn owned as to 53.50% by Mr. Li Zhen. By virtue of the SFO, Mr. Li Zhen is deemed to be interested in the Shares held by each of Backward Electronic and Backward Partnership.

(4) Pursuant to the Concert Party Agreement, Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi agreed and confirmed, among others, that from the date when they became direct and/or indirect Shareholders of our Company to such date when all of them cease to be directly or indirectly interested in our Company, they had been and would continue to be acting in concert. Pursuant to the Concert Party Agreement, the Concert Parties had consulted and would consult with each other and reach a unanimous consensus among themselves before the decision, implementation and agreement on material operation and development affairs and/or all voting at Shareholders' meetings. In the event that they are unable to reach consensus on any matter presented, it shall be resolved by a simple majority vote, with each Concert Party entitled to one vote. For details of the Concert Party Agreement, please see the section headed "History, Development and Corporate Structure". By virtue of the SFO, each of Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi together with their respective investment holding companies (being Backward Electronic and Backward Partnership) are deemed to be interested in the Shares held by each other. Ms. Zhang Jingwen is the spouse of Mr. Zhang Guangping and is deemed to be interested in all the Shares held by Mr. Zhang Guangping by virtue of the SFO.

(5) The general partner for both Guangfa Intelligent and Guangfa Environmental is GF Xinde. By virtue of the SFO, GF Xinde is deemed to be interested in the Shares held by Guangfa Intelligent and Guangfa Environmental. GF Xinde is ultimately controlled by GF Securities Co., Ltd. (廣發証券股份有限公司) (stock code: 000776.SZ).

(6) As of the Latest Practicable Date, Suzhou Technology Investment was owned as to 57.93% by Suzhou Overseas Students Entrepreneurship Park Co., Ltd., which was ultimately controlled by Suzhou Huqiu District People's Government. Rongxiang Venture was owned as to 59.01% by Suzhou Hi-tech Venture Capital Group Co., Ltd. as limited partner, which was ultimately controlled by Suzhou Huqiu District People's Government. By virtue of the SFO, Suzhou Huqiu District People's Government is deemed to be interested in the Shares held by Suzhou Technology Investment and Rongxiang Venture.

Save as disclosed above and in the paragraph headed "Statutory and General Information – C. Further Information About Our Directors, Supervisors and Substantial Shareholders – 1. Disclosure of Interests" in Appendix VI to this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option), have interests or short positions in any Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

As of the Latest Practicable Date, the registered share capital of our Company was RMB45,000,000, divided into 45,000,000 Unlisted Domestic Shares, with a nominal value of RMB1.00 each.

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately after the completion of the Global Offering will be as follows:

| Number of Shares | Description of Shares | Approximate percentage to total share capital |
|---|---|---|
| 45,000,000 | Unlisted Domestic Shares in issue | 75% |
| 15,000,000 | H Shares to be issued under the Global Offering | 25% |
| 60,000,000 | **Total** | 100.00% |

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately after the completion of the Global Offering will be as follows:

| Number of Shares | Description of Shares | Approximate percentage to total share capital |
|---|---|---|
| 45,000,000 | Unlisted Domestic Shares in issue | 72.29% |
| 17,250,000 | H Shares to be issued under the Global Offering | 27.71% |
| 62,250,000 | **Total** | 100.00% |

The above table assumes that the Global Offering has become unconditional and the H Shares are issued pursuant to the Global Offering.

## RANKING

Upon the completion of the Global Offering, our Shares will consist of Unlisted Domestic Shares and H Shares. Unlisted Domestic Shares and H Shares are all ordinary Shares in the share capital of our Company and are regarded as the same class of Shares under the Articles of Association.

Unlisted Domestic Shares and H Shares shall carry the same rights in all other respects and, in particular, will rank equally for dividends or distributions declared, paid or made. All dividend for H Shares will be denominated and declared in Renminbi, and paid in Hong Kong dollars or Renminbi, whereas all dividends for Unlisted Domestic Shares will be paid in Renminbi. Other than cash, dividends could also be paid in the form of shares or a combination of cash and shares.

## CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company will have only one class of Shares upon completion of the Global Offering, namely ordinary shares, and each carries the same rights in all respects with the other Shares. For details of circumstances under which our Shareholders' general meeting and class Shareholders' meeting are required, see "Summary of Articles of Association" in Appendix V to this prospectus.

### Listing Approval by the Stock Exchange

We have applied to the Stock Exchange for the approval for the granting of listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option).

## TRANSFER OF SHARES ISSUED PRIOR TO LISTING DATE

The PRC Company Law provides that in relation to the public offering of a company, the shares issued prior to the public offering shall not be transferred within a period of one year from the date on which the publicly offered shares are listed on any stock exchange. Accordingly, Shares issued by our Company prior to the Global Offering shall be subject to such statutory restriction and not be transferred within a period of one year from the Listing Date.

For details of the lock-up undertaking given by our Single Largest Group of Shareholders to the Stock Exchange, see "Underwriting – Underwriting Arrangements and Expenses – Undertakings pursuant to the Hong Kong Underwriting Agreement – Undertakings by our Single Largest Group of Shareholders" in this prospectus.

## INCREASE IN SHARE CAPITAL

As advised by our PRC Legal Advisors, pursuant to the Articles of Association and subject to the requirements of relevant PRC laws and regulations, our Company, upon the Listing of our H Shares, is eligible to enlarge its share capital by issuing either new H Shares or new unlisted Domestic Shares on condition that such proposed issuance shall be approved by a special resolution of Shareholders in general meeting conducted in accordance with the provisions of the Articles of Association and that such issuance complies with the Listing Rules and other relevant laws and regulations of Hong Kong. To adopt a special resolution of Shareholders at general meeting, more than the two thirds votes represented by the Shareholders (including proxies) present at the general meeting must be exercised in favor of the resolution. See "– Ranking" in this section.

## REGISTRATION OF SHARES NOT LISTED ON THE OVERSEAS STOCK EXCHANGE

According to the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed 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, the domestic shareholders of unlisted shares shall handle share transfer registration business in accordance with the relevant business rules of CSDC. And H-share companies should submit relevant status reports to the CSRC within 15 days after the shares involved in the application completing the transfer registration in CSDC.

## SHAREHOLDERS' APPROVAL FOR THE GLOBAL OFFERING

Approval from holders of the Shares is required for the Company to issue H Shares and seek the listing of H Shares on the Stock Exchange. The Company has obtained such approval at the Shareholders' general meeting held on May 15, 2023.

***The following discussion and analysis should be read in conjunction with our financial information included in the Accountants' Report in Appendix I to this prospectus, together with the accompanying notes. Our financial statements have been prepared in accordance with HKFRSs, which may differ in certain aspects from generally accepted accounting principles in other jurisdictions. You should read the entire Accountants' Report and not merely rely on the information contained in this section.***

***The following discussion and analysis contains forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this prospectus, including the sections headed "Risk Factors" and "Business."***

***For the purposes of this section, unless the context otherwise requires, references to 2020, 2021 and 2022 refer to our fiscal years ended December 31 of such years.***

## OVERVIEW

We are one of the analog IC patterned wafer providers with a prominent market position in China. Our deliverable products are analog IC patterned wafers with completed built-on circuits, which can then be fabricated into individual IC chips after standard and straightforward packaging and testing steps performed by our downstream customers. During the Track Record Period, our revenue was primarily generated from sales of power management products and signal chain products. We offer approximately 400 types of diversified industrial grade analog IC patterned wafer products across seven sub-categories, namely switching regulators, multi-channel ICs and PMICs, linear regulators, battery management ICs, monitoring and modulating ICs, driver ICs, and linear products, in the power management category and the signal chain category as of the Latest Practicable Date.

We achieved robust business growth during the Track Record Period. Our revenue increased from RMB88.7 million in 2020 to RMB212.7 million in 2021, and further to RMB352.5 million in 2022, representing a CAGR of 99.3%. Our revenue increased by 26.1% from RMB162.1 million for the six months ended June 30, 2022 to RMB204.4 million for the six months ended June 30, 2023. In addition, our gross profit increased from RMB48.7 million in 2020 to RMB120.0 million in 2021, and further to RMB199.3 million in 2022, representing a CAGR of 102.2%. Our gross profit increased by 21.3% from RMB93.1 million for the six months ended June 30, 2022 to RMB112.9 million for the six months ended June 30, 2023. In

2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, we maintained high gross profit margin at 54.9%, 56.4%, 56.5%, 57.4% and 55.2%, respectively. Our net profit increased from RMB14.0 million in 2020 to RMB57.0 million in 2021, and further to RMB95.3 million in 2022, representing a CAGR of 160.9%. Our net profit increased by 7.3% from RMB42.8 million for the six months ended June 30, 2022 to RMB45.9 million for the six months ended June 30, 2023. Our adjusted net profit (Non-HKFRS measure) increased by 32.5% from RMB42.8 million for the six months ended June 30, 2022 to RMB56.6 million for the six months ended June 30, 2023.

## MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial performance are principally affected by the following factors:

### Our ability to diversify product offerings and expand our product mix

Our ability to offer diversified analog IC patterned wafer products is one of the most important factors affecting our results of operations and financial condition. Our success depends on our ability to anticipate industry trends and develop analog IC patterned wafer products with high-performance and differentiated IC design that meet the evolving demand of our downstream customers in various application fields. Due to our continuous R&D efforts, we successfully launched eight, 45, 157 and 78 analog IC patterned wafer products in 2020, 2021 and 2022 and the six months ended June 30, 2023, respectively. As of the Latest Practicable Date, we successfully taped out more than 400 types of analog IC patterned wafers. Our products have empowered numerous downstream customers, including well-known brand-name manufacturers and industry-leading chip design companies in various application fields, such as automotive electronics, healthcare, industrial automation, industrial Internet of Things, industrial lighting, instrumentation, communications, electric power, energy storage and consumer electronics. With an ever-expanding high-performance industrial grade product portfolio, we are able to respond quickly to changing market conditions and remain profitable.

The mix of analog IC patterned wafer products that we provide is also among the primary factors that affect our revenue and profitability. During the Track Record Period, we primarily derived our revenue from the sale of seven sub-categories of industrial grade power management products and signal chain products, namely switching regulators, multi-channel ICs and PMICs, linear regulators, battery management ICs, monitoring and modulating ICs, driver ICs, and linear products. Our gross profit margin increased from 54.9% in 2020 to 56.4% in 2021, and remained stable at 56.5% in 2022. Our gross profit margin decreased from 57.4% for the six months ended June 30, 2022 to 55.2% for the six months ended June 30, 2023. Our product mix may fluctuate significantly in response to the technological changes in the industries and markets to which our products are sold, and the changes in market demand and market competition. 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. As a result, our financial condition and results of operations may be materially and adversely affected.

**Continuous investment in R&D facilities and talents**

Leveraging our full-stack analog IC design platform, we primarily focus on the design and provision of industrial grade analog IC patterned wafers that have achieved reliability and stability in accordance with internationally recognized standards. Empowered by proprietary EDA software tools and reusable IP library, we have effectively improved the product design efficiency, and are able to supply downstream customers with quality products. To extend our technology leadership in the analog IC design industry, we have made, and will continue to make, significant investments in upgrading our design capabilities and R&D infrastructure. In 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, we incurred R&D expenses of RMB28.4 million, RMB47.6 million, RMB84.9 million, RMB39.3 million and RMB57.4 million, respectively. Going forward, we will continue to invest resources in R&D to support the long-term growth of our business.

The growth of our business depends largely on our R&D talents. Based on the full-stack design platform, we have established a comprehensive R&D system and training mechanism to cultivate R&D team from scratch, which has broken through the bottleneck of experienced talents in the field of analog IC design and ensured sustainable supply of talent. As of June 30, 2023, our R&D team comprises 64 members, who on average are only 29 years old. Our R&D personnel efficiency is industry-leading, with annual revenue driven by each member reaching RMB5.5 million in 2022, which is about 20% higher than the industry average in the same year. We will continue to invest resources to attract more talented R&D personnel and further improve our full-stack design platform.

**Our ability to expand and efficiently manage our sales network**

During the Track Record Period, we primarily sold and marketed our patterned wafer products in the PRC through third-party professional distributors. In 2020, 2021 and 2022, our revenue generated from sales to distributors amounted to RMB84.4 million, RMB192.2 million and RMB282.7 million, respectively, accounting for 95.2%, 90.4% and 80.2%, respectively, of our revenue for the corresponding periods. For the six months ended June 30, 2022 and 2023, our revenue generated from sales to distributors amounted to RMB132.1 million and RMB168.2 million, respectively, accounting for 81.5% and 82.3%, respectively, of our revenue for the corresponding periods. Through our distribution channels, we are able to focus on the design aspects of analog IC patterned wafers and optimize our design capabilities. As a result, our ability to expand and efficiently manage our sales and distribution network remains critical to our business and financial performance. In particular, we have established cooperation with a global leading IC distributor, Arrow, and a local IC distributor, Customer A, to match our comprehensive marketing strategies. See "Business – Sales, Marketing and Distribution of our Products." We plan to optimize and expand our sales and distribution network and to further expand our downstream customer base in the PRC. During the Track Record Period, revenue derived from direct sale customers increased from RMB4.3 million in 2020 to RMB20.5 million in 2021, and further to RMB69.8 million in 2022. Furthermore, revenue derived from direct sale customers increased from RMB30.0 million for the six months ended June 30, 2022 to RMB36.2 million for the six months ended June 30, 2023. In the future, we will continue to deepen our relationship with existing distributors and direct sale customers, and expand sales channels to attract new customers in key targeted industries.

**Relationship with our major suppliers**

We operate with a fabless model, and focus on the design process and outsource IC manufacturing to foundries. During the Track Record Period, we established strong and long-term cooperation with a commercial patterned wafer channel partner for procurement of foundry-manufactured wafers with completed built-on circuits designed by us. See "Business – Our Business Model" and "Business – Our Suppliers – Relationship with Supplier A." Therefore, our ability to maintain long-term stable business relationship with our wafer channel partner to provide us with quality and price competitive foundry-manufactured wafers on a timely basis is crucial for our business development and results of operations. Although we have entered into a framework supply agreement with our third-party wafer channel partner, we cannot assure you that the supply of foundry-manufactured wafers is not interrupted or delayed due to any circumstances and the terms of supply are acceptable to us. It will also take time to establish new or alternative supplier relationships to ensure a steady supply in a timely and cost-efficient manner. In those circumstances, we may not be able to offer analog IC patterned wafer products demanded by our customers, or to offer them in sufficient quantities and at prices acceptable to them. As a result, our business, financial condition and results of operations will be materially and adversely affected.

## BASIS OF PRESENTATION

Our Company was incorporated as a limited liability company in the PRC on November 12, 2010, and was converted into a joint stock limited liability company in November 2021. For more details, please see "History, Development and Corporate Structure" in this prospectus.

Our historical financial information has been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (the "**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

## MATERIAL ACCOUNTING POLICIES AND ESTIMATES

We have identified various accounting policies that are material to the preparation of our financial information, and the understanding of our financial condition and results of operations, details of which are disclosed in note 2 of the Accountants' Report in Appendix I to this prospectus.

Our Directors are required to make judgements, estimates and assumptions that affect our application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on our 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.

The estimates and underlying assumptions are reviewed by our management on an on-going basis. Revisions to accounting estimates are recognized 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, details of which are disclosed in note 3 of the Accountants' Report in Appendix I to this prospectus.

The following paragraphs discuss, among others, our critical accounting policies, estimates and judgements applied in preparing our financial information:

**Revenue recognition**

Income is classified by us as revenue when it arises from the sale of goods, the provision of services or the use by others of our assets under leases in the ordinary course of our business. We are the principal for our revenue transactions and recognize revenue on a gross basis, including the sale of electronic products that are sourced externally. In determining whether we act as a principal or as an agent, we consider whether we obtain control of the products before they are transferred to the customers. Control refers to our ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Revenue is recognized when control over a product or service is transferred to the customer, at the amount of promised consideration to which we are 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. For sale of goods and provision of services, revenue is recognized when the customer takes possession of and accepts the products.

**Inventories**

Inventories are carried at the lower of cost and net realizable value. 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 necessary to make the sale. When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

**Trade and other receivables**

A receivable is recognized when we have an unconditional right to receive consideration. A right to receive consideration is unconditional if 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, using the effective interest method and including an allowance for credit losses.

## DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets forth a summary of our statements of profit or loss and other comprehensive income, with line items in absolute amounts and as a percentage of our revenue for the periods indicated:

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | *RMB'000* | *% of Revenue* | *RMB'000* | *% of Revenue* | *RMB'000* | *% of Revenue* | *RMB'000* *(Unaudited)* | *% of Revenue* | *RMB'000* | *% of Revenue* |
| **Revenue** | 88,720 | 100.0 | 212,711 | 100.0 | 352,510 | 100.0 | 162,065 | 100.0 | 204,422 | 100.0 |
| Cost of sales | (39,971) | (45.1) | (92,711) | (43.6) | (153,186) | (43.5) | (68,990) | (42.6) | (91,527) | (44.8) |
| Gross profit | 48,749 | 54.9 | 120,000 | 56.4 | 199,324 | 56.5 | 93,075 | 57.4 | 112,895 | 55.2 |
| Other income and net gain | 1,965 | 2.2 | 4,087 | 1.9 | 9,791 | 2.8 | 1,668 | 1.0 | 5,642 | 2.8 |
| Distribution costs | (791) | (0.9) | (1,772) | (0.8) | (3,580) | (1.0) | (1,500) | (0.9) | (2,870) | (1.4) |
| Administrative expenses | (3,505) | (4.0) | (13,860) | (6.5) | (22,181) | (6.3) | (10,591) | (6.5) | (10,596) | (5.2) |
| R&D expenses | (28,405) | (32.0) | (47,609) | (22.4) | (84,879) | (24.1) | (39,279) | (24.2) | (57,411) | (28.1) |
| **Profit from operations** | 18,013 | 20.3 | 60,846 | 28.6 | 98,475 | 27.9 | 43,373 | 26.8 | 47,660 | 23.3 |
| Finance costs | (4,018) | (4.5) | (3,877) | (1.8) | (1,651) | (0.5) | (612) | (0.4) | (1,796) | (0.9) |
| Profit before taxation | 13,995 | 15.8 | 56,969 | 26.8 | 96,824 | 27.5 | 42,761 | 26.4 | 45,864 | 22.4 |
| Income tax | – | – | – | – | (1,562) | (0.4) | – | – | – | – |
| **Profit for the year/period** | 13,995 | 15.8 | 56,969 | 26.8 | 95,262 | 27.0 | 42,761 | 26.4 | 45,864 | 22.4 |
| **Other comprehensive income for the year/period, net of nil tax** | – | – | – | – | – | – | – | – | – | – |
| **Total comprehensive income for the year/period** | 13,995 | 15.8 | 56,969 | 26.8 | 95,262 | 27.0 | 42,761 | 26.4 | 45,864 | 22.4 |
| **Earnings per share** | | | | | | | | | | |
| Basic and diluted (RMB cents) | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

## NON-HKFRS MEASURE

To supplement our historical financial information which are presented in accordance with HKFRS, we also use adjusted net profit (Non-HKFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, HKFRS. We believe that this non-HKFRS measure facilitates comparisons of operating performance from period to period by eliminating potential impacts of certain items. We believe that this measure provides useful information to investors and others in understanding and evaluating our results of operations in the same manner as it helps our management. However, our presentation of adjusted net profit (Non-HKFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of this non-HKFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under HKFRS.

We define adjusted net profit (Non-HKFRS measure) as profit for the year/period adjusted by adding back listing expenses and share-based payments. Listing expenses are expenses relating to the Global Offering. Share-based payments are non-cash in nature.

The following table reconciles our adjusted net profit (Non-HKFRS measure) for the year/period presented to profit for the year/period:

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (*Unaudited*) | *RMB'000* |
| **Profit for the year/period** | 13,995 | 56,969 | 95,262 | 42,761 | 45,864 |
| Add: | | | | | |
| Listing expenses | – | – | – | – | 785 |
| Share-based payments | – | – | – | – | 9,995 |
| **Adjusted net profit (non-HKFRS measure)** | 13,995 | 56,969 | 95,262 | 42,761 | 56,644 |

Our adjusted net profit increased from RMB14.0 million in 2020 to RMB57.0 million in 2021, and further increased to RMB95.3 million in 2022. Our adjusted net profit increased from RMB42.8 million in the six months ended June 30, 2022 to RMB56.6 million in the six months ended June 30, 2023. The continuous increase in adjusted net profit during the Track Record Period was primarily attributable to increased market demand and our ability to achieve significant expansion in our product offering during the Track Record Period, and as a result the sales volume increased from 17.1 million units in 2020 to 37.4 million units in 2021 and further increased to 87.5 million units in 2022, and increased from 42.3 million units in the six months ended June 30, 2022 to 52.9 million units in the six months ended June 30, 2023, while our gross profit margin did not have any significant fluctuation. See "Revenue – Revenue by Business Line" for details of market drivers and our product expansion.

## Revenue

### *Revenue by Business Line*

During the Track Record Period, we generated our revenue primarily from sales of power management products and signal chain products. The following table sets forth a breakdown of our revenue by business line, in absolute amounts and as a percentage of our revenue, for the periods indicated:

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | *RMB'000* | *% of Revenue* | *RMB'000* | *% of Revenue* | *RMB'000* | *% of Revenue* | *RMB'000* | *% of Revenue* | *RMB'000* | *% of Revenue* |
| | | | | | | | *(Unaudited)* | | | |
| Sales of power management products | 87,075 | 98.1 | 192,899 | 90.7 | 294,797 | 83.6 | 133,228 | 82.2 | 179,596 | 87.9 |
| – Switching regulators | 28,453 | 32.1 | 99,445 | 46.8 | 149,500 | 42.4 | 77,804 | 48.0 | 75,701 | 37.1 |
| – Multi-channel ICs and PMICs | 44,362 | 50.0 | 79,832 | 37.5 | 109,794 | 31.1 | 36,705 | 22.6 | 85,283 | 41.7 |
| – Others[(1)] | 14,260 | 16.1 | 13,622 | 6.4 | 35,503 | 10.1 | 18,719 | 11.6 | 18,612 | 9.1 |
| Sales of signal chain products | 1,645 | 1.9 | 19,812 | 9.3 | 57,713 | 16.4 | 28,837 | 17.8 | 24,826 | 12.1 |
| – Linear products | 1,645 | 1.9 | 19,812 | 9.3 | 57,713 | 16.4 | 28,837 | 17.8 | 24,826 | 12.1 |
| **Total** | 88,720 | 100.0 | 212,711 | 100.0 | 352,510 | 100.0 | 162,065 | 100.0 | 204,422 | 100.0 |

*Note:*

(1) Others mainly include linear regulators, battery management ICs, monitoring and modulating ICs and driver ICs.

Our power management products help downstream customers manage power across different voltage and/or current levels, including AC-DC and DC-DC switching regulators, multi-channel ICs and PMICs, linear regulators, battery management ICs, monitoring and modulating ICs, and driver ICs. During the Track Record Period, the types of power management products we sold increased from 61 in 2020 to 84 in 2021, and further to 232 in 2022, and increased from 157 for the six months ended June 30, 2022 to 291 for the six months ended June 30, 2023. Revenue generated from sales of power management products accounted for 98.1%, 90.7%, 83.6%, 82.2% and 87.9%, respectively, of our revenue in 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023.

Our signal chain products include products that sense, condition and measure real-world signals to allow information or signal to be transferred or converted for further processing and control. Our signal chain products are all linear products. During the Track Record Period, the types of signal chain products we sold increased from one in 2020 to 23 in 2021, and further to 32 in 2022, and increased from 30 for the six months ended June 30, 2022 to 36 for the six months ended June 30, 2023. Revenue generated from sales of signal chain products accounted for 1.9%, 9.3%, 16.4%, 17.8% and 12.1%, respectively, of our revenue in 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023.

We continuously enriched our product offerings to meet the needs of downstream customers in various application fields. We leveraged end-to-end data from our marketing and sales channels and feedback from existing partners, and designed new types of analog IC patterned wafers considering market demand. Due to the trend of replacing imported analog IC products with price-competitive domestic substitutes in the PRC, the underlying demand of our analog IC products increased steadily during the Track Record Period. We were able to achieve significant expansion in our product offering during the Track Record Period because our EDA software and IP libraries greatly improved our design efficiency. We released our proprietary EDA software in 2011, and significantly improved it from 2018 to 2020 which could shorten the time to develop a product by up to six months. In addition, by reusing existing IPs, we can shorten the design cycle and gain flexibility in layout design, which also leads to reduced R&D expenses. Our extensive and comprehensive IP library covers core functions of analog ICs, provides a semi-automatic way of analog IC design and helps save unnecessary time in repetitive work on new product design. As a result, our R&D process became less labor intensive, and the number of our R&D personnel only increased slightly during the Track Record Period.

The trend of replacing imported analog IC products with domestic substitutes began in 2013 when ICs became the largest imported commodity in the PRC, which was primarily driven by (i) the largest consumption market of analog IC products in the PRC; (ii) the favorable government policies to support the development of IC design and manufacturing; and (iii) the rapid development of Chinese IC design companies in recent years, and their ability to provide high-performance analog IC products with price advantages. Such trend was accelerated by the U.S.-China trade tensions, and the supply shortage caused by both the COVID-19 pandemic and the cyclical nature of the global semiconductor market. PRC has the largest consumption market of analog IC products, with a wide range of market demand for analog IC products, according to Frost & Sullivan. In order to reduce reliance on overseas companies in China's IC market, China has formulated a series of policies to support the high-quality development of IC design and manufacturing, such as talent introduction, R&D subsidies, tax and fee reductions. In June 2014, in view of the strategic significance of semiconductor chips, the State Council issued the "National Integrated Circuit Industry Development and Promotion Outline" (《國家集成電路產業發展推進綱要》) to promote the development of domestic IC industry at the national level. In November 2018, the National Bureau of Statistics proposed to include IC design, manufacturing, packaging and testing, and related materials in the list of strategic emerging industries in the "Classification of Strategic Emerging Industries (2018)" (《戰略性新興產業分類(2018)》). According to the Notice of

"14th Five-Year Plan" for the Development of Digital Economy (《"十四五"數字經濟發展規劃的通知》), promulgated by the State Council on December 12, 2021, efforts should be concentrated on breakthroughs in key technologies in the fields such as high-end chips and operating systems, and strengthening the self-sufficiency guarantee capability of key products. Chinese IC design companies have developed rapidly in recent years, and are able to provide high-performance analog IC products with price advantages. According to Frost & Sullivan, the maximum price difference between the imported and domestic consumer grade analog IC products, in general, is around 30%, and the maximum price difference between the imported and domestic industrial grade analog IC products is around 50%. In addition, the trend of replacement of imported analog IC products with domestic substitutes was accelerated by (i) the U.S.-China trade tensions, which have led Chinese customers to focus more on supply chain security and increased their willingness to purchase domestic analog IC products; (ii) the supply shortage of imported analog IC products due to the impact on global trade caused by COVID-19 pandemic since 2020, during which period the global trade volume in 2020 decreased by 9% compared with 2019, according to Frost & Sullivan; and (iii) the supply shortage of the global semiconductor market, as the global semiconductor industry operates in cycles, experiencing periodic supply shortages. From the second half of 2020 to the first half of 2021, the industry faced a shortage in manufacturing capacity due to the rapid growth in market demand for semiconductor chips according to Frost & Sullivan. Due to the above reasons, the import substitution rate in China, calculated as the market share of domestic product as a proportion of total market consisting of domestic product and imported product in terms of market revenue, has increased from 6% in 2017 to 14% in 2022, according to Frost & Sullivan. We expect such trend to continue in the future due to the favorable government policies, technology improvements, talent development, and the synergistic effects brought by a more comprehensive industrial chain. According to Frost & Sullivan, the import substitution rate in China is expected to reach 28% in 2027.

We base our pricing strategies for patterned wafer products according to a range of factors, including the purchase price of our raw materials (i.e. untested patterned wafers), R&D costs, and the demand of downstream markets. We also take into consideration prices of domestic and international competitive products. See "Business – Our Product Offerings – Our Operational Highlights" for details of our pricing strategies. Revenue from sales of power management products and signal chain products is primarily driven by sales volume and unit selling price. Benefiting from the growing demand from our downstream customers and the trend of replacing imported analog IC products with price-competitive domestic substitute in the PRC, as well as our continuous R&D efforts to develop new types of analog IC patterned wafers, our sales volume of power management products and signal chain products increased steadily during the Track Record Period. The average selling price of power management products and signal chain products had fluctuated during the Track Record Period primarily due to a shift in our product mix. For detailed analysis of the fluctuations of our sales volume and average selling price during the Track Record Period, see "Business – Our Product Offerings – Our Operational Highlights."

Our revenue increased by 139.8% from RMB88.7 million in 2020 to RMB212.7 million in 2021, and further increased by 65.7% to RMB352.5 million in 2022. Meanwhile, the market size of China's analog IC patterned wafers increased by 26.2% and 16.4% for the respective years, according to Frost & Sullivan. Our outperformance against the industry growth was primarily because (i) the analog IC patterned wafer market in China is a relatively large and fragmented market. The market size increased by RMB3.8 billion in 2021 and RMB3.0 billion in 2022. While we ranked the first in terms of revenue generated from analog IC patterned wafers in 2022, our market share only accounted for 1.7% of the total market share; (ii) while almost all market players provided finished IC chips, we focused on providing analog IC patterned wafers and maintained competitive advantages in our core technologies, such as EDA software and IP modules for sustainable business growth; (iii) we were growing rapidly with relatively small revenue at the beginning of the Track Record Period. Our rapid growth started to stabilize in 2023. Our revenue increased by 26.1% from RMB162.1 million for the six months ended June 30, 2022 to RMB204.4 million for the six months ended June 30, 2023, and we expect a stable growth rate in the second half of 2023. Even though we experienced fast growth in our revenue during the Track Record Period, we cannot assure you that we are able to sustain our historical growth rate in the future. For details of the risks related to our future growth, please refer to "Risk Factors – Risks Relating to Our Business and Industry – Our historical growth may not be indicative of our future growth. If we are unable to manage our growth or execute our business strategies effectively, our results of operations and business prospects may be materially and adversely affected."

***Revenue by Sales Channel***

The following table sets forth a breakdown of our revenue by sales channel, in absolute amounts and as a percentage of our revenue, for the periods indicated:

| | **Year ended December 31,** | | | | | | **Six months ended June 30,** | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2020** | | **2021** | | **2022** | | **2022** | | **2023** | |
| | *RMB'000* | *% of Revenue* | *RMB'000* | *% of Revenue* | *RMB'000* | *% of Revenue* | *RMB'000* | *% of Revenue* | *RMB'000* | *% of Revenue* |
| | | | | | | | *(Unaudited)* | | | |
| Sales to distributors | 84,422 | 95.2 | 192,197 | 90.4 | 282,679 | 80.2 | 132,076 | 81.5 | 168,243 | 82.3 |
| Direct sales | 4,298 | 4.8 | 20,514 | 9.6 | 69,831 | 19.8 | 29,989 | 18.5 | 36,179 | 17.7 |
| **Total** | 88,720 | 100.0 | 212,711 | 100.0 | 352,510 | 100.0 | 162,065 | 100.0 | 204,422 | 100.0 |

For sales made to our customers, we generally recognize revenue when our products have been delivered to and accepted by our customers. Our revenue from sales to distributors contributed a significant proportion of our total revenue during the Track Record Period. The proportion of our revenue generated from direct sales increased from 4.8% in 2020 to 9.6% in 2021, and further to 19.8% in 2022, primarily due to our increased efforts in sales and marketing to attract direct sale customers. The proportion of revenue derived from direct sales decreased slightly from 18.5% for the six months ended June 30, 2022 to 17.7% for the six months ended June 30, 2023, primarily due to the increase in sales to distributors which outpaced the increase in direct sales.

**Cost of Sales**

Our cost of sales of power management products and signal chain products consists primarily of material costs. As we operate with a fabless model, we focus on the design process and outsource the IC manufacturing to third parties. Our material costs represented our procurement costs of untested foundry-manufactured wafers.

The following table sets forth a breakdown of cost of sales by business line for the periods indicated:

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | *RMB'000* | *% of total* | *RMB'000* | *% of total* | *RMB'000* | *% of total* | *RMB'000* | *% of total* | *RMB'000* | *% of total* |
| | | | | | | | *(Unaudited)* | | | |
| Sales of power management products | 39,818 | 99.6 | 86,439 | 93.2 | 131,129 | 85.6 | 57,866 | 83.9 | 81,774 | 89.3 |
| – Switching regulators | 9,306 | 23.3 | 34,357 | 37.1 | 59,281 | 38.7 | 30,359 | 44.0 | 31,570 | 34.5 |
| – Multi-channel ICs and PMICs | 26,305 | 65.8 | 47,391 | 51.1 | 58,929 | 38.5 | 21,057 | 30.5 | 43,124 | 47.1 |
| – Others(1) | 4,207 | 10.5 | 4,691 | 5.1 | 12,919 | 8.4 | 6,450 | 9.3 | 7,080 | 7.7 |
| Sales of signal chain products | 153 | 0.4 | 6,272 | 6.8 | 22,057 | 14.4 | 11,124 | 16.1 | 9,753 | 10.7 |
| – Linear products | 153 | 0.4 | 6,272 | 6.8 | 22,057 | 14.4 | 11,124 | 16.1 | 9,753 | 10.7 |
| **Total** | 39,971 | 100.0 | 92,711 | 100.0 | 153,186 | 100.0 | 68,990 | 100.0 | 91,527 | 100.0 |

*Note:*

(1) Others mainly include linear regulators, battery management ICs, monitoring and modulating ICs and driver ICs.

### Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales. Our gross profit margin represents our gross profit divided by our revenue, expressed as a percentage. The table below sets forth a breakdown of our gross profit and gross profit margin by business line for the periods indicated:

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | Gross Profit | Gross Profit Margin | Gross Profit | Gross Profit Margin | Gross Profit | Gross Profit Margin | Gross Profit | Gross Profit Margin | Gross Profit | Gross Profit Margin |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| | | | | | | | *(Unaudited)* | | | |
| Sales of power management products | 47,257 | 54.3 | 106,460 | 55.2 | 163,668 | 55.5 | 75,362 | 56.6 | 97,822 | 54.5 |
| – Switching regulators | 19,147 | 67.3 | 65,088 | 65.5 | 90,219 | 60.3 | 47,445 | 61.0 | 44,131 | 58.3 |
| – Multi-channel ICs and PMICs | 18,057 | 40.7 | 32,441 | 40.6 | 50,865 | 46.3 | 15,648 | 42.6 | 42,159 | 49.4 |
| – Others[1] | 10,053 | 70.5 | 8,931 | 65.6 | 22,584 | 63.6 | 12,269 | 65.5 | 11,532 | 62.0 |
| Sales of signal chain products | 1,492 | 90.7 | 13,540 | 68.3 | 35,656 | 61.8 | 17,713 | 61.4 | 15,073 | 60.7 |
| – Linear products | 1,492 | 90.7 | 13,540 | 68.3 | 35,656 | 61.8 | 17,713 | 61.4 | 15,073 | 60.7 |
| **Total** | 48,749 | 54.9 | 120,000 | 56.4 | 199,324 | 56.5 | 93,075 | 57.4 | 112,895 | 55.2 |

*Note:*

(1) Others mainly include linear regulators, battery management ICs, monitoring and modulating ICs and driver ICs.

During the Track Record Period, we maintained high gross profit margin due to (i) the high entry barriers for our competitors to provide similar industrial grade analog IC patterned wafers with high reliability and stability. As a result, there were limited competing products in the domestic market; and (ii) we provided high-performance industrial grade analog IC patterned wafers cost-effectively with our full-stack analog IC design platform.

Our gross profits and gross profit margins largely depend on our product mix, as we normally provide multi-variety products in small batches to our customers. Our gross profit margin increased slightly from 54.9% in 2020 to 56.4% in 2021, primarily due to changes in our product mix as we provided more types of analog IC patterned wafer products in 2021. Our gross profit margin remained stable at 56.4% in 2021 and 56.5% in 2022. Our gross profit margin decreased from 57.4% for the six months ended June 30, 2022 to 55.2% for the six months ended June 30, 2023, primarily due to an increase in revenue contribution of multi-channel ICs and PMICs which had relatively low gross profit margin compared with switching regulators due to the higher unit costs. During the Track Record Period, the multi-channel ICs and PMICs we sold were primarily SoC products, which integrated multiple electronic components in a single product. The size of SoC products is larger than non-SoC products, resulting in higher unit costs. Therefore, our multi-channel ICs and PMICs had lower gross profit margins than other products during the Track Record Period. We did not shift part of the costs of multi-channel ICs and PMICs to our customers because in addition to costs, we considered other factors such as downstream market demand and prices of domestic and international competitive products to determine the price of our patterned wafer products.

***Power management products:*** In 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, we sold 61, 84, 232, 157 and 291 types of power management products, respectively, under three sub-categories, including switching regulators, multi-channel ICs and PMICs and others. During the Track Record Period, the gross profit margin of different types of power management products varied due to different functions and performance, and the gross profit margins, average selling price and material costs of the same type of power management product we sold remained relatively stable. Therefore, the gross profit margin of our power management products primarily depends on the types of products we sold in response to changes in market demand. The gross profit margin of power management products increased slightly from 54.3% in 2020 to 55.2% in 2021, primarily due to an increase in revenue contribution of switching regulators, which had relatively high gross profit margin compared with multi-channel ICs and PMICs. The gross profit margin of sales of power management products remained relatively stable at 55.2% in 2021 and 55.5% in 2022. The gross profit margin of power management products decreased slightly from 56.6% for the six months ended June 30, 2022 to 54.5% for the six months ended June 30, 2023, primarily due to an increase in revenue contribution of multi-channel ICs and PMICs, which had relatively low gross profit margins.

*Switching Regulators*

In 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, our gross profit margin of switching regulators was 67.3%, 65.5%, 60.3%, 61.0% and 58.3%, respectively. During the Track Record Period, the average unit costs for switching regulators remained relatively stable. Gross profit margin of switching regulators decreased during the Track Record Period, primarily due to the increase in revenue contribution from the Low ASP Switching Regulators with lower average selling prices and lower gross profit margin than the average of our existing analog IC products, and the decrease in revenue contribution from High ASP Switching Regulators with higher average selling prices and higher gross profit margin. For details of these products and their average selling prices, please refer to "Business – Our Product Offerings – Our Operational Highlights." For example, we launched Low ASP Switching Regulators based on a high performance switching regulator. Compared with the high performance switching regulator, the new products are not compatible with both lower starting voltage and higher extreme working voltage, and has reduced the withstand voltage level of the built-in power transistor. Such new products, although have relatively lower average selling prices and lower gross profit margin, have effectively enlarged sales volume due to its simplified design and reduced product size.

*Multi-channel ICs and PMICs*

Gross profit margin of multi-channel ICs and PMICs remained stable at 40.7% in 2020 and 40.6% in 2021. Gross profit margin of multi-channel ICs and PMICs increased from 40.6% in 2021 to 46.3% in 2022, and increased from 42.6% for the six months ended June 30, 2022 to 49.4% for the six months ended June 30, 2023, primarily due to the decreases in revenue contribution of High ASP Multi-channel ICs and PMICs being the six types of multi-channel ICs and PMICs (including four-channel buck SOC chips and three-channel buck SOC chips), which had lower than average gross profit margins. In 2020, 2021 and 2022, and the six months ended June 30, 2022 and 2023, the sales amount of these products accounted for 55.8%, 60.1%, 37.6%, 53.7% and 16.7%, respectively, of our total sales amount of multi-channel ICs and PMICs, and the fluctuation was mainly due to changes in market demand in relation to the emergence of similar products in the market. The average gross profit margin of these products was 36.5%, 37.4%, 37.7%, 37.2% and 37.3% in 2020, 2021 and 2022, and the six months ended June 30, 2022 and 2023, respectively. These products have lower than average gross profit margin because they integrate more components to achieve the function of continuously outputting large currents, resulting in higher than average unit costs, despite that they had relatively higher average selling prices due to higher reliability and more complex functions. For details of these products and their average selling prices, please refer to "Business – Our Product Offerings – Our Operational Highlights."

***Signal chain products:*** In 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, we sold one, 23, 32, 30 and 36 types of signal chain products, respectively, under the only sub-category, linear products. Similar to power management products, the gross profit margin of different types of signal chain products varied due to different functions and performance, and the gross profit margins, average selling price and material costs of the same type of signal chain product we sold remained relatively stable during the Track Record Period. Therefore, the gross profit margin of our signal chain products primarily depends on the types of products we sold in response to changes in market demand. The gross profit margins of signal chain products decreased from 90.7% in 2020 to 68.3% in 2021, and further decreased to 61.8% in 2022, and decreased from 61.4% for the six months ended June 30, 2022 to 60.7% for the six months ended June 30, 2023, primarily due to our increased revenue contribution of new types of linear products with relatively low gross profit margins to meet our customers' demands. We launched our first signal chain product in 2020. This signal chain product, being a two-channel amplifier, allows a higher input voltage to be supplied at its input terminals, and such specification is rarely seen among amplifiers in the market. Due to its advanced technological specifications that drive its price up, the gross profit margin of this signal chain product was higher than other signal chain products during the Track Record Period, being 90.7%, 90.4%, 94.5% and 93.4%, in 2020, 2021 and 2022 and the six months ended June 30, 2022, respectively. Due to its advanced technological specifications, such signal chain product has a relatively high average selling price as compared to our other signal chain products launched thereafter and limited downstream market demand, therefore we did not sell this product in the six months ended June 30, 2023. In order to diversify our product offerings and cover a broader range of downstream applications, we have successively launched other signal chain products since 2021, including comparators and amplifiers with various capabilities and specifications. Although these signal chain products are not as technologically advanced as our first signal chain product, they can still meet the needs of our customers in most scenarios and combines good performance with competitive prices. Therefore, although the gross profit margins of the new signal chain products are relatively low, being 66.3%, 60.7%, 59.1% and 60.7% in 2021 and 2022, and the six months ended June 30, 2022 and 2023, respectively, their revenue contribution continued to increase, which led to the continuous decreases in our gross profit margin of signal chain products during the Track Record Period. Revenue generated from these signal chain products was RMB18.1 million, RMB55.8 million, RMB26.9 million and RMB24.8 million in 2021 and 2022, and the six months ended June 30, 2022 and 2023, respectively, accounting for 91.4%, 96.7%, 93.4% and 100.0% of our revenue from signal chain products for the same periods. For details of the average selling prices for signal chain products, please refer to "Business – Our Product Offerings – Our Operational Highlights."

Our gross profit margin for sales to distributors and direct sales remained relatively stable during the Track Record Period. The gross profit margin of different sales channels is mainly influenced by the differences in the types of analog IC products we sold. During the Track Record Period, the gross profit margin for sales to distributors was generally higher than that of direct sales, mainly due to different types of product they purchased. Our major distributors, such as Arrow, mainly purchased sub-categories of products with higher gross profit margin during the Track Record Period, such as switching regulators and signal chain products, due to the needs of their downstream customers. In 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, revenue generated from multi-channel ICs and PMICs, the sub-category with lower gross profit margin, accounted for 50.6%, 34.6%, 29.2%, 18.5% and 42.1% of revenue generated from sales to distributors, respectively, and 37.5%, 65.0%, 39.2%, 40.9% and 40.0% of revenue generated from direct sales, respectively. The following table sets forth a breakdown of our gross profit and gross profit margin by sales channel for the periods indicated:

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | Gross Profit | Gross Profit Margin | Gross Profit | Gross Profit Margin | Gross Profit | Gross Profit Margin | Gross Profit | Gross Profit Margin | Gross Profit | Gross Profit Margin |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| | | | | | | | *(unaudited)* | | | |
| Sales to distributors | 46,398 | 55.0 | 109,530 | 57.0 | 160,958 | 56.9 | 76,710 | 58.1 | 93,641 | 55.7 |
| Direct sales | 2,351 | 54.7 | 10,470 | 51.0 | 38,366 | 54.9 | 16,365 | 54.6 | 19,254 | 53.2 |
| **Total** | 48,749 | 54.9 | 120,000 | 56.4 | 199,324 | 56.5 | 93,075 | 57.4 | 112,895 | 55.2 |

## Other Income and Net Gain

Other income and net gain primarily consist of (i) government grants; (ii) interest income from bank deposits, part of which were pledged for the issuance of bank acceptance bills; (iii) rental income from lease of our testing equipment; (iv) net realized and unrealized gains on financial assets measured at fair value through profit or loss ("**FVTPL**"), representing gains from wealth management products offered by reputable commercial banks in the PRC, including primarily wealth management products that invest mainly in money market instruments and debt securities with low risk and high liquidity, and structured deposits; and (v) R&D service income.

Our government grants primarily include industry-specific subsidies granted by the local government authorities in China to encourage R&D projects. The establishment of the incentive programs and grant of such subsidies are subject to the government's discretion and the receipt of such subsidies is thus unpredictable. There are no unfulfilled conditions relating to such government grants recognized. Our government grants that were non-recurring in nature caused the fluctuations in the amount of other income and net gain. Our government grants increased from RMB1.2 million in 2020 to RMB2.2 million in 2021, primarily due to an increase in COVID-19-related subsidies to stabilize employment and an increase in local government subsidies to promote the innovation in high-tech enterprises. Our government grants decreased from RMB2.2 million in 2021 to RMB0.7 million in 2022, primarily due to a decrease in COVID-19-related subsidies and a decrease in local government grants to promote innovation which were one-off in nature. Our government grants increased from RMB0.3 million for the six months ended June 30, 2022 to RMB4.3 million for the six months ended June 30, 2023, primarily due to an increase in local government subsidies to boost high-end manufacturing in Suzhou, and promote the innovation in high-tech enterprises.

Our R&D service income mainly consist of income derived from entrusted R&D agreements, according to which we provided circuit design services to a third party customer, a PRC state-owned enterprise established in 1979 and headquartered in Anhui primarily engaging in R&D and manufacturing of microelectronic devices (the "**Counterparty**"), in accordance with its design and testing requirements.

The salient terms of the entrusted R&D agreements are set out below:

- *Termination.* Either party has right to terminate the agreement upon mutual consent, or upon the occurrence of technical risks and force majeure which renders the performance of the agreement impossible.

- *Parties' obligations.* We are responsible for, among others, (i) designing, researching and developing a DC-DC switching regulator product according to specifications and requirements stipulated in the agreement; (ii) delivering to the Counterparty all related materials, including graphics, reports and other documents, and cooperating in relevant review and testing procedures; and (iii) upon the Counterparty's requests, providing technical assistance and guidance relating to the product after its delivery. The Counterparty is responsible for, among others, (i) providing the designing and testing specifications and requirements to be met by the product; and (ii) paying us in accordance with the amount and schedule stipulated in the agreement.

- *Upfront and Milestone Payments.* The total consideration of these agreements (i.e. the total amount of the R&D service income for the years ended December 31, 2021 and 2022) amounted to RMB6.8 million and is payable to us (i) in full within 15 days after entering into agreement, or (ii) in four installments. Within 15 days after entering into the agreement, 30% of the total consideration is payable to us. Upon passing review procedure for the prototype design and passing the review procedure for the sample design, 30% of the total consideration is payable to us for each of these two milestones. 10% of the total consideration is payable to us when the product passes the testing by a designated testing agency. The amount of the total consideration and the schedule of payment installments were negotiated on an arm's length basis and have taken into account our R&D costs including primarily labor costs, tape-out costs and chip probing costs, and a reasonable level of profit.

- *Confidentiality.* Each party of the agreement shall keep confidential the materials such as technical resolutions, software and design methods, as well as trade secrets and other confidential information within a specified period.

- *Intellectual Property.* The technical achievements and related IP rights arising from the performance of the agreement are shared by both parties, and neither party shall transfer or license them to any other third party without the written consent of the other party. After fulfilling our R&D obligations in accordance with the agreement, we may further improve the product and own the IP rights of any new achievements arising from such improvement.

The following table sets forth a breakdown of our other income and net gain for the periods indicated:

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | *RMB'000* | *% of total* | *RMB'000* | *% of total* | *RMB'000* | *% of total* | *RMB'000* | *% of total* | *RMB'000* | *% of total* |
| | | | | | | | *(Unaudited)* | | | |
| Government grants | 1,194 | 60.8 | 2,194 | 53.7 | 672 | 6.9 | 317 | 19.0 | 4,283 | 75.9 |
| Interest income | 289 | 14.7 | 166 | 4.1 | 495 | 5.1 | 158 | 9.5 | 628 | 11.1 |
| Rental income | – | – | – | – | 710 | 7.3 | 261 | 15.6 | 397 | 7.0 |
| Net realized and unrealized gains on financial assets measured at fair value through profit or loss | 417 | 21.2 | 1,195 | 29.2 | 1,730 | 17.7 | 932 | 55.9 | 237 | 4.2 |
| R&D service income | – | – | 609 | 14.9 | 6,184 | 63.2 | – | – | – | – |

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | *RMB'000* | *% of total* | *RMB'000* | *% of total* | *RMB'000* | *% of total* | *RMB'000* | *% of total* | *RMB'000* | *% of total* |
| | | | | | | | *(Unaudited)* | | | |
| Net loss on disposal of property, plant and equipment | – | – | (37) | (0.9) | – | – | – | – | (1) | (0.0)[(1)] |
| Others | 65 | 3.3 | (40) | (1.0) | – | – | – | – | 98 | 1.7 |
| **Total** | 1,965 | 100.0 | 4,087 | 100.0 | 9,791 | 100.0 | 1,668 | 100.0 | 5,642 | 100.0 |

*Note:*

(1) Less than 0.05%.

## Distribution Costs

Our distribution costs primarily consist of (i) employee benefits expenses, which mainly include salaries and welfare of our sales and marketing staff; and (ii) travel and entertainment expenses. In 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, our distributions costs only accounted for 0.9%, 0.8%, 1.0%, 0.9% and 1.4% of our revenue, respectively, as we primarily sold and marketed our patterned wafer products through third-party professional distributors during the Track Record Period.

The following table sets forth the components of our distribution costs for the periods indicated:

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | *RMB'000* | *% of total* | *RMB'000* | *% of total* | *RMB'000* | *% of total* | *RMB'000* | *% of total* | *RMB'000* | *% of total* |
| | | | | | | | *(Unaudited)* | | | |
| Employee benefits expenses | 625 | 79.0 | 1,428 | 80.6 | 2,891 | 80.8 | 1,235 | 82.3 | 1,670 | 58.2 |
| Travel and entertainment expenses | 166 | 21.0 | 338 | 19.1 | 676 | 18.9 | 263 | 17.5 | 544 | 19.0 |
| Others | – | – | 6 | 0.3 | 13 | 0.3 | 2 | 0.1 | 656 | 22.8 |
| **Total** | 791 | 100.0 | 1,772 | 100.0 | 3,580 | 100.0 | 1,500 | 100.0 | 2,870 | 100.0 |

**Administrative Expenses**

Our administrative expenses primarily consist of (i) employee benefits expenses, which mainly include salaries and welfare of our senior management and business operations and administration staff; (ii) consultation and agency fees, which mainly arise from the engagement of professional service providers for potential A-share listing in the PRC; (iii) depreciation and amortization; (iv) listing expenses; (v) travel and entertainment expenses; (vi) impairment loss; and (vii) office expenses, which mainly include property management fees and other general office expenses.

The following table sets forth a breakdown of the components of our administrative expenses for the periods indicated:

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | *RMB'000* | *% of total* | *RMB'000* | *% of total* | *RMB'000* | *% of total* | *RMB'000* | *% of total* | *RMB'000* | *% of total* |
| | | | | | | | *(Unaudited)* | | | |
| Employee benefits expenses | 2,402 | 68.5 | 7,099 | 51.2 | 11,460 | 51.7 | 4,878 | 46.1 | 5,630 | 53.1 |
| Consultation and agency fees | 386 | 11.0 | 2,540 | 18.3 | 2,960 | 13.3 | 258 | 2.4 | 1,931 | 18.2 |
| Depreciation and Amortization | 337 | 9.6 | 1,681 | 12.1 | 2,548 | 11.5 | 1,208 | 11.4 | 1,576 | 14.9 |
| Listing expenses | – | – | – | – | – | – | – | – | 785 | 7.4 |
| Travel and entertainment expenses | 294 | 8.4 | 863 | 6.2 | 1,765 | 8.0 | 612 | 5.8 | 763 | 7.2 |
| Office expenses | 565 | 16.1 | 795 | 5.7 | 1,298 | 5.9 | 612 | 5.8 | 620 | 5.9 |
| Impairment loss | (317) | (9.0) | 678 | 4.9 | 1,528 | 6.9 | 2,932 | 27.7 | (1,046) | (9.9) |
| Others[(1)] | (162) | (4.6) | 204 | 1.5 | 622 | 2.8 | 91 | 0.9 | 337 | 3.2 |
| **Total** | 3,505 | 100.0 | 13,860 | 100.0 | 22,181 | 100.0 | 10,591 | 100.0 | 10,596 | 100.0 |

*Note:*

(1) Others mainly include patent annual fee and bank fees.

**R&D Expenses**

Our R&D expenses primarily consist of (i) material costs for R&D projects; (ii) share-based payments in relation to the capital injection agreement Backward Partnership entered into with our R&D director, Mr. Shi Chao, for his contribution to us and providing him with an incentive for outstanding future performance. The amount of share-based payments was determined as the difference between the fair value of our equity interest and the consideration received by Backward Partnership; and (iii) employee benefits expenses, which mainly include salaries and welfare of our R&D staff. The following table sets forth a breakdown of the components of our R&D expenses for the periods indicated:

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | *RMB'000* | *% of total* | *RMB'000* | *% of total* | *RMB'000* | *% of total* | *RMB'000* (*Unaudited*) | *% of total* | *RMB'000* | *% of total* |
| Material costs | 15,180 | 53.4 | 31,212 | 65.6 | 61,171 | 72.1 | 29,239 | 74.4 | 32,653 | 56.9 |
| Share-based payments | – | – | – | – | – | – | – | – | 9,995 | 17.4 |
| Employee benefits expenses | 10,771 | 37.9 | 13,279 | 27.9 | 17,831 | 21.0 | 7,807 | 19.9 | 9,477 | 16.5 |
| Depreciation cost | 1,002 | 3.5 | 1,001 | 2.1 | 868 | 1.0 | 438 | 1.1 | 275 | 0.5 |
| Others[(1)] | 1,452 | 5.1 | 2,117 | 4.4 | 5,009 | 5.9 | 1,795 | 4.6 | 5,011 | 8.7 |
| **Total** | 28,405 | 100.0 | 47,609 | 100.0 | 84,879 | 100.0 | 39,279 | 100.0 | 57,411 | 100.0 |

*Note:*

(1) Others mainly include testing fees for R&D projects, IP application, registration and agency fees.

Material costs primarily comprised tape-out costs in the IC design verification, which accounted for 53.4%, 65.6%, 72.1%, 74.4% and 56.9% of our R&D expenses in 2020, 2021 and 2022, and the six months ended June 30, 2022 and 2023, respectively. Material costs were mainly affected by the number and stage of our R&D projects, and the difficulties encountered in developing products with varying levels of technical complexity. During the Track Record Period, we continuously increased our investment in R&D. The number of our R&D projects increased from 32 in 2020 to 46 in 2021, and further to 53 in 2022, and increased from 45 for the six months ended June 30, 2022 to 48 for the six months ended June 30, 2023. Material costs increased from RMB15.2 million in 2020 to RMB31.2 million in 2021, and further to RMB61.2 million in 2022, primarily due to increased procurement of raw materials to support an increasing number of R&D projects. Material costs increased from RMB29.2 million for the six months ended June 30, 2022 to RMB32.7 million for the six months ended June 30, 2023, primarily due to the use of R&D tape-out with relatively high unit price in our R&D projects in develop high-performance products with strict technical requirements.

During the Track Record Period, our R&D expenses were mainly invested in the development of new types of analog IC patterned wafers. The R&D expenses attributable to the development of EDA software primarily consisted of salaries and welfare of our R&D staff, which accounted for less than 1.6% of our total R&D expenses in each year/period comprising the Track Record Period.

### Finance Costs

Our finance costs primarily consist of (i) interest on loans and borrowings, which mainly include interest on short-term bank loans and other borrowings; (ii) interest on lease liabilities; and (iii) interest on financial instruments issued to investors, mainly arising from financial instruments issued to investors with preferred rights. Pursuant to the agreements between our investors and us, certain investors were granted the right to liquidate us and receive a preference amount upon liquidation or require us to redeem their paid-in or share capital for cash upon specified events, including a resignation of the founders (the "**Preferred Rights**"). We entered into an agreement with our investors to terminate the financial instruments issued to investors in December 2021. See "Financial Information – Discussion of Certain Items of Statements of Financial Position – Financial Instruments Issued to Investors" for details. The following table sets forth a breakdown of the components of our finance costs for the periods indicated:

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | *RMB'000* | *% of total* | *RMB'000* | *% of total* | *RMB'000* | *% of total* | *RMB'000* | *% of total* | *RMB'000* | *% of total* |
| | | | | | | | *(Unaudited)* | | | |
| Interest on | | | | | | | | | | |
| – loans and borrowings | 1,263 | 31.4 | 650 | 16.8 | 1,403 | 85.0 | 494 | 80.7 | 1,684 | 93.8 |
| – lease liabilities | 15 | 0.4 | 179 | 4.6 | 248 | 15.0 | 118 | 19.3 | 112 | 6.2 |
| – financial instruments issued to investors | 2,740 | 68.2 | 3,048 | 78.6 | – | – | – | – | – | – |
| **Total** | 4,018 | 100.0 | 3,877 | 100.0 | 1,651 | 100.0 | 612 | 100.0 | 1,796 | 100.0 |

### Income Tax

Our income tax expense was nil, nil, RMB1.6 million, nil and nil in 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, respectively. The income tax provision of the Company has been calculated at the tax rate of 25% on the taxable income during the Track Record Period in accordance with the EIT Law. We were entitled to preferential tax rate, additional deduction on R&D expenses and deduction on equipment newly purchased as explained below.

According to the EIT Law and its relevant regulations, entities that qualified as high-technology enterprise are entitled to a preferential income tax rate of 15%. We obtained the certificate of high-technology enterprise on December 2, 2020 and is subject to income tax rate at 15% for a three-year period from 2020 to 2022. We are in the process of renewing the high-technology enterprise certificate. During the Track Record Period, we did not have any taxable income. 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, from the year that we have taxable income, we can enjoy the exemption from EIT for the first two years and a half reduced rate on statutory rate for the following three years.

According to the Circular on Improving the Policy on Super-deduction of R&D Expenses (《關於完善研究開發費用稅前加計扣除政策的通知》) promulgated by the STA, the MOF and the MOST, effective from January 1, 2016 onwards, enterprises carrying out R&D activities are entitled to claim super-deduction of R&D expenses amounting to 50% of its R&D expenses in determining its tax assessable profits for the year. The ratio of the super-deduction of R&D expenses increased from 50% to 75%, effective from January 1, 2018 to December 31, 2020, according to the new tax incentives policy, the Notice of Increasing the Ratio of the Super-deduction of R&D Expenses (《關於提高研究開發費用稅前加計扣除比例的通知》) promulgated by the STA, the MOF and the MOST in September 2018. The applicable period of this policy was subsequently extended to December 31, 2023, pursuant to the Announcement of the MOF and the STA on Extending the Implementation Period of Some Preferential Tax Policies (《財政部 稅務總局關於延長部分稅收優惠政策執行期限的公告》) issued on March 15, 2021. The ratio of the super-deduction of R&D expenses has been further increased to 100% for enterprises entitled to 75% super-deduction of R&D expenses during the period from October 1, 2022 to June 30, 2023, and such enterprises are allowed to deduct the full amount of equipment and appliances newly purchased during the period from October 1, 2022 to June 30, 2023 from the taxable income amount on a one-off basis in the current year, according to the Announcement on Increasing Super-deduction in Support of Scientific and Technological Innovation (《關於加大支持科技創新稅前扣除力度的公告》) promulgated by the STA, the MOF and the MOST in September 2022. According to the Announcement of the MOF and the STA on Further Improving the Pre-tax Deduction Policy for R&D Expenses (2023) (《財政部稅務總局關於進一步完善研發費用稅前加計扣除政策的公告(2023)》), where R&D expenses actually incurred by an enterprise when it conducts any R&D activity have not been included in the current profit and loss, from January 1, 2023 onwards, 100% of the amount of R&D expenses actually incurred in this year shall be deducted from the amount of taxable income in this year, and where intangible assets have been formed, 200% of the costs of the intangible assets shall be amortized before tax. We have claimed super-deduction of R&D expenses upon above mentioned regulations in ascertaining our tax assessable profits for the Track Record Period.

As of the Latest Practicable Date, we did not have any material dispute with any tax authority.

## DISCUSSION OF RESULTS OF OPERATIONS

### Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022

#### *Revenue*

Our revenue increased by 26.1% from RMB162.1 million for the six months ended June 30, 2022 to RMB204.4 million for the six months ended June 30, 2023 due to increases in sales of power management products.

- *Power management products.* Our revenue generated from sales of power management products increased by 34.8% from RMB133.2 million for the six months ended June 30, 2022 to RMB179.6 million for the six months ended June 30, 2023. Such increase was primarily due to (i) an increase in our sales volume of power management products from 35.4 million units for the six months ended June 30, 2022 to 45.3 million units for the six months ended June 30, 2023, which was driven by the increased types of power management products we sold from 157 for the six months ended June 30, 2022 to 291 for the six months ended June 30, 2023; and (ii) an increase in average selling price from RMB3.8 for the six months ended June 30, 2022 to RMB4.0 for the six months ended June 30, 2023, primarily attributable to an increase in the portion of revenue contribution of multi-channel ICs and PMICs, the type of products with the highest average selling price.

  Our revenue generated from sales of switching regulators decreased by 2.7% from RMB77.8 million for the six months ended June 30, 2022 to RMB75.7 million for the six months ended June 30, 2023, primarily due to a decrease in the average selling price of switching regulators from RMB3.0 for the six months ended June 30, 2022 to RMB2.3 for the six months ended June 30, 2023, partially offset by an increase in sales volume of switching regulators from 26.4 million units for the six months ended June 30, 2022 to 33.6 million units for the six months ended June 30, 2023 due to the sales volume contribution of the new types of switching regulators.

  Our revenue generated from sales of multi-channel ICs and PMICs increased by 132.3% from RMB36.7 million for the six months ended June 30, 2022 to RMB85.3 million for the six months ended June 30, 2023, primarily due to an increase in sales volume of multi-channel ICs and PMICs from 0.8 million units for the six months ended June 30, 2022 to 3.9 million units for the six months ended June 30, 2023 due to the sales volume contribution of both the types of multi-channel ICs and PMICs we already provided in the first half of 2022 and the new types of multi-channel ICs and PMICs, partially offset by a decrease in the average selling price of multi-channel ICs and PMICs from RMB44.0 for the six months ended June 30, 2022 to RMB21.9 for the six months ended June 30, 2023.

- *Signal chain products.* Our revenue generated from sales of signal chain products decreased by 13.9% from RMB28.8 million for the six months ended June 30, 2022 to RMB24.8 million for the six months ended June 30, 2023. Such decrease was primarily due to a decrease in average selling price of linear products from RMB4.2 for the six months ended June 30, 2022 to RMB3.2 for the six months ended June 30, 2023, and was partially offset by an increase in our sales volume of signal chain products from 6.8 million units for the six months ended June 30, 2022 to 7.7 million units for the six months ended June 30, 2023, which was driven by the increased types of signal chain products we sold from 30 for the six months ended June 30, 2022 to 36 for the six months ended June 30, 2023.

### *Cost of Sales*

Our cost of sales increased by 32.7% from RMB69.0 million for the six months ended June 30, 2022 to RMB91.5 million for the six months ended June 30, 2023. The increase of costs of sales was mainly attributable to an increase in material costs.

- *Power management products.* Our cost of sales of power management products increased by 41.3% from RMB57.9 million for the six months ended June 30, 2022 to RMB81.8 million for the six months ended June 30, 2023, primarily due to (i) an increase in cost of sales of switching regulators by 4.0% from RMB30.4 million for the six months ended June 30, 2022 to RMB31.6 million for the six months ended June 30, 2023, which was in line with the revenue growth in switching regulators; (ii) an increase in cost of sales of multi-channel ICs and PMICs by 104.8% from RMB21.1 million for the six months ended June 30, 2022 to RMB43.1 million for the six months ended June 30, 2023, primarily due to the increased sales volume of multi-channel ICs and PMICs; and (iii) an increase in cost of sales of other power management products by 9.8% from RMB6.5 million for the six months ended June 30, 2022 to RMB7.1 million for the six months ended June 30, 2023, primarily due to an increase in cost of sales of linear regulators and monitoring and modulating ICs due to the increased sales volume of linear regulators and monitoring and modulating ICs.

- *Signal chain products.* Our cost of sales of signal chain products decreased by 12.3% from RMB11.1 million for the six months ended June 30, 2022 to RMB9.8 million for the six months ended June 30, 2023, which was in line with the revenue growth in signal chain segment.

### *Gross Profit and Gross Profit Margin*

As a result of the foregoing, our gross profit increased by 21.3% from RMB93.1 million for the six months ended June 30, 2022 to RMB112.9 million for the six months ended June 30, 2023. Our gross profit margin decreased from 57.4% for the six months ended June 30, 2022 to 55.2% for the six months ended June 30, 2023, primarily due to an increase in revenue contribution of multi-channel ICs and PMICs, which had relatively lower gross profit margin compared with switching regulators. See "– Description of Major Components of Our Results of Operations – Gross Profit and Gross Profit Margin" in this section for more details of our gross profit and gross profit margin.

- *Power management products.* Our gross profit of sales of power management products increased from RMB75.4 million for the six months ended June 30, 2022 to RMB97.8 million for the six months ended June 30, 2023. The gross profit margin of sales of power management products decreased from 56.6% for the six months ended June 30, 2022 to 54.5% for the six months ended June 30, 2023, primarily due to an increase in revenue contribution of multi-channel ICs and PMICs from 22.6% to 41.7% for the same periods. The gross profit margin of multi-channel ICs and PMICs is lower compared with other power management products because the multi-channel ICs and PMICs we sold were mainly SoC products with higher unit costs.

  Our gross profit margin of sales of switching regulators decreased from 61.0% for the six months ended June 30, 2022 to 58.3% for the six months ended June 30, 2023, primarily due to the increases in revenue contribution from Low ASP Switching Regulators, which had lower than average gross profit margin, and the decrease in revenue contribution from High ASP Switching Regulators, which had higher than average gross profit margin. The average unit costs for switching regulators remained relatively stable for the six months ended June 30, 2022 and 2023. Our gross profit margin of sales of multi-channel ICs and PMICs increased from 42.6% for the six months ended June 30, 2022 to 49.4% for the six months ended June 30, 2023, primarily due to the decreases in revenue contribution of High ASP Multi-channel ICs and PMICs, which had lower than average gross profit margin. Our gross profit margin of sales of other power management products decreased from 65.5% for the six months ended June 30, 2022 to 62.0% for the six months ended June 30, 2023, which were mainly affected by the gross profit margins of new types of products.

- *Signal chain products.* Our gross profit of sales of signal chain products decreased from RMB17.7 million for the six months ended June 30, 2022 to RMB15.1 million for the six months ended June 30, 2023. The gross profit margin of sales of signal chain products decreased from 61.4% for the six months ended June 30, 2022 to 60.7% for the six months ended June 30, 2023, primarily due to the relatively lower gross profit margin of the new types of linear products we offered to meet our customers' demands for the six months ended June 30, 2023 compared with the linear products we provided for the six months ended June 30, 2022.

***Other Income and Net Gain***

Our other income and net gain increased from RMB1.7 million for the six months ended June 30, 2022 to RMB5.6 million for the six months ended June 30, 2023, primarily due to (i) an increase in government grants by RMB4.0 million, due to an increase in local government subsidies to boost high-end manufacturing in Suzhou and promote the innovation in high-tech enterprises; and (ii) an increase in interest income by RMB0.5 million due to increase in bank deposits, partially offset by a decrease in net realized and unrealized gains on financial assets measured at fair value through profit or loss by RMB0.7 million due to decrease in purchase amount of wealth management products.

***Distribution Costs***

Our distribution costs increased by 91.3% from RMB1.5 million for the six months ended June 30, 2022 to RMB2.9 million for the six months ended June 30, 2023, primarily due to (i) an increase in others by RMB0.7 million, which mainly represents the depreciation of property, plant and equipment in relation to passenger vehicles and depreciation of right-of-use assets in relation to our leased office in Shanghai; and (ii) an increase in employee benefits expenses by RMB0.4 million as a result of an increase in the average number of our sales staff from seven for the six months ended June 30, 2022 to eight for the six months ended June 30, 2023. The proportion of distribution costs as a percentage of our revenue increased from 0.9% for the six months ended June 30, 2022 to 1.4% for the six months ended June 30, 2023, as we increased our investment in sales and distribution to expand our customer base.

***Administrative Expenses***

Our administrative expenses remained relatively stable at RMB10.6 million for the six months ended June 30, 2022 and RMB10.6 million for the six months ended June 30, 2023. The consultation and agency fees increased from RMB0.3 million for the six months ended June 30, 2022 to RMB1.9 million for the six months ended June 30, 2023, primarily due to the expensed audit fee in 2022 and the first quarter of 2023 for potential A-share listing in the PRC, and ISO certification costs. The impairment loss decreased from RMB2.9 million for the six months ended June 30, 2022 to negative RMB1.0 million for the six months ended June 30, 2023, primarily due to the collection of trade receivables from our largest customer, which was a favorable change in the estimates used to determine the recoverable amount and led to a reversed impairment loss. Our administrative expenses as a percentage of revenue decreased from 6.5% for the six months ended June 30, 2022 to 5.2% for the six months ended June 30, 2023.

***R&D Expenses***

Our R&D expenses increased by 46.2% from RMB39.3 million for the six months ended June 30, 2022 to RMB57.4 million for the six months ended June 30, 2023, primarily due to (i) an increase in share-based payments by RMB10.0 million in relation to the capital injection agreement Backward Partnership entered into with our R&D director, Mr. Shi Chao; (ii) an increase in material cost by RMB3.4 million due to the use of R&D tape-out with relatively high unit price in our R&D projects to develop high-performance products with strict technical requirements; (iii) an increase in employee benefits expenses by RMB1.7 million due to an increase in average compensation paid to our R&D staff from approximately RMB110,000 for the six months ended June 30, 2022 to approximately RMB132,000 for the six months ended June 30, 2023; and (iv) an increase in others by RMB3.2 million, including primarily testing fees in relation to wafer mask making in a R&D project.

Our R&D expenses as a percentage of revenue increased from 24.2% for the six months ended June 30, 2022 to 28.1% for the six months ended June 30, 2023, primarily due to more R&D activities conducted for the six months ended June 30, 2023.

***Finance Costs***

Our finance costs increased from RMB0.6 million for the six months ended June 30, 2022 to RMB1.8 million for the six months ended June 30, 2023, primarily due to an increase in interest expense on loans and borrowing by RMB1.2 million driven by a larger amount of balance of bank loans.

***Profit for the Period***

As a result of the foregoing, we recorded a profit of RMB42.8 million for the six months ended June 30, 2022 and RMB45.9 million for the six months ended June 30, 2023.

**Year Ended December 31, 2022 Compared to Year Ended December 31, 2021**

***Revenue***

Our revenue increased by 65.7% from RMB212.7 million in 2021 to RMB352.5 million in 2022 due to increases in sales of power management products and signal chain products.

- *Power management products.* Our revenue generated from sales of power management products increased by 52.8% from RMB192.9 million in 2021 to RMB294.8 million in 2022. Such increase was primarily due to an increase in our sales volume of power management products from 34.2 million units in 2021 to 72.9 million units in 2022, which was driven by the increased types of power management products we sold from 84 in 2021 to 232 in 2022, and was partially offset by the decrease in average selling price from RMB5.6 in 2021 to RMB4.0 in 2022.

  Our revenue generated from sales of switching regulators increased by 50.3% from RMB99.4 million in 2021 to RMB149.5 million in 2022, primarily due to an increase in sales volume of switching regulators from 26.4 million units in 2021 to 53.7 million units in 2022 due to the sales volume contribution of the new types of switching regulators, partially offset by a decrease in the average selling price of switching regulators from RMB3.8 in 2021 to RMB2.8 in 2022.

Our revenue generated from sales of multi-channel ICs and PMICs increased by 37.5% from RMB79.8 million in 2021 to RMB109.8 million in 2022, primarily due to an increase in sales volume of multi-channel ICs and PMICs from 1.9 million units in 2021 to 3.5 million units in 2022 due to the sales volume contribution of the new types of multi-channel ICs and PMICs, partially offset by a decrease in the average selling price of multi-channel ICs and PMICs from RMB42.1 in 2021 to RMB31.4 in 2022.

Our revenue generated from sales of other power management products increased by 160.6% from RMB13.6 million in 2021 to RMB35.5 million in 2022, primarily due to an increase in revenue generated from sales of monitoring and modulating ICs and linear regulators.

- *Signal chain products.* Our revenue generated from sales of signal chain products increased by 191.3% from RMB19.8 million in 2021 to RMB57.7 million in 2022. Such increase was primarily due to an increase in our sales volume of signal chain products from 3.2 million units in 2021 to 14.6 million units in 2022, which was driven by the increased types of signal chain products we sold from 23 in 2021 to 32 in 2022, and was partially offset by the decrease in average selling price from RMB6.2 in 2021 to RMB4.0 in 2022.

***Cost of Sales***

Our cost of sales increased by 65.2% from RMB92.7 million in 2021 to RMB153.2 million in 2022, which was generally in line with our revenue growth. The increase of costs of sales was mainly attributable to an increase in material costs which was in line with our revenue growth.

- *Power management products.* Our cost of sales of power management products increased by 51.7% from RMB86.4 million in 2021 to RMB131.1 million in 2022, primarily due to (i) an increase in cost of sales of switching regulators by 72.5% from RMB34.4 million in 2021 to RMB59.3 million in 2022, primarily due to an increase in the sales volume of switching regulators; (ii) an increase in cost of sales of multi-channel ICs and PMICs by 24.3% from RMB47.4 million in 2021 to RMB58.9 million in 2022, primarily due to an increase in the sales volume of multi-channel ICs and PMICs; and (iii) an increase in cost of sales of other power management products by 175.4% from RMB4.7 million in 2021 to RMB12.9 million in 2022, primarily due to an increase in cost of sales of monitoring and modulating ICs due to the increased sales volume of monitoring and modulating ICs.

- *Signal chain products.* Our cost of sales of signal chain products increased by 251.7% from RMB6.3 million in 2021 to RMB22.1 million in 2022, primarily due to the increased sales volume of linear products with higher unit costs.

***Gross Profit and Gross Profit Margin***

As a result of the foregoing, our gross profit increased by 66.1% from RMB120.0 million in 2021 to RMB199.3 million in 2022. Our gross profit margin remained stable at 56.4% in 2021 and 56.5% in 2022. See "– Description of Major Components of Our Results of Operations – Gross Profit and Gross Profit Margin" in this section for more details of our gross profit and gross profit margin.

- *Power management products.* Our gross profit of sales of power management products increased from RMB106.5 million in 2021 to RMB163.7 million in 2022. The gross profit margin of sales of power management products remained relatively stable at 55.2% in 2021 and 55.5% in 2022.

  Our gross profit margin of sales of switching regulators decreased from 65.5% in 2021 to 60.3% in 2022, primarily due to the increase in revenue contribution from Low ASP Switching Regulators, which had lower than average gross profit margin, and the decrease in revenue contribution from High ASP Switching Regulators, which had higher than average gross profit margin. The average unit costs for switching regulators remained relatively stable in 2021 and in 2022. Our gross profit margin of sales of multi-channel ICs and PMICs increased from 40.6% in 2021 to 46.3% in 2022, primarily due to the decreases in revenue contribution of High ASP Multi-channel ICs and PMICs that had lower than average gross profit margin. Our gross profit margin of sales of other power management products decreased from 65.6% in 2021 to 63.6% in 2022, which were mainly affected by the gross profit margins of new types of products.

- *Signal chain products.* Our gross profit of sales of signal chain products increased from RMB13.5 million in 2021 to RMB35.7 million in 2022. The gross profit margin of sales of signal chain products decreased from 68.3% in 2021 to 61.8% in 2022, primarily due to the new types of signal chain products we offered to meet our customers' demands had a relatively lower gross profit margin compared with the signal chain products we provided in 2021.

***Other Income and Net Gain***

Our other income and net gain increased from RMB4.1 million in 2021 to RMB9.8 million in 2022, primarily due to (i) an increase in R&D service income by RMB5.6 million arising from an entrusted R&D agreement, in which we provided R&D services; (ii) an increase in rental income by RMB0.7 million we received for lease of our testing equipment stored in our chip probing service provider's plant to improve utilization; and (iii) an increase in net realized and unrealized gains on financial assets measured at FVTPL by RMB0.5 million, partially offset by a decrease in government grants by RMB1.5 million.

### *Distribution Costs*

Our distribution costs increased by 102.0% from RMB1.8 million in 2021 to RMB3.6 million in 2022, primarily due to an increase in employee benefits expenses as a result of an increase in average compensation paid to our sales staff due to our business expansion from approximately RMB224,000 in 2021 to approximately RMB384,000 in 2022. The proportion of distribution costs as a percentage of our revenue increased from 0.8% in 2021 to 1.0% in 2022, as we increased our investment in sales and distribution to expand our customer base.

### *Administrative Expenses*

Our administrative expenses increased by 60.0% from RMB13.9 million in 2021 to RMB22.2 million in 2022, primarily due to (i) an increase in employee benefits expenses by RMB4.4 million as a result of an increase in the average number of our business operations and administration staff from 23 in 2021 to 33 in 2022 to support our business growth and an increase in average compensation paid to our business operations and administration staff from approximately RMB214,000 in 2021 to approximately RMB268,000 in 2022; (ii) an increase in travel and entertainment expenses of RMB0.9 million; (iii) an increase in depreciation and amortization by RMB0.9 million in relation to the depreciation of our passenger vehicles in property, plant and equipment and right-of-use assets; and (iv) an increase in impairment loss of RMB0.9 million in relation to trade and other receivables. Our administrative expenses as a percentage of revenue remained stable at 6.5% in 2021 and 6.3% in 2022.

### *R&D Expenses*

Our R&D expenses increased by 78.3% from RMB47.6 million in 2021 to RMB84.9 million in 2022, primarily due to (i) an increase in material costs by RMB30.0 million due to increased procurement of raw materials in our R&D projects, which increased from 45 in 2021 to 52 in 2022; (ii) an increase in employee benefits expenses by RMB4.6 million due to an increase in average compensation paid to our R&D staff from approximately RMB196,000 in 2021 to approximately RMB251,000 in 2022; and (iii) an increase in others by RMB2.9 million, which represented testing fees for R&D projects, IP application, registration and agency fees.

Our R&D expenses as a percentage of revenue increased from 22.4% in 2021 to 24.1% in 2022, primarily due to more R&D activities conducted in 2022.

### *Finance Costs*

Our finance costs decreased from RMB3.9 million in 2021 to RMB1.7 million in 2022, primarily due to a decrease in interest on financial instruments issued to investors, as we entered into an agreement with our investors to terminate the financial instruments issued to investors in December 2021, which was partially offset by an increase in interest expense on loans and borrowing.

### *Income Tax*

Our income tax was nil in 2021. We recorded a deferred income tax of RMB1.6 million in 2022 due to the temporary difference arising from the one-off tax deduction on the newly purchased equipment and the accounting policy to deduct the depreciation amount over its estimated useful life.

### *Profit for the Year*

As a result of the foregoing, we recorded a profit of RMB57.0 million in 2021 and RMB95.3 million in 2022.

## Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

### *Revenue*

Our revenue increased by 139.8% from RMB88.7 million in 2020 to RMB212.7 million in 2021 due to increases in sales of power management products and signal chain products.

- *Power management products.* Our revenue generated from sales of power management products increased by 121.5% from RMB87.1 million in 2020 to RMB192.9 million in 2021. Such increase was primarily due to (i) an increase in our sales volume of power management products from 17.0 million units in 2020 to 34.2 million units in 2021, which was driven by the increased types of power management products we sold from 61 in 2020 to 84 in 2021; and (ii) an increase in the average selling price from RMB5.1 in 2020 to RMB5.6 in 2021.

  Our revenue generated from sales of switching regulators increased by 249.5% from RMB28.5 million in 2020 to RMB99.4 million in 2021, primarily due to an increase in sales volume of switching regulators from 10.2 million units in 2020 to 26.4 million units in 2021 due to the sales volume contribution of both the types of switching regulators we already provided in 2020 and the new types of switching regulators, and an increase in the average selling price of switching regulators from RMB2.8 in 2020 to RMB3.8 in 2021.

  Our revenue generated from sales of multi-channel ICs and PMICs increased by 80.0% from RMB44.4 million in 2020 to RMB79.8 million in 2021, primarily due to an increase in sales volume of multi-channel ICs and PMICs from 1.2 million units in 2020 to 1.9 million units in 2021 due to the sales volume contribution of both the types of multi-channel ICs and PMICs we already provided in 2020 and the new types of multi-channel ICs and PMICs, and an increase in the average selling price of multi-channel ICs and PMICs from RMB36.2 in 2020 to RMB42.1 in 2021.

Our revenue generated from sales of other power management products decreased by 4.5% from RMB14.3 million in 2020 to RMB13.6 million in 2021, primarily due to a decrease in revenue generated from sales of linear regulators.

- *Signal chain products.* Our revenue generated from sales of signal chain products increased by 1,104.4% from RMB1.6 million in 2020 to RMB19.8 million in 2021. Such increase was primarily due to an increase in our sales volume of signal chain products from 0.2 million units in 2020 to 3.2 million units in 2021, which was driven by the increased types of signal chain products we sold from one in 2020 to 23 in 2021, and was partially offset by the decrease in the average selling price from RMB9.3 in 2020 to RMB6.2 in 2021.

***Cost of Sales***

Our cost of sales increased by 131.9% from RMB40.0 million in 2020 to RMB92.7 million in 2021. The increase of costs of sales was mainly attributable to an increase in material costs which was in line with our revenue growth.

- *Power management products.* Our cost of sales of power management products increased by 117.1% from RMB39.8 million in 2020 to RMB86.4 million in 2021, primarily due to (i) an increase in cost of sales of switching regulators by 269.2% from RMB9.3 million in 2020 to RMB34.4 million in 2021, primarily due to the increased sales volume of switching regulators, and the higher unit costs of seven types of switching regulators we sold in 2021 among our new types of switching regulators due to their larger product size; (ii) an increase in cost of sales of multi-channel ICs and PMICs by 80.2% from RMB26.3 million in 2020 to RMB47.4 million in 2021, which was in line with the revenue growth in multi-channel ICs and PMICs; and (iii) an increase in cost of sales of other power management products by 11.5% from RMB4.2 million in 2020 to RMB4.7 million in 2021, primarily due to an increase in cost of sales of monitoring and modulating ICs due to the increased sales volume of monitoring and modulating ICs.

- *Signal chain products.* Our cost of sales of signal chain products increased from RMB0.2 million in 2020 to RMB6.3 million in 2021, primarily due to the 22 new types of linear products we sold in 2021 with higher unit costs compared with the one linear product we sold in 2020.

***Gross Profit and Gross Profit Margin***

As a result of the foregoing, our overall gross profit increased by 146.2% from RMB48.7 million in 2020 to RMB120.0 million in 2021. Our gross profit margin increased slightly from 54.9% in 2020 to 56.4% in 2021, primarily due to changes in our product mix as we provided more types of analog IC patterned wafer products in 2021. See "– Description of Major Components of Our Results of Operations – Gross Profit and Gross Profit Margin" in this section for more details of our gross profit and gross profit margin.

- *Power management products.* Our gross profit of sales of power management products increased from RMB47.3 million in 2020 to RMB106.5 million in 2021. Our gross profit margin of sales of power management products increased slightly from 54.3% in 2020 to 55.2% in 2021, primarily due to an increase in revenue contribution of switching regulators, which had relatively high gross profit margin compared with multi-channel ICs and PMICs.

  Our gross profit margin of sales of switching regulators decreased from 67.3% in 2020 to 65.5% in 2021, primarily due to the increase in revenue contribution from the Low ASP Switching Regulators, which had lower than average gross profit margin. Our gross profit margin of sales of multi-channel ICs and PMICs remained stable at 40.7% in 2020 and 40.6% in 2021. Our gross profit margin of sales of other power management products decreased from 70.5% in 2020 to 65.6% in 2021, which were mainly affected by the gross profit margins of new types of products.

- *Signal chain products.* Our gross profit of sales of signal chain products increased from RMB1.5 million in 2020 to RMB13.5 million in 2021. The gross profit margin of sales of signal chain products decreased from 90.7% in 2020 to 68.3% in 2021, primarily due to our concentrated sales of one type of industrial grade signal chain product in 2020, being a two-channel amplifier allowing a higher input voltage to be supplied at its input terminals, which had a high unit selling price as there were limited competing products in the domestic market due to the high entry barrier for competitors to provide similar signal chain products with the advanced technological specifications we were able to offer. In 2021, we expanded our product portfolio and offered 23 types of signal chain products to respond to our customers' growing demand, and the overall gross profit margin decreased due to the more diversified product mix.

***Other Income and Net Gain***

Our other income and net gain increased from RMB2.0 million in 2020 to RMB4.1 million in 2021, primarily due to (i) an increase in government grants by RMB1.0 million; (ii) an increase in net realized and unrealized gains on financial assets measured at FVTPL by RMB0.8 million in relation to the gains from our redeemed wealth management products; and (iii) an increase in R&D service income by RMB0.6 million arising from an entrusted R&D agreement, in which we provided R&D services.

***Distribution Costs***

Our distribution costs increased by 124.0% from RMB0.8 million in 2020 to RMB1.8 million in 2021, primarily due to an increase in employee benefits expenses as a result of an increase in average compensation paid to our sales staff due to our business expansion from approximately RMB120,000 in 2020 to approximately RMB224,000 in 2021. The proportion of distribution costs out of our revenue remained relatively stable at 0.9% in 2020 and 0.8% in 2021.

***Administrative Expenses***

Our administrative expenses increased by 295.4% from RMB3.5 million in 2020 to RMB13.9 million in 2021, primarily due to (i) an increase in employee benefits expenses by RMB4.7 million as a result of an increase in the average number of our business operations and administration staff from 12 in 2020 to 23 in 2021 to support our business growth and an increase in average compensation paid to our business operations and administration staff from approximately RMB130,000 in 2020 to approximately RMB214,000 in 2021; (ii) an increase in consultation and agency fees by RMB2.2 million due to the engagement of professional service providers for potential A-share listing in the PRC; (iii) an increase in depreciation and amortization by RMB1.3 million arising from the depreciation of right-of-use assets in relation to our office leases and the depreciation of our passenger vehicles in property, plant and equipment; and (iv) an increase in impairment loss by RMB1.0 million in relation to trade and other receivables due to the larger amount of balance of trade receivables as of December 31, 2021. Our administrative expenses as a percentage of revenue increased from 4.0% in 2020 to 6.5% in 2021.

***R&D Expenses***

Our R&D expenses increased by 67.6% from RMB28.4 million in 2020 to RMB47.6 million in 2021, primarily due to (i) an increase in material costs by RMB16.0 million due to increased procurement of raw materials for our R&D projects, which increased from 31 in 2020 to 45 in 2021; (ii) an increase in employee benefits expenses by RMB2.5 million due to an increase in the average number of our R&D staff from 56 in 2020 to 62 in 2021 and an increase in average compensation paid to R&D staff from approximately RMB186,000 in 2020 to approximately RMB196,000 in 2021.

Our R&D expenses as a percentage of revenue decreased from 32.0% in 2020 to 22.4% in 2021, primarily due to the significant growth of our revenue in 2021.

### *Finance Costs*

Our finance costs remained relatively stable at RMB4.0 million in 2020 and RMB3.9 million in 2021.

### *Income Tax*

Our income tax was nil in 2020 due to the preferential tax treatment and additional deduction on R&D expenses. Our income tax was nil in 2021 due to the preferential tax treatment, additional deduction on R&D expenses and the unused tax losses in 2021.

### *Profit for the Year*

As a result of the foregoing, we recorded a profit of RMB14.0 million in 2020 and RMB57.0 million in 2021.

## LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our cash requirements primarily through cash generated from operating activities, capital contributions by investors and bank loans. In the future, we expect to continue relying on cash flows from operations, net proceeds from the Global Offering, and other debt to fund our working capital needs.

### Cash Flows

The following table sets forth a summary of our statements of cash flows for the periods indicated:

| | Years ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* *(Unaudited)* | *RMB'000* |
| Net cash (used in)/generated from operating activities | (41,493) | 8,805 | (31,416) | 7,888 | 50,116 |
| Net cash (used in)/generated from investing activities | (48,886) | 19,602 | (15,480) | (63,830) | (5,201) |
| Net cash generated from/ (used in) financing activities | 91,065 | 104,936 | 62,625 | (7,392) | 5 |
| **Net increase/(decrease) in cash and cash equivalents** | 686 | 133,343 | 15,729 | (63,334) | 44,920 |
| Cash and cash equivalents at January 1 | 12,749 | 13,435 | 146,778 | 146,778 | 162,507 |
| **Cash and cash equivalents at December 31/June 30** | 13,435 | 146,778 | 162,507 | 83,444 | 207,427 |

We had net cash outflow from operating activities for the years ended December 31, 2020 and 2022. In order to improve our net operating cash outflow position, we have adopted internal control measures, including, among others, the financial management handbook (《財務管理手冊》). The general ledger accountant shall prepare a monthly capital plan, receive approval from the financial manager and submit to the chief financial officer and general manager for review. The finance department will manage our working capital according to the plan to avoid business interruption due to shortage of funds or waste of resources due to excessive idle funds. The general ledger accountant shall track the receipts based on the plan, receive approval from the financial manager and submit a cash flow forecast to the chief financial officer and general manager for review. We also intend to strengthen the internal policy to control the trade receivables in various aspects, including, among others, monitoring of the progress of receivables collection and enhancing the discussion with customers regarding the delayed payment.

***Net Cash (Used in)/Generated from Operating Activities***

In 2020, our net cash used in operating activities was RMB41.5 million, primarily due to our profit before tax of RMB14.0 million, as adjusted by (i) non-cash items, which primarily included finance costs of RMB4.0 million; and (ii) changes in working capital, which primarily included (a) an increase in inventories of RMB31.5 million due to the growth of our sales volume; and (b) an increase in prepayments of RMB28.6 million due to our increased prepayments to suppliers primarily for the procurement of raw materials.

In 2021, our net cash generated from operating activities was RMB8.8 million, primarily due to our profit before tax of RMB57.0 million, as adjusted by (i) non-cash items, which primarily included finance costs of RMB3.9 million; and (ii) changes in working capital, which primarily included (a) an increase in prepayments of RMB43.7 million due to our increased procurement volume of raw materials which led to an increase in prepayments to suppliers; (b) an increase in inventories of RMB12.0 million due to the growth of our sales volume; (c) an increase in trade and other payables of RMB11.2 million due to increase in contract liabilities in relation to the advance payments we received for sales of products; and (d) an increase in trade and other receivables of RMB8.8 million due to the revenue growth for both sales of power management products and signal chain products.

In 2022, our net cash used in operating activities was RMB31.4 million, primarily due to our profit before tax of RMB96.8 million, as adjusted by (i) non-cash items, which primarily included depreciation of right-of-use assets of RMB2.2 million; and (ii) changes in working capital, which primarily included (a) an increase in prepayments of RMB126.9 million due to our increased procurement volume of raw materials which led to an increase in prepayments to suppliers; (b) an increase in trade and other payables of RMB74.7 million due to increase in bills payable in relation to bank acceptance we used for settlement in 2022; (c) an increase in trade and other receivables of RMB37.9 million due to the revenue growth for both sales of power management products and signal chain products; (d) an increase in pledged bank deposits of RMB21.2 million as a guarantee to issue bank acceptance bills; and (e) an increase in inventories of RMB19.8 million due to the growth of our sales volume.

For the six months ended June 30, 2023, our net cash generated from operating activities was RMB50.1 million, primarily due to our profit before tax of RMB45.9 million, as adjusted by (i) non-cash items, which primarily included equity-settled share-based transactions of RMB10.0 million; and (ii) changes in working capital, which primarily included (a) an increase in trade and other payables of RMB170.0 million due to increase in bills payable for the procurement of foundry-manufactured wafers; (b) an increase in prepayments of RMB82.2 million due to our increased procurement volume of raw materials and the increased listing expenses; (c) an increase in pledged bank deposits of RMB60.2 million as a guarantee to issue bank acceptance bills; (d) an increase in inventories of RMB54.1 million due to growth of our sales volume; and (e) a decrease in trade and other receivables of RMB17.5 million because the trade receivables from our largest customer as of December 31, 2022 were fully settled in the first half of 2023, and we accelerated the collection of trade receivables in the first half of 2023.

***Net Cash (Used in)/Generated from Investing Activities***

In 2020, our net cash used in investing activities was RMB48.9 million, primarily due to payments for acquisition of financial assets measured at FVTPL of RMB117.5 million and payment for the purchase of property, plant and equipment of RMB5.8 million, partially offset by proceeds from disposal of financial assets measured at FVTPL of RMB63.9 million and repayments of loans and borrowings to related parties of RMB11.7 million.

In 2021, our net cash generated from investing activities was RMB19.6 million, primarily due to proceeds from disposal of financial assets measured at FVTPL of RMB106.3 million, partially offset by payments for acquisition of financial assets measured at FVTPL of RMB51.0 million and payment for the purchase of property, plant and equipment of RMB35.9 million.

In 2022, our net cash used in investing activities was RMB15.5 million, primarily due to payments for acquisition of financial assets measured at FVTPL of RMB462.7 million and payment for the purchase of property, plant and equipment of RMB18.7 million, partially offset by proceeds from disposal of financial assets measured at FVTPL of RMB464.4 million.

For the six months ended June 30, 2023, our net cash used in investing activities was RMB5.2 million, primarily due to payment for the purchase of property, plant and equipment of RMB5.9 million, partially offset by interest received of RMB0.6 million.

***Net Cash Generated from/(Used in) Financing Activities***

In 2020, our net cash generated from financing activities was RMB91.1 million, primarily due to proceeds from the issue of financial instruments to investors of RMB45.0 million, capital contributions by investors of RMB44.5 million and proceeds from loans and borrowings of RMB20.0 million, partially offset by repayment of loans and borrowings of RMB21.6 million.

In 2021, our net cash generated from financing activities was RMB104.9 million, primarily due to proceeds from the issue of financial instruments to investors of RMB70.5 million, proceeds from loans and borrowings of RMB30.5 million and capital contributions by investors of RMB25.2 million, partially offset by repayment of loans and borrowings of RMB20.0 million.

In 2022, our net cash generated from financing activities was RMB62.6 million, primarily due to proceeds from loans and borrowings of RMB153.7 million, partially offset by repayment of loans and borrowings of RMB88.8 million.

For the six months ended June 30, 2023, our net cash generated from financing activities was RMB5,000, primarily due to proceeds from loans and borrowings of RMB11.9 million, partially offset by listing expenses paid of RMB9.5 million and interest paid of RMB1.7 million.

**Current Assets/Liabilities**

The following table sets forth our current assets and current liabilities of the statements of financial position as of the respective dates indicated:

| | As of December 31, | | | As of June 30, | As of October 31, |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* *(Unaudited)* |
| **Current assets** | | | | | |
| Inventories | 44,429 | 56,474 | 76,316 | 130,384 | 201,233 |
| Trade and other receivables | 20,972 | 31,749 | 67,097 | 49,581 | 67,184 |
| Prepayments | 32,228 | 75,915 | 202,845 | 302,720 | 289,571 |
| Pledged bank deposits | – | – | 21,151 | 81,379 | 44,048 |
| Cash and cash equivalents | 13,435 | 146,778 | 162,507 | 207,427 | 126,604 |
| Financial assets at FVTPL | 54,059 | – | – | – | – |
| **Total current assets** | 165,123 | 310,916 | 529,916 | 771,491 | 728,640 |
| **Current liabilities** | | | | | |
| Loans and borrowings | 20,029 | 30,508 | 95,512 | 107,370 | 149,859 |
| Trade and other payables | 11,500 | 18,585 | 96,049 | 270,213 | 142,578 |
| Lease liabilities | 267 | 2,229 | 3,627 | 4,702 | 5,176 |
| **Total current liabilities** | 31,796 | 51,322 | 195,188 | 382,285 | 297,613 |
| **Net current assets** | 133,327 | 259,594 | 334,728 | 389,206 | 431,027 |

***Net current assets***

Our net current assets increased from RMB133.3 million as of December 31, 2020 to RMB259.6 million as of December 31, 2021, primarily due to an increase in cash and cash equivalents of RMB133.3 million mainly as a result of the capital contributions by investors and proceeds from our operating activities.

Our net current assets increased from RMB259.6 million as of December 31, 2021 to RMB334.7 million as of December 31, 2022, primarily due to (i) an increase in trade and other receivables of RMB35.3 million; (ii) a decrease in payment for the purchase of property, plant and equipment of RMB17.2 million; and (iii) an increase in cash and cash equivalents of RMB15.7 million mainly due to proceeds from our operating activities.

Our net current assets increased from RMB334.7 million as of December 31, 2022 to RMB389.2 million as of June 30, 2023, primarily due to (i) an increase in prepayments of RMB99.9 million primarily due to our increasing procurement volume of foundry-manufactured wafers and the increased listing expenses; (ii) an increase in pledged bank deposits of RMB60.2 million as a guarantee to issue bank acceptance bills; (iii) an increase in inventories of RMB54.1 million due to the growth in our sales volume. This was partially offset by an increase in trade and other payables of RMB174.2 million, including primarily bills payable.

Our net current assets increased from RMB389.2 million as of June 30, 2023 to RMB431.0 million as of October 31, 2023, primarily due to (i) a decrease in trade and other payables of RMB127.6 million related to the maturity of bills payable; (ii) an increase in inventories of RMB70.8 million related to the procurement of untested foundry-manufactured wafers. This was partially offset by an increase in loans and borrowings of RMB42.5 million to support our working capital, and a decrease of RMB80.8 million in cash and cash equivalents.

***Accumulated losses***

We recorded accumulated losses in the amount of RMB60.3 million as of January 1, 2020, including the impact of (i) our share-based payments of RMB35.5 million in connection with a capital increase, a non-operating item which is not directly correlated with our business performance in a particular period; (ii) accrued interest expenses in relation to Preferred Rights of RMB8.3 million, a non-operating item which is not directly correlated with our business performance in a particular period; and (iii) the fact that our undistributed profits were negative as of December 31, 2019, because we were still at an early stage of development and incurred significant R&D expenses to expand our high-performance industrial grade product portfolio. As a result, these contributed to our accumulated loss position as of January 1, 2020, the commencement of our Track Record Period. We were able to turn around from loss-making in 2018 to profit-making in 2019 mainly because (i) we were able to provide analog IC patterned wafer products with high-performance and differentiated IC design that meet the evolving demand of our downstream customers in various application fields. The sales volume of our analog IC products increased substantially in 2019, due to the strong market demand for such products from domestic companies, and our advantages in providing industrial grade analog IC patterned wafers with high reliability and stability. Out of the five types of products that had the largest increase in sales volume from 2018 to 2019, four types of products were power management products that were newly launched in 2019, which included switching regulators, linear regulator and battery management IC. These products were designed for industrial-grade use based on the market demand, and their functions were directly benchmarked to international competitors targeting the same set of customers; (ii) we continued to strengthen our marketing strategies and actively promote our products to potential customers. In 2018, we began to establish cooperation with Arrow, a global leading IC distributor that was capable of promoting our products by leveraging its channel resources and large downstream customer base. In 2019, with the deepening of cooperation with Arrow, sales amount from Arrow increased by 94.8%, leading to an increase in revenue. In addition, Arrow connected us with mature medium and large companies and multinational companies through its national network, covering IC companies, automobile and large equipment manufacturers, for which we designed and developed products based on their needs and provided them with after-sales customers support, enabling us to expand our product offerings and enhance our brand reputation. We believe we could still benefit from our distributorship model in the future as we may predict market demand better through feedback from distributors and control our distribution costs; and (iii) our R&D expenses as a proportion of revenue decreased from 48.6% in 2018 to 38.2% in 2019, primarily because we improved operational efficiency. Our initial R&D cycle was relatively long, resulting in a high proportion of our R&D expenses in revenue before the Track Record Period. We upgraded our EDA software in 2018 to provide more simulation models and streamline the amount of simulation data, thus improving the software processing speed. We strengthened the compatibility of EDA software and existing IP modules, while continuously accumulated new IP modules. The number of our accumulated IP modules increased from 178 as of December 31, 2018 to 228 as of December 31, 2019. Subsequently, the number of accumulated IP modules increased to 292, 372, 496 and 558 as of December 31, 2020, 2021 and 2022 and June 30, 2023. Due to the accumulation of experience and know-how, our product design efficiency has been significantly improved in 2018 and 2019, resulting in a decrease in the proportion of R&D expenses in revenue.

## DISCUSSION OF CERTAIN ITEMS OF STATEMENTS OF FINANCIAL POSITION

### Property, Plant and Equipment

Our property, plant and equipment primarily consist of equipment and machinery, passenger vehicles, office equipment and furniture, construction in progress and leasehold improvements. Our construction in progress primarily consist of (i) R&D equipment we purchased, which has been delivered to us and pending installation. When we complete substantially all of the activities necessary to prepare the R&D equipment for its intended use, we will transfer it from construction in progress to equipment and machinery; and (ii) renovation of our office buildings in Suzhou and Shanghai and R&D center in Suzhou. The following table sets forth the net carrying amount of our property, plant and equipment as of the dates indicated:

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Equipment and machinery | 1,265 | 1,288 | 7,733 | 8,077 |
| Passenger vehicles | – | 998 | 735 | 2,025 |
| Office equipment and furniture | 155 | 313 | 350 | 1,090 |
| Construction in progress | – | 4,759 | 50,275 | 40,971 |
| Leasehold improvements | – | – | 160 | 9,451 |
| **Total** | 1,420 | 7,358 | 59,253 | 61,614 |

Our property, plant and equipment increased from RMB1.4 million as of December 31, 2020 to RMB7.4 million as of December 31, 2021, primarily due to (i) additions of construction in progress of RMB4.8 million in relation to renovation of our office building in Suzhou; and (ii) additions of passenger vehicles of RMB1.1 million.

Our property, plant and equipment increased from RMB7.4 million as of December 31, 2021 to RMB59.3 million as of December 31, 2022, primarily due to (i) additions of construction in progress of RMB45.5 million in relation to the equipment pending installation and renovation of our R&D center in Suzhou and office building in Shanghai. We purchased the equipment for conducting R&D activities, including equipment used for lithography, etching, film deposition, debonding and cleaning. We expect to complete the installation at the end of 2023; and (ii) additions of equipment and machinery of RMB7.2 million, partially offset by the depreciation of RMB0.8 million charged for 2022.

Our property, plant and equipment increased from RMB59.3 million as of December 31, 2022 to RMB61.6 million as of June 30, 2023, primarily due to (i) additions of passenger vehicles of RMB1.6 million; and (ii) additions of office equipment and furniture of RMB0.9 million.

**Right-of-use Assets**

Our right-of-use assets represent carrying amounts of long-term leased properties. The lease terms typically range from two to three years for an initial period.

Our right-of-use assets increased from RMB0.2 million as of December 31, 2020 to RMB4.8 million as of December 31, 2021, primarily due to additions to right-of-use assets in relation to the capitalized lease payments payable under the new tenancy agreement in Suzhou for business expansion.

Our right-of-use assets decreased from RMB4.8 million as of December 31, 2021 to RMB3.4 million as of December 31, 2022, primarily due to the depreciation charge and lease modification of right-of-use assets, which was partially offset by additions to right-of-use assets.

Our right-of-use assets decreased from RMB3.4 million as of December 31, 2022 to RMB2.6 million as of June 30, 2023, primarily due to a decrease in the carrying amounts of long-term leased properties, as the lease term for certain office properties in Suzhou expired in the first half of 2023, and we did not renew the lease agreement because we had leased another office building in Suzhou.

**Other Non-current Assets**

Our other non-current assets primarily consist of prepayments for property, plant and equipment.

Our other non-current assets increased from RMB4.9 million as of December 31, 2020 to RMB32.7 million as of December 31, 2021, primarily due to the prepayments for equipment purchased for enhancing our R&D capacity. Our other non-current assets decreased from RMB32.7 million as of December 31, 2021 to RMB2.7 million as of December 31, 2022, and further decreased to RMB0.8 million as of June 30, 2023, primarily due to the delivery of equipment in 2022 and the first half of 2023.

**Inventories**

Our inventories primarily consist of (i) raw materials, including untested foundry-manufactured wafers; and (ii) finished goods. Our raw materials are transferred to finished goods after the chip probing process, which only takes less than a month to complete. Our inventories increased from RMB44.4 million as of December 31, 2020 to RMB56.5 million as of December 31, 2021, and further increased to RMB76.3 million as of December 31, 2022 and RMB130.4 million as of June 30, 2023, primarily due to the inventories held in stock based on our customers' needs, which was in line with our business growth.

The following table sets forth our inventories as of the dates indicated:

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Raw materials | 26,744 | 30,242 | 64,598 | 104,037 |
| Finished goods | 17,685 | 26,232 | 11,718 | 26,347 |
| **Total** | 44,429 | 56,474 | 76,316 | 130,384 |

The following table sets forth the aging analysis of our inventory as of December 31, 2020, 2021 and 2022 and June 30, 2023:

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Raw materials** | | | | |
| Within six months | 22,260 | 26,503 | 60,033 | 96,431 |
| Six months to one year | 5,887 | 4,172 | 5,612 | 10,103 |
| One year to two years | 137 | 1,220 | 712 | 59 |
| | 28,284 | 31,895 | 66,357 | 106,593 |
| **Finished goods** | | | | |
| Within six months | 16,533 | 22,268 | 11,348 | 26,013 |
| Six months to one year | 1,485 | 5,262 | 375 | 323 |
| One year to two years | 77 | 35 | 178 | 182 |
| Over two years | 5 | – | – | 72 |
| | 18,100 | 27,565 | 11,901 | 26,590 |

| | As of December 31, 2020 | As of December 31, 2021 | As of December 31, 2022 | As of June 30, 2023 |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | 46,384 | 59,460 | 78,258 | 133,183 |
| Provision for inventories | (1,955) | (2,986) | (1,942) | (2,799) |
| **Total** | 44,429 | 56,474 | 76,316 | 130,384 |

There was no material recoverability issue for our inventories as of the end of each year during the Track Record Period for the following reasons: (i) a substantial portion of the inventories as of December 31, 2020, 2021 and 2022, and June 30, 2023 were aged less than one year and were subsequently settled in one year; and (ii) during the Track Record Period, we had not encountered any material impairment loss that have materially and adversely affected our business operations caused by slow-moving inventories. In 2020, 2021 and 2022 and for the six months ended June 30, 2023, our provision for inventories was RMB2.0 million, RMB3.0 million, RMB1.9 million and RMB2.8 million, respectively. Our Directors consider sufficient provision for inventories had been made.

The following table sets forth the number of our inventory turnover days for the periods indicated:

| | Year ended December 31, 2020 | Year ended December 31, 2021 | Year ended December 31, 2022 | Six Months ended June 30, 2023 |
|---|---|---|---|---|
| Inventory turnover days(1) | 261.9 | 198.6 | 158.2 | 203.3 |

*Note:*

(1) Inventory turnover days were calculated based on the average of opening and closing inventory balance divided by cost of sales for the relevant year/period, and multiplied by the number of days in the relevant year/period, being 365 days or 180 days.

Our inventory turnover days decreased from 261.9 days in 2020 to 198.6 days in 2021, and further to 158.2 days in 2022, due to our closely monitoring and adjustment of inventory level to avoid excessive stock. Our inventory turnover days increased from 158.2 days in 2022 to 203.3 days for the six months ended June 30, 2023, due to an increase in raw materials in anticipation of an increase in customers' demand in the second half of 2023.

As of October 31, 2023, RMB90.8 million, or 68.2% of our inventories as of June 30, 2023 had been subsequently consumed or sold.

**Trade and Other Receivables**

During the Track Record Period, our trade receivables primarily represent receivables from customers for sales of analog IC patterned wafer products. The credit period granted to our customers was generally 30 days to 90 days from the date of invoice. Our other receivables and deposits primarily represent VAT recoverable, loans to employees, contingency cash for business trips and sporadic purchases and rental deposits. The following table sets forth our trade and other receivables, as of the dates indicated:

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Amounts due from third parties | | | | |
| – Trade receivables, net of loss allowance | 18,039 | 27,829 | 64,870 | 44,974 |
| – Other receivables and deposits, net of loss allowance | 1,770 | 3,349 | 2,227 | 4,607 |
| | 19,809 | 31,178 | 67,097 | 49,581 |
| Amounts due from related parties | | | | |
| – Other receivables and deposits, net of loss allowance | 1,163 | 571 | – | – |
| Trade and other receivables | 20,972 | 31,749 | 67,097 | 49,581 |

Our trade receivables increased from RMB18.0 million as of December 31, 2020 to RMB27.8 million as of December 31, 2021, and further to RMB64.9 million as of December 31, 2022, primarily due to an increase in revenue generated from the increased amount of sales of both power management products and signal chain products, which was in line with our business expansion. Our trade receivables decreased from RMB64.9 million as of December 31, 2022 to RMB45.0 million as of June 30, 2023, primarily because the trade receivables from our largest customer as of December 31, 2022 were fully settled in the first half of 2023, and we accelerated the collection of trade receivables in the first half of 2023. The fluctuation of our other receivables and deposits from third parties during the Track Record Period was primarily due to changes in VAT recoverable. The amounts due from related parties were interest receivables arising from loans to related parties and were non-trade in nature.

The following table sets forth an aging analysis of our trade receivables at the end of each year/period of the Track Record Period, based on the invoice dates and net of loss allowance:

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within one month | 15,039 | 11,378 | 14,643 | 19,111 |
| One to two months | 3,000 | 16,166 | 8,756 | 16,235 |
| Two to three months | – | 274 | 10,757 | 2,586 |
| Over three months | – | 11 | 30,714 | 7,042 |
| **Total** | 18,039 | 27,829 | 64,870 | 44,974 |

We generally recovered trade receivables within three months. Our trade receivables aged over three months increased significantly as of December 31, 2022, which was primarily related to the extended payment period for our largest customer due to the impact of COVID-19 on the payment process, and the amount due from our largest customer as of December 31, 2022 had been fully received as of the Latest Practicable Date. We seek to maintain strict control over our trade receivables and overdue balances are reviewed monthly by senior management. There was no material recoverability issue for our trade receivables as of the end of each year during the Track Record Period taking into consideration the following factors: (i) 84.3% of our outstanding trade receivables as of June 30, 2023 aged less than three months and our trade receivables shall be generally settled within three months which were in line with our credit terms granted; (ii) the trade receivables from Arrow was RMB43.0 million as of June 30, 2023, accounting for 90.8% of our trade receivables. As of October 31, 2023, all of our trade receivables from Arrow as of June 30, 2023 had been subsequently settled; (iii) we have maintained continuous communication with Arrow and we have not encountered any commercial disputes with it; and (iv) historically, our trade receivables from Arrow have always been collected eventually. The parent company of Arrow is listed on the New York Stock Exchange, and is still carrying on its normal business operations based on publicly available information. In 2020, 2021 and 2022 and for the six months ended June 30, 2023, our loss allowance was RMB0.9 million, RMB1.5 million, RMB3.4 million and RMB2.4 million, respectively. Our Directors consider sufficient provision for impairment of trade receivables had been made.

Our management determines the loss allowance for expected credit losses on trade and other receivables based on an assessment of the present value of all expected cash shortfalls. These estimates are based on the information about past events, current conditions and forecasts of future economic conditions. Our management reassesses the loss allowance at the end of each Track Record Period. During the Track Record Period, the IC market in China was experiencing rapid growth. There were no material change in late payment and default risk as well as forward-looking factors throughout the Track Record Period. As a result, our ECL rates remained stable throughout the Track Record Period.

The table below sets forth the turnover days of our trade receivables for the periods indicated:

| | Year ended December 31, | | | Six Months ended June 30, |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** |
| Trade receivables turnover days[1] | 72.8 | 39.4 | 48.0 | 48.4 |

*Note:*

(1) Trade receivables turnover days were calculated based on the average of opening and closing trade receivables balance divided by revenue for the relevant year/period, and multiplied by the number of days in the relevant year/period, being 365 days or 180 days.

The trade receivable turnover days indicate the average time required for us to collect payments. Our trade receivables turnover days decreased from 72.8 days in 2020 to 39.4 days in 2021, as we enhanced our credit collection efforts in 2021. Our trade receivables turnover days increased from 39.4 days in 2021 to 48.0 days in 2022, due to extended payment period for our largest customer located in Shanghai due to the resurgence of COVID-19 variants in China in 2022. Our trade receivables turnover days remained relatively stable at 48.0 days in 2022 and 48.4 days for the six months ended June 30, 2023.

As of October 31, 2023, RMB45.3 million or 95.7% of our trade receivables as of June 30, 2023 had been subsequently settled.

**Prepayments**

Our prepayments primarily consist of prepayment to suppliers for the purchase of raw materials and chip probing services, and listing expense. The following table sets forth our prepayments as of the dates indicated:

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Prepayments to suppliers | 32,051 | 75,851 | 202,735 | 284,873 |
| Listing expense | – | – | – | 17,629 |
| Others | 177 | 64 | 110 | 218 |
| **Total** | 32,228 | 75,915 | 202,845 | 302,720 |

The following table sets forth an aging analysis of our prepayments to suppliers as of the dates indicated:

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within three months | 26,496 | 38,955 | 149,168 | 115,340 |
| Three to six months | 5,527 | 36,633 | 52,614 | 152,447 |
| Six to 12 months | 6 | 95 | 931 | 17,064 |
| One to two years | – | 146 | – | – |
| Over two years | 22 | 22 | 22 | 22 |
| **Total** | 32,051 | 75,851 | 202,735 | 284,873 |

We generally made full prepayment to wafer channel partner six months in advance according to our estimation based on our customers' demand to secure the manufacturing capacity during the Track Record Period and up to the Latest Practicable Date. According to Frost & Sullivan, it is in line with industry practice for analog IC patterned wafer design companies to make prepayments to suppliers of foundry-manufactured wafers. During the Track Record Period and up to the Latest Practicable Date, our prepayments to suppliers were generally settled within six months. It normally takes approximately six months for our supplier to deliver foundry-manufactured wafers, and approximately half a month for our supplier to perform chip probing services after we make an order. As we do not provide custom-designed analog IC products, we may reserve manufacturing capacity and place manufacturing orders before receiving orders from our customers based on our customers' forecasted demand and our estimated sales volume. After we received orders from our customers, we just need to go through the chip probing process and deliver our analog IC products to our customers. We reserve manufacturing capacity based on estimated sales volume in the next year. Considering that our newly developed products are usually produced in small batches, we normally reserve the spare manufacturing capacity of our suppliers, which requires earlier reservation because the spare manufacturing capacity is difficult to reserve and is usually reserved only for enterprises with long-term cooperative relationship. By reserving manufacturing capacity early, we can ensure that manufacturing capacity is not affected by the market condition when market manufacturing capacity is scarce, and secure manufacturing capacity with better prices when there is overcapacity in the market.

We have entered into framework procurement agreements with Supplier A to procure foundry-manufactured wafers. Supplier A does not impose requirement of minimum purchase amount on us or request upfront deposit. For details of the procurement agreements, please refer to "Business – Our Suppliers – Relationship with Supplier A – Key Terms of Procurement Agreements with Supplier A." As our procurement of foundry-manufactured wafers primarily derived from Supplier A during the Track Record Period, if our relationship with Supplier A is terminated, interrupted, or modified in any way adverse to us, there may be material interruptions to our operations and business. Our prepayments increased from RMB32.2 million as of December 31, 2020 to RMB75.9 million as of December 31, 2021, and further to

RMB202.8 million as of December 31, 2022, primarily due to our increasing procurement volume of foundry-manufactured wafers, which was in line with our business growth. Our prepayments continued to increase from RMB202.8 million as of December 31, 2022 to RMB302.7 million as of the June 30, 2023, primarily due to our increasing procurement volume of foundry-manufactured wafers and the increased listing expenses. We increased our prepayments to suppliers in the second half of 2022 and the in the first half of 2023 in anticipation of economic recovery and increased market demand. We consider the impairment risk to be insignificant as our analog IC products are applicable under diverse application scenarios and the product life cycle of analog IC products is approximately ten years. Our Directors believe that there is no material recoverability issue for our prepayments to suppliers taking into consideration the following factors: (i) the prepayments to Supplier A was RMB277.2 million as of June 30, 2023, accounting for 97.3% of our prepayments to suppliers. As of August 31, 2023, RMB71.5 million or 25.8% of our prepayments to Supplier A as of June 30, 2023 had been subsequently settled, which was in line with our normal practice; (ii) we have maintained continuous communication with Supplier A and we have not encountered any commercial disputes with it; and (iii) historically, Supplier A could generally deliver foundry-manufactured wafers on time according to the agreement with us.

As of September 30, 2023, RMB131.2 million or 46.0% of our prepayments to suppliers as of June 30, 2023 had been subsequently settled. As of October 31, 2023, RMB255.4 million or 93.9% of our prepayments to suppliers aging within six months, and RMB183.0 million or 64.2% of our prepayments as of June 30, 2023 had been subsequently settled. In addition, we settled payments with our suppliers primarily by bills payable, which normally has a term of three to nine months, and had bills payable of RMB256.1 million as of June 30, 2023, compared to prepayments to suppliers of RMB284.5 million as of the same date. For details, see "– Discussion of Certain Items of Statements of Financial Position – Trade and Other Payables." Considering the above, our Directors are of the view that our prepayments will not materially and adversely affect our cash flow position.

**Financial Assets at FVTPL**

Our financial assets at FVTPL represent our investment in wealth management products offered by reputable commercial banks in the PRC, including primarily wealth management products that invest mainly in money market instruments and debt securities with low risk and high liquidity, and structured deposits during the Track Record Period. As of December 31, 2020, 2021 and 2022 and June 30, 2023, we had financial assets at FVTPL of RMB54.1 million, nil, nil and nil, respectively. We mainly invested in short-term wealth management products and redeemed the wealth management products before the end of 2021 and 2022 and June 30, 2023 upon maturity. We have established a set of investment policies and internal control measures to achieve reasonable returns on our investments of wealth management products while mitigating our exposure to investment risks. These policies and measures include:

- investments shall be made when we have idle funds and not interfere with our normal business activities or capital expenditures;
- investments shall generally be short-term in order to maintain our liquidity and financial flexibility;

- we only purchase low-risk wealth management products issued by reputable commercial banks and/or other qualified financial institutions;

- investments exceeding certain thresholds must be approved by our Shareholders or the Board in accordance with relevant laws and regulations and our Articles of Association; and

- our finance department, subject to the review and approval of our management, is responsible for the overall execution of our investments, including risk assessment.

We have categorized our financial instruments into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The fair value of our investments in Level 2 as of December 2020 was the estimated amount that we would receive to transfer the financial assets at the end of 2020, taking into account current interest rates published on the counterparty banks' websites. For details of the fair value measurement of our financial assets, please refer to note 28(d) to the Accountants' Report set out in Appendix I to this prospectus.

**Trade and Other Payables**

Our trade and other payables include (i) trade payables, which primarily related to payments due to a supplier for chip probing services; (ii) bills payable, which primarily related to payments due to our wafer channel partner; (iii) contract liabilities, which mainly arise from the advance payments made by customers before we provided the analog IC patterned wafer products, and the advance payments received for an entrusted R&D agreement; and (iv) other payables and accruals, which primarily include investment payables from an investor and equipment payables in relation to the renovation of our leased premises in Suzhou and Shanghai and the purchase of R&D equipment. The following table sets forth our trade and other payables, as of the dates indicated:

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Amounts due to third parties | | | | |
| Trade payables | 847 | 2,086 | 1,724 | – |
| Bills payable | – | – | 67,119 | 256,140 |
| | 847 | 2,086 | 68,843 | 256,140 |
| Contract liabilities | 332 | 6,487 | 10,629 | – |
| Other payables and accruals | 10,321 | 10,012 | 16,577 | 14,073 |
| | 11,500 | 18,585 | 96,049 | 270,213 |

Our trade payables decreased from RMB1.7 million as of December 31, 2022 to nil as of June 30, 2023, primarily because our supplier for chip probing services requested prepayments in the first half of 2023. We began to use bank acceptance for settlement with our wafer channel partner in 2022 to improve capital efficiency. Our bills payable increased from RMB67.1 million as of December 31, 2022 to RMB256.1 million as of June 30, 2023, primarily due to the payments to our wafer channel partner to secure foundries' manufacturing capacity in anticipation of increased sales in the second half of 2023.

Our contract liabilities increased from RMB0.3 million as of December 31, 2020 to RMB6.5 million as of December 31, 2021, and further to RMB10.6 million as of December 31, 2022, reflecting an increase in advance payments for sales of products as the demand for our analog IC patterned wafer products increased. Our contract liabilities decreased from RMB10.6 million as of December 31, 2022 to nil as of June 30, 2023, primarily because we did not request advance payments from our customers for the six months ended June 30, 2023. We only required customers to make advance payment when they request for our products to be delivered on an urgent basis.

Other payables and accruals remained stable at RMB10.3 million as of December 31, 2020 and RMB10.0 million as of December 31, 2021. Other payables and accruals increased from RMB10.0 million as of December 31, 2021 to RMB16.6 million as of December 31, 2022, primarily due to increased equipment payables in relation to the renovation of our leased premise in Suzhou and purchase of R&D equipment. Other payables and accruals decreased from RMB16.6 million as of December 31, 2022 to RMB14.1 million as of June 30, 2023, primarily due to decreased payroll as only half-year staff bonus was accrued as of June 30, 2023.

The following table sets forth the aging analysis of our trade payables and bills payable based on the invoice dates as of the dates indicated:

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within three months | 847 | 2,086 | 24,074 | 109,666 |
| Three to six months | – | – | 39,965 | 146,474 |
| Six to 12 months | – | – | 4,804 | – |
| **Total** | 847 | 2,086 | 68,843 | 256,140 |

During the Track Record Period, the credit period granted to us would be around 30 days by our chip probing service provider, from the date of invoice. Our trade payables and bills payable increased from RMB0.8 million as of December 31, 2020 to RMB2.1 million as of December 31, 2021, and further increased to RMB68.8 million as of December 31, 2022 and RMB256.1 million as of June 30, 2023 reflecting the expansion of our business operations. Our trade payables and bills payable aged over three months increased from nil as of December 31, 2021 to RMB44.8 million as of December 31, 2022, primarily due to our use of bank acceptance for settlement, which normally has a term of three to nine months. As of June 30, 2023, we fully settled bills payable aged six to 12 months and partially settled bills payable aged three to six months as of December 31, 2022.

The following table sets forth our average trade payables turnover days for the periods indicated:

| | Year ended December 31, 2020 | 2021 | 2022 | Six Months ended June 30, 2023 |
|---|---|---|---|---|
| Trade payables turnover days[(1)] | 12.0 | 5.8 | 4.5 | 1.7 |

*Note:*

(1) Trade payables turnover days were calculated based on the average of opening and closing trade payables balance divided by cost of sales for the relevant year/period, and multiplied by the number of days in the relevant year/period, being 365 days or 180 days.

Our trade payables turnover days decreased from 12.0 days in 2020 to 5.8 days in 2021, and further to 4.5 days in 2022, primarily due to increase in cost of sales, which primarily consists of material costs, the largest component of our cost of sales with rapid growth. Our trade payable turnover days decreased from 4.5 days in 2022 to 1.7 days in June 30, 2023, primarily due to our decrease trade payables as our supplier for chip probing services requested prepayments in the first half of 2023. Meanwhile, payments due to our wafer channel partner were not included in trade payables during the Track Record Period as we either made prepayments to wafer channel partner or included the payments due to wafer channel partner in bills payable.

As of October 31, 2023, all of our bills payable as of June 30, 2023 had been subsequently settled.

**Financial Instruments Issued to Investors**

Pursuant to the agreements between our investors and us, certain investors were granted the right to liquidate us and receive a preference amount upon liquidation or require us to redeem their paid-in or share capital for cash upon specified events, including a resignation of the founders. We recognized the obligation to pay cash to those investors with Preferred Rights as financial liabilities, because not all triggering events are within our control. The financial liabilities are measured at the present value of the redemption amount. The financial instruments issued to investors was RMB106.0 million as of December 31, 2020.

In December 2021, pursuant to the supplementary agreement signed between our Pre-IPO Investors who entered into investment agreements in or prior to 2021 with Preferred Rights and us, the investors' Preferred Rights were terminated for purpose of our potential A-share listing in the PRC. See "History, Development and Corporate Structure – Pre-IPO Investments" for more details. Hence, the redemption liabilities were derecognized and the carrying amount of the redemption liabilities was reclassified to equity thereafter.

## INDEBTEDNESS

Our indebtedness primarily consist of loans and borrowings and lease liabilities. The following table sets forth a breakdown of our indebtedness as of the dates indicated:

| | As of December 31, | | | As of June 30, | As of October 31, |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 | 2023 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (*unaudited*) |
| Loans and borrowings | 20,029 | 30,508 | 95,512 | 107,370 | 149,859 |
| Lease liabilities | 267 | 6,386 | 6,570 | 6,029 | 5,839 |
| **Total indebtedness** | 20,296 | 36,894 | 102,082 | 113,399 | 155,698 |

Save as disclosed below, we did not have any bank and other loan, or any loan capital issued and outstanding or agreed to be issued, bank overdraft, borrowing or similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases or finance lease commitments, guarantees or other material contingent liabilities as of the Latest Practicable Date for our indebtedness statement. Our Directors confirm that there has not been any material change in our indebtedness since the Latest Practicable Date up to the date of this prospectus.

### Loans and Borrowings

The following table sets forth the principal amounts of our interest-bearing bank loans as of the dates indicated:

| | As of December 31, | | | As of June 30, | As of October 31, |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 | 2023 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (*unaudited*) |
| Bank loans, within 1 year or on demand | 20,029 | 30,508 | 95,512 | 107,370 | 149,859 |
| Represented by: | | | | | |
| – guaranteed | 20,029 | 10,500 | – | – | – |
| – unsecured and unguaranteed | – | 20,008 | 95,512 | 107,370 | 149,859 |
| | 20,029 | 30,508 | 95,512 | 107,370 | 149,859 |

Our total outstanding bank loans increased from RMB20.0 million as of December 31, 2020 to RMB30.5 million as of December 31, 2021, and further to RMB95.5 million as of December 31, 2022 and RMB107.4 million as of June 30, 2023, primarily due to increasing financing activities as a result of our business expansion, which was used to support our working capital, such as payment for raw materials, salaries and welfare of our employees and office expenses.

The effective interest rates of our bank loans ranged from 3.0% to 5.2% per annum in 2020, 2021 and 2022 and for the six months ended June 30, 2023. We consider these interest rates to be within the range of market interest rates.

As of December 31, 2020, we had interest-bearing borrowings of RMB20.0 million, which were guaranteed by Mr. Li Zhen and Mr. Li Yi with effective interest rates ranging from 3.9% to 5.2% per annum, which were fully repaid in 2021.

As of December 31, 2021, we had interest-bearing borrowings of RMB30.5 million with effective interest rates ranging from 3.9% to 4.5% per annum. In particular, RMB10.5 million were guaranteed by Mr. Li Zhen, which were fully repaid in 2022.

As of December 31, 2022, we had interest-bearing borrowings of RMB95.5 million, all of which were unguaranteed and unsecured borrowings with effective interest rates ranging from 3.0% to 3.8% per annum and will become due in 2023.

As of June 30, 2023, we had interest-bearing borrowings of RMB107.4 million, all of which were unguaranteed and unsecured borrowings with effective interest rates ranging from 3.0% to 3.8% per annum. RMB95.5 million will become due in 2023 and RMB11.9 million will become due in 2024.

We consider our bank borrowing agreements to contain standard terms, conditions and covenants that are customary for commercial bank loans. Our Directors confirm that we did not experience any difficulty in obtaining bank 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 the Latest Practicable Date, we had unutilized banking facilities of RMB647.8 million.

**Lease Liabilities**

Lease liabilities represent the present value of outstanding lease payments under our lease agreements. The following table sets forth our lease liabilities as of the dates indicated:

| | As of December 31, | | | As of June 30, | As of October 31, |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* *(unaudited)* |
| Current | 267 | 2,229 | 3,627 | 4,702 | 5,176 |
| Non-current | – | 4,157 | 2,943 | 1,327 | 663 |
| **Total** | 267 | 6,386 | 6,570 | 6,029 | 5,839 |

As of December 31, 2020, 2021 and 2022 and June 30, 2023, our lease liabilities were RMB0.3 million, RMB6.4 million, RMB6.6 million and RMB6.0 million, respectively. These lease liabilities primarily related to lease contracts of our R&D and office premises. Our lease liabilities increased from RMB0.3 million as of December 31, 2020 to RMB6.4 million as of December 31, 2021, primarily due to our new lease contract of office premises in Suzhou in 2021. Our lease liabilities increased from RMB6.4 million as of December 31, 2021 to RMB6.6 million as of December 31, 2022, primarily due to our new lease contract of office premises in Shanghai in 2022. Our lease liabilities decreased from RMB6.6 million as of December 31, 2022 to RMB6.0 million as of June 30, 2023, because we did not enter into new lease contract in the first half of 2023, and we made lease payment for our leased R&D and office premises in Suzhou and Shanghai.

## CONTINGENT LIABILITIES

We did not have any contingent liabilities as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. As of October 31, 2023, being the indebtedness date for the purpose of the indebtedness statement, we did not have any contingent liabilities. Our Directors have confirmed that there has not been any material change in the contingent liabilities of our Company since October 31, 2023 and up to the Latest Practicable Date.

## KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of and for the year/period indicated:

| | As of and for the year ended December 31, | | | As of and for the six months ended June 30, |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** |
| Gross profit margin | 54.9% | 56.4% | 56.5% | 55.2% |
| Current ratio | 5.2 | 6.1 | 2.7 | 2.0 |
| Quick ratio | 3.8 | 5.0 | 2.3 | 1.7 |
| Gearing ratio | 59.2% | 10.1% | 24.1% | 23.8% |
| Return on equity | 70.0% | 34.1% | 27.4% | 10.8% |
| Return on assets | 12.0% | 21.6% | 20.0% | 6.4% |

*Gross Profit Margin*

Gross profit margin is calculated by the gross profit divided by the revenue for the respective year/period and multiplied by 100%. See "– Discussion of Results of Operations" in this section for more details on our gross profit margin.

*Current Ratio and Quick Ratio*

The calculation of current ratio is based on current assets divided by current liabilities as of the year/period end. Our quick ratio is calculated by our current assets less inventories divided by our current liabilities as of the year/period end.

Our current ratio increased from 5.2 times as of December 31, 2020 to 6.1 times as of December 31, 2021 and our quick ratio increased from 3.8 times as of December 31, 2020 to 5.0 times as of December 31, 2021, primarily due to the increase in current assets outpaced the increase in current liabilities. The increase in current assets was primarily due to (i) an increase in cash and cash equivalents of RMB133.3 million, mainly due to the proceeds we received from the redeemed wealth management products at the end of 2021, the capital contributions by investors and proceeds from our operating activities; and (ii) an increase in prepayments of RMB43.7 million.

Our current ratio decreased from 6.1 times as of December 31, 2021 to 2.7 times as of December 31, 2022 and our quick ratio decreased from 5.0 times as of December 31, 2021 to 2.3 times as of December 31, 2022, primarily due to the increase in current liabilities outpaced the increase in current assets. The increase in current liabilities was primarily due to (i) an increase in trade and other payables of RMB77.5 million; and (ii) an increase in loans and borrowings of RMB65.0 million.

Our current ratio decreased from 2.7 times as of December 31, 2022 to 2.0 times as of June 30, 2023 and our quick ratio decreased from 2.3 times as of December 31, 2022 to 1.7 times as of June 30, 2023, primarily due to the increase in current liabilities outpaced the increase in current assets. The increase in current liabilities was primarily due to an increase in trade and other payables of RMB174.2 million and an increase in loans and borrowings of RMB11.9 million.

*Gearing Ratio*

The calculation of gearing ratio is based on our loans and borrowings divided by total equity for the respective year/period and multiplied by 100.0%. Our gearing ratio decreased from 59.2% as of December 31, 2020 to 10.1% as of December 31, 2021, primarily due to an increase in total equity from RMB33.8 million as of December 31, 2020 to RMB300.6 million as of December 31, 2021 as a result of termination of financial instruments issued to investors.

Our gearing ratio increased from 10.1% as of December 31, 2021 to 24.1% as of December 31, 2022, primarily due to an increase in our loans and borrowings from RMB30.5 million as of December 31, 2021 to RMB95.5 million as of December 31, 2022.

Our gearing ratio remained relatively stable at 24.1% as of December 31, 2022 and 23.8% as of June 30, 2023.

***Return on Equity***

Return on equity is calculated by the profit for the year/period divided by the average of opening and closing total equity for the respective year/period and multiplied by 100%.

Our return on equity decreased from 70.0% in 2020 to 34.1% in 2021, and further decreased to 27.4% in 2022, primarily due to the significant increase in our equity.

***Return on Assets***

Return on assets is calculated based on profit divided by the average of opening and closing total assets for the respective year/period and multiplied by 100%.

Our return on assets increased from 12.0% in 2020 to 21.6% in 2021, primarily due to higher profits derived from industry-grade analog IC patterned wafer products. Our return on assets decreased from 21.6% in 2021 to 20.0% in 2022, primarily due to the increase in our total assets.

## CAPITAL EXPENDITURES AND COMMITMENTS

### Capital Expenditures

Our capital expenditures during the Track Record Period consist of expenditures on the additions to property, plant and equipment. We made prepayments for property, plant and equipment during the Track Record Period, and such prepayments were classified as other non-current assets in our statements of financial position, which affected our capital expenditures during the Track Record Period. Our capital expenditures amounted to RMB5.8 million, RMB35.9 million, RMB18.7 million, RMB5.7 million and RMB5.9 million in 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, respectively. Historically, we have funded our capital expenditures mainly through cash generated from our operations, the capital contributions by investors and bank borrowings.

We expect our capital expenditures to increase in the future as our business continues to grow, which we will use primarily for the renovation of our leased premises. We expect to fund future capital expenditures through cash generated from operations, bank borrowings and the net proceeds from the Global Offering.

### Capital Commitments

Our capital commitments primarily relate to additions to property, plant and equipment contracted but not provided for. Our capital commitments were RMB0.2 million, RMB2.4 million, RMB0.8 million and RMB0.7 million as of December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2023, respectively.

## RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into transactions with our related parties from time to time. These transactions primarily include but not limited to (i) loans and borrowings to related parties and the repayment of loans and borrowings that were non-trade in nature; and (ii) sales of products to a company in 2020 that were trade in nature. The company was our related party before August 2020 and purchased our analog IC patterned wafer products as a distributor in 2020.

As of December 31, 2020, 2021 and 2022 and June 30, 2023, amounts due from related parties was RMB1.2 million, RMB0.6 million, nil and nil, respectively. For detail of our related party transactions, see note 30 to the Accountants' Report in Appendix I to this prospectus.

It is the view of our Directors that our transactions with related parties during the Track Record Period was conducted on an arm's length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our historical results or make our historical results not reflective of our future performance.

## OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we did not have any material off-balance sheet commitments or arrangements.

## FINANCIAL RISKS DISCLOSURE

### Credit Risk

Our credit risk is primarily attributable to trade receivables. For trade receivables, we experience concentration risk as all of our trade receivables were due from our five largest customers during the Track Record Period, and 39.02%, 99.96%, 89.17% and 90.83% of the total trade receivables were due from the largest single customer as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively.

We have 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. Trade receivables are due within 30 days to 90 days from the date of invoice. Normally, the Company does not obtain collateral from customers.

We performed impairment assessment under ECL model. For details of information about exposure to credit risk and ECLs for trade receivables, please refer to note 28(a) to the Accountants' Report included in Appendix I to this prospectus.

For prepayments and other receivables and deposits, credit risk is limited since the balance mainly includes prepayments to reputable suppliers, VAT recoverable, deposits to landlord, and debts due from related parties.

For cash and cash equivalents and pledged bank deposits, credit risk is limited because the counterparties are state-owned banks or reputable commercial banks for which we consider to have low credit risk.

### Liquidity Risk

Our policy is to regularly monitor liquidity requirements, and 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. For details of remaining contractual maturities at the end of each Track Record Period of our financial liabilities, please refer to note 28(b) to the Accountants' Report included in Appendix I to this prospectus.

### Interest Rate Risk

Our interest rate risk arises primarily from cash at bank, pledged bank deposits and interest-bearing borrowings. The Company's interest-bearing financial instruments at variable rates as of December 31, 2020, 2021 and 2022 and June 30, 2023 are primarily the cash at bank, and the cash flow interest rate risk arising from the change of market interest rate on these balances is not considered significant.

## DIVIDENDS

No dividend had been paid or declared by our Company during the Track Record Period. There is no assurance that dividends of any amount will be declared or be distributed in any year. Although currently we do not have a formal dividend policy or a fixed dividend distribution ratio, our Board may declare dividends in the future after taking into account various factors, including our future earnings and cash inflows, future plan for use of funds, long-term development of our business, statutory reserves, discretionary common reserve funds, legal and regulatory restrictions, and other factors which our Directors consider relevant. Distribution of dividends will be decided by our Board at their discretion and will be subject to Shareholders' approval. In addition, our dividend policy will also be subject to our Articles of Association, the PRC Company Law, any other applicable PRC laws and regulations. In any event, we will pay dividends out of our profit after tax only after we have made the following allocations:

(a) recovery of accumulated losses, if any;

(b) allocation to the statutory common reserve fund an amount of 10% of our profit after tax, as determined under the Accounting Standards for Business Enterprises issued by the MOF (the "**PRC GAAP**"); until such fund has reached more than 50% of our registered capital; and

(c) allocation, if any, to a discretionary common reserve fund an amount approved by the shareholders in a shareholders' meeting.

Payment of dividends is subject to restrictions under PRC laws. Under PRC laws, dividends may be paid only out of distributable profits. Distributable profits are our net profit as determined under PRC GAAP, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make.

## WORKING CAPITAL SUFFICIENCY

Our Directors are of the opinion that, taking into account the estimated net proceeds from the Global Offering and the financial resources available to us, including expected cash generated from operating activities, we have sufficient working capital to meet our present needs and for the next 12 months from the date of this prospectus. We base this opinion on the basis that as of the Latest Practicable Date, we had unutilized banking facilities of RMB658.2 million, providing us with financial resources. Historically, we have been able to obtain bank and other borrowings when needed, and we believe that our healthy relationships with banks will continue to support our borrowing needs in the future. In addition, as of November 30, 2023, we had cash and cash equivalents of RMB205.1 million, and we closely monitor and manage our cash position and requirements to ensure that we have sufficient working capital for our operations.

## DISTRIBUTABLE RESERVES

As of June 30, 2023, our Company had retained profits of RMB406.7 million under PRC GAAP. The retained profits are reserves available for distribution to our Shareholders.

## LISTING EXPENSES

Based on the mid-point Offer Price of HK$32.96 per Share, the total estimated listing expenses in relation to the Global Offering are RMB59.4 million (HK$65.2 million), assuming the Over-allotment Option is not exercised, which constitute approximately 13.2% of the gross proceeds. Our total listing expenses consist of (i) underwriting-related expenses of RMB22.5 million (HK$24.7 million); and (ii) non-underwriting-related expenses of RMB36.9 million (HK$40.5 million), including (a) fees payable to our legal advisors and Reporting Accountants of RMB24.3 million (HK$26.7 million) and (b) other fees and expenses, including sponsors fees and the fees of other professional parties, of RMB12.6 million (HK$13.8 million). During the Track Record Period, we incurred listing expenses of RMB18.4 million, of which RMB0.8 million was recognized in our statements of profit or loss in the six months ended June 30, 2023, and RMB17.6 million was recognized as prepayments in our statements of financial position as of June 30, 2023, to be accounted for as a deduction from equity upon the Listing. Subsequent to the Track Record Period, we expect to incur listing expenses of RMB41.0 million (HK$45.0 million) prior to and upon completion of the Global Offering, of which RMB3.3 million (HK$3.6 million) is expected to be recognized as expenses in our statements of profit or loss, and RMB37.7 million (HK$41.4 million) is expected to be accounted for as a deduction from equity upon the Listing. The listing expenses to be incurred subsequent to the Track Record Period consist of (i) underwriting-related expenses of RMB22.5 million (HK$24.7 million), and (ii) non-underwriting-related expenses of RMB18.5 million (HK$20.3 million), including (a) fees payable to our legal advisors and Reporting Accountants of RMB11.0 million (HK$12.1 million) and (b) other fees and expenses of RMB7.5 million (HK$8.2 million). The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

## UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Company prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA is set out here to illustrate the effect of the Global Offering on the net tangible assets of the Company as of June 30, 2023 as if the Global Offering had taken place on June 30, 2023.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the net tangible assets of the Company had the Global Offering been completed as of June 30, 2023 or any future date.

| | Net tangible assets of the Company as of June 30, 2023(1) | Estimated net proceeds from the Global Offering(2 & 4) | Unaudited pro forma adjusted net tangible assets of the Company | Unaudited pro forma adjusted net tangible assets of the Company per Share(3) | |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB* | *HK$(4)* |
| Based on an Offer Price of HK$27.47 per Offer Share | 451,295 | 320,322 | 771,617 | 12.86 | 14.12 |
| Based on an Offer Price of HK$38.45 per Offer Share | 451,295 | 462,763 | 914,058 | 15.23 | 16.73 |

*Notes:*

(1) The net tangible assets of the Company as of June 30, 2023 is calculated based on the total equity of the Company of RMB451,694,000 as of June 30, 2023, less the intangible assets of RMB399,000 as of June 30, 2023, extracted from the Accountants' Report set out in Appendix I to the prospectus.

(2) The estimated net proceeds from the Global Offering are based on the expected issuance of 15,000,000 H Shares at the indicative Offer Prices of HK$27.47 and HK$38.45 per Offer Share, respectively, being the lower end price and higher end price of this stated Offer Price range, after deduction of estimated underwriting fee and other related listing expenses paid or payable by the Company (excluding the listing expenses charged to profit or loss during the Track Record Period of RMB785,000) and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted net tangible assets of the Company per Share are arrived at after the above adjustment and on the basis that 60,000,000 Shares are in issue immediately following the completion of the Global Offering and assuming that the Global Offering had been completed on June 30, 2023 without taking into account of the Shares which may be issued upon exercise of the Over-allotment Option.

(4) For illustrative purpose, the estimated net proceeds from the Global Offering are converted from Hong Kong dollar into Renminbi and the unaudited pro forma adjusted net tangible assets of the Company per Share is converted from the Renminbi into Hong Kong dollar at a rate of HK$1 = RMB0.91045, being the PBOC rate prevailing on the Latest Practicable Date. No representation is made that the Hong Kong dollars amounts have been, could have been or may be converted into Renminbi, or vice versa at that rate.

(5) No adjustment has been made to reflect any trading result or other transactions of the Company entered into subsequent to June 30, 2023.

## NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this prospectus, there had been no material adverse change in our financial or trading position or prospects since June 30, 2023, being the end date of our latest audited financial statements, and there had been no event since June 30, 2023 that would materially affect the information shown in the Accountants' Report set out in Appendix I.

## DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

## FUTURE PLANS

See "Business – Our Strategies" for a detailed description of our future plans.

## USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$429.2 million from the Global Offering, after deducting the estimated underwriting commissions and other estimated offering expenses payable by us in connection with the Global Offering, assuming that an Offer Price of HK$32.96 per Share (being the mid-point of the indicative Offer Price range stated in this prospectus) and assuming that the Over-allotment Option is not exercised.

We intend to use the net proceeds as follows:

- Approximately 30%, or HK$128.8 million, is expected to be used for enhancing our R&D and innovation capabilities, including:

    i. approximately 20%, or HK$85.8 million, is expected to be used to invest in R&D infrastructure and upgrade our R&D center. Specifically, we plan to (i) purchase approximately 75 R&D equipment, most of which has a ten years useful life for depreciation, including (a) equipment used for trial production, such as thin film deposition equipment, photolithography equipment, glue remover, etching equipment and wafer cleaning equipment; (b) equipment to upgrade our EDA platform, such as laptops, virtual private network hardware devices, simulation accelerators, computer clusters and semiconductor parametric test equipment; and (c) IC testers for laboratory use; and (ii) upgrade our R&D center for in-depth research and analysis of processing technology. We will renovate the building premise and purchase furnitures in order to accommodate the increase in the number of our R&D equipment and R&D personnel. The upgrade of R&D center serves the purpose for supporting the development and improvement of our processing technology for analog IC products, thereby providing support to the design of analog IC products and enabling us to timely respond to our customers' demand in the future. We are in the process of communicating with the property owner and consider to purchase our leased building in Suzhou for R&D activities around 2028, primarily because (i) we can avoid damage to our R&D equipment during the relocation since we currently own and plan to purchase additional R&D equipment; (ii) having a stable business address is beneficial for enhancing business reputation and attracting talents; and (iii) considering our rental expenses, purchasing the property is more economically viable in the long term.

ii. approximately 5%, or HK$21.5 million, is expected to be used to upgrade our R&D technology. We plan to introduce cutting-edge technologies such as deep learning and AI, and continue to upgrade the key technologies applied in our proprietary EDA software and IP library to further optimize our design capabilities.

iii. approximately 5%, or HK$21.5 million, is expected to be used to expand our R&D team to support our R&D center upgrade and increase our competitive advantages in the industry. We plan to recruit approximately 20 R&D staff with around three years of work experience in the IC industry in the next five years with average annual salary per employee of approximately RMB279,000.

- Approximately 30%, or HK$128.9 million, is expected to be used to further enrich our product portfolio and expand our business, including:

i. approximately 20%, or HK$85.9 million, is expected to be used to improve and upgrade our analog IC product line. We plan to purchase around 430 items categorized into approximately 20 types of additional R&D equipment to support the enrichment of our product portfolio and diversify our product line to meet our customers' needs. The equipment we plan to purchase are primarily used for the analysis and testing of chips and IC, including spectrum analyzers, chip testers, chip sorters and probe stations, which have three to 10 years useful life for depreciation.

We will further upgrade the performance of analog IC power management and signal chain product lines and focus on the development of new products to meet the needs of our downstream industries, including automotive electronics, healthcare, industrial automation, industrial Internet of Things, industrial lighting, instrumentation, communications, electric power, energy storage and consumer electronics. The development of any new analog IC products requires us to (a) conduct market research to learn about customer demand from various industries; (b) conduct the feasibility study of a proposed new product; (c) design and develop the new product; (d) conduct trial production; and (e) conduct testing and verification. To commercialize and manufacture new analog IC product, we will incur additional cost from the procurement of wafers and relevant chip probing service from our wafer-channel partners and chip-probing service providers.

We also plan to expand applications of our products to other downstream industries, including rail transit and data centers. Rail transit equipment industry is an important part of China's high-end manufacturing field. Driven by the promotion and application of intelligent detection, monitoring, and operation and maintenance technologies for national transportation equipment, the market size of China's rail transit equipment is expected to increase from RMB967 billion in 2022 to RMB1,434 billion in 2027, with a CAGR of 8.2%, according to Frost & Sullivan, which further promotes the demand for analog ICs to achieve functions such as voltage and current detection. According to Frost & Sullivan, as the extensive usage of IC products causes an increase in the lighting surge and leads the electromagnetic environment of railway transit system to become more complex, in order to ensure reliable operation and reduce damage caused by lightning strike, analog IC products used on railway transit systems need to have lightning protection function and satisfy a series of detailed and strict requirements. Therefore, the entry barrier for analog IC patterned wafer providers to enter the railway transit industry is high. In addition, the data center market is expected to witness notable growth. The continuous growth of data volume has accelerated the construction of data centers in recent years. According to Frost & Sullivan, the number of data center cabinet in China has reached six million in 2022, and is expected to reach 18 million by 2027, with a CAGR of 24.6%. The increasing data volume will drive the demand for analog ICs, such as power management functions. As data centers are transforming toward greener and lower-carbon emissions in carbon neutral area, such transformation requires analog IC products to increase their algorithm capabilities and reduce power consumption, which put forward high requirements for analog IC patterned wafer providers according to Frost & Sullivan. Since customers in these two industries typically require analog IC products with more advanced specifications and few analog IC patterned wafer providers can meet such demand, the competition in these industries is less intense. Our existing high-performance industrial grade product portfolio, in particular our switching regulators and monitoring and modulating ICs, enable us to meet such demands. We will continue to upgrade our analog IC products based on demands from downstream industries, and in particular develop products targeting the needs of railroad transit and data center industries. We plan to expand into these categories through the resource of our distribution channels, and actively reach out to customers in these industries by participating in industry exhibitions and conferences. As we are the only analog IC design company in China equipped with proprietary EDA software, and we have the most comprehensive IP coverage among all analog IC design companies in China, we believe we can perform product design efficiently, and speed up our market penetration of rail transit and data centers. Moreover, as we have established robust business cooperation with our distributors, we could receive feedback from them and develop analog IC patterned wafers that match market demand.

ii. approximately 10%, or HK$43.0 million, is expected to be used to develop a mixed-signal IC product line to further enrich our main product categories and optimize our product structure, and meet our customers' growing demand in diversified and emerging application fields. This mixed-signal IC product line involves R&D, design and industrialization of analog IC products in diversified application fields, such as industrial, automotive and aerospace areas. We plan to develop a specific mixed-signal IC product, namely microcontrollers ("**MCUs**"). According to Frost & Sullivan, China's MCU market reached RMB34.8 billion in 2022, and the market is expected to grow at a CAGR of 5.0% from 2022 to 2027. The competition in China's MCU market is relatively concentrated, with foreign manufacturers occupying a dominant position. We believe we can take the opportunity to expand into China's MCU market because (a) the successful development of high-performance MCUs relies on experienced designers. We have established a comprehensive R&D system, and recruited and provided training to our R&D talents, which will support our expansion into the new markets; (b) we expect the market demand for domestic MCUs to increase, as there is a trend of replacing imported analog IC products with price-competitive domestic substitute in China. We plan to take the opportunity, continue to expand our reach to a larger variety of industries and meet the increasing customer demand; and (c) some domestic manufacturers have realized the mass production of automotive-level MCU chips, and we can take advantages of the matured production technologies through cooperation. Besides, a mixed-signal IC product has both analog circuits and digitals circuits on a single semiconductor die. According to Frost & Sullivan, the difficulty of developing mixed-signal IC lies in developing analog circuits rather than digital circuits, as the architectures, modules, and protocols for digital circuits are already well developed in the market. Therefore, as an analog IC patterned wafer provider, we have a greater advantage in developing mixed-signal IC products. As a provider of industrial grade analog IC products, we accumulated a deep knowledge on and experience with the development of products with high-precision and high-reliability, and had built up a broad product portfolio that can meet the demands of different customers. As such, this enables us to develop MCUs with better product precision, reliability and adaptability, as well as customer experience.

- Approximately 10%, or HK$42.9 million, is expected to be used to expand our customer base and strengthen our relationship with customers, including:

i. approximately 5%, or HK$21.5 million, is expected to be used to establish two sales centers in the pearl river delta region and central China, potentially in Shenzhen and Wuhan considering the market size, potential customers and R&D resources. In addition, we believe in our ability to effectively expand into the new market, considering (a) competition in the analog IC market in China's pearl river delta region and central China is not intense, according to Frost & Sullivan. None of the top ten analog IC companies in China in terms of revenue in 2022 is headquartered in pearl river delta region and central China; and (b) our technical capabilities, especially in-depth capabilities in automated IC design, product category coverage and downstream application coverage.

Approximately HK$14.4 million will be used to recruit approximately 18 sales and marketing staff with average annual salary per employee of approximately RMB182,000 in the next five years to expand the geographical coverage of our sales network and provide local customers with better services. Approximately HK$7.1 million will be used to cover our increased marketing expenditure to strengthen our brand promotion, including attending exhibitions and conferences, and visiting our potential customers to provide pre-sale consultations and recommendations.

We have established a branch office in Shanghai as our sales center in December 2022. The sales and marketing staff in Shanghai and Suzhou together comprised our sale and marketing function supporting our business operation and customer maintenance nationwide, as well as providing after-sales technical support both remotely and on-site. The branch office is not a separate legal entity and does not generate revenue by itself, and our customers still enter into agreements directly with our Company. As our two largest customers during the Track Record Period, Arrow and Customer A, both located in Shanghai, our sales center in Shanghai played an active role in customer maintenance, providing after-sales services and developing new customers. We are considering to set up sales centers in Shenzhen and Wuhan because we have downstream customers in pearl river delta region and central China, and our staff frequently travels to these regions to provide technical support. We plan to establish sales centers to (i) enhance the recognition of our analog IC patterned wafer products among downstream customers and promote a better understanding of our business model in the market; (ii) maintain and strengthen our relationship with our existing customers, patterned wafer channel partners and downstream customers and explore new market opportunities; (iii) improve both direct sales and sales to distributors; and (iv) enable us to have in-depth understanding of the latest market information and industry trends, better understand customers' needs and improve our competitiveness in the market. Setting up sales centers in Shenzhen and Wuhan provides convenience for customer maintenance and our business trip to nearby cities. In addition, considering the large analog IC market size in these regions and our potential customers, we can have in-depth understanding of local market conditions, visit potential customers more frequently and penetrate into the markets effectively through the sales centers. Therefore, we believe that establishing sales centers can effectively expand our customer base.

ii. approximately 5%, or HK$21.4 million, is expected to be used to maintain customer relationship and develop new customers. We will continue to deepen our relationship with existing customers, and expand sales channels to attract new customers in key targeted industries such as new energy. We will provide training sessions to our employees to furnish them with necessary knowledge about the analog IC industry and our customers' industries, in order to facilitate our communication and maintenance of relationship with our customers. Except for the increased marketing expenditure arising from the establishment of sales centers, we also conduct regular marketing activities at headquarter level. Our regular marketing activities include customers-visiting, advertising, and attending conferences to attract and meet new customers, including distributors and direct sale customers.

- Approximately 20%, or HK$85.8 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 China's semiconductor industry chain and select potential targets based on the following general selection criteria:

  (i) the target should be in the growth stage of development, with annual R&D expenditures of no less than RMB10.0 million;

  (ii) the business of the target should have synergies with or is complementary to our business. We plan to invest in and/or acquire companies in the industry chain of patterned wafer, such as wafer manufacturing companies, IP supply companies, and EDA companies to further expand our design capabilities, secure manufacturing capacity and improve our processing technologies. Specifically, the target should (a) have strong technological capabilities that are complementary to ours and unique insights in analog IC design; (b) be able to enhance the functionalities of our analog IC design platform and improve our design efficiency; or (c) be able to expand our product offerings and accelerate our market penetration into additional industry verticals; and

  (iii) the management team should have appropriate knowledge and substantial experience in the semiconductor industry.

  Our Directors are of the view that there are sufficient number of targets available for us to acquire. According to Frost & Sullivan, it is estimated that there could be above 200 potential targets that meet the above criteria in China's semiconductor industry. As of the Latest Practicable Date, we had not identified or pursued any acquisition target. If necessary, we will seek for additional equity and/or debt funding to facilitate the acquisition.

- Approximately 10%, or HK$42.8 million, is expected to be used for working capital and general corporate purposes.

The table below sets forth the expected implementation timetable of our planned use of our proceeds:

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | **2024** | **2025** | **2026** | **2027** | **2028** | **Total** |
| | *(HK$ in millions)* | | | | | |
| **Enhancing R&D and innovation capabilities** | 18.8 | 25.8 | 25.3 | 16.2 | 42.7 | 128.8 |
| Invest in R&D infrastructure and upgrade R&D center | 12.4 | 18.4 | 16.4 | 6.4 | 32.2 | 85.8 |

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2024 | 2025 | 2026 | 2027 | 2028 | Total |
| | *(HK$ in millions)* | | | | | |
| Upgrade R&D technology | 4.3 | 4.3 | 4.3 | 4.3 | 4.3 | 21.5 |
| Expand R&D team | 2.1 | 3.1 | 4.6 | 5.5 | 6.2 | 21.5 |
| **Enrich product portfolio and expand our business** | 25.8 | 25.8 | 25.8 | 25.8 | 25.7 | 128.9 |
| Improve and upgrade analog IC product line | 17.2 | 17.2 | 17.2 | 17.2 | 17.1 | 85.9 |
| Develop a mixed-signal IC product line | 8.6 | 8.6 | 8.6 | 8.6 | 8.6 | 43.0 |
| **Expand customer base and strengthen our relationship with customers** | 8.1 | 8.1 | 8.1 | 9.3 | 9.3 | 42.9 |
| Establish sales centers | 4.3 | 4.3 | 4.3 | 4.3 | 4.3 | 21.5 |
| Maintain customer relationship and develop new customers | 3.8 | 3.8 | 3.8 | 5.0 | 5.0 | 21.4 |
| **Strategic investments and/or acquisition**[(1)] | 28.6 | 28.6 | 28.6 | 0.0 | 0.0 | 85.8 |
| **Working capital and general corporate purposes** | 8.6 | 8.6 | 8.6 | 8.5 | 8.5 | 42.8 |
| | 89.9 | 96.9 | 96.4 | 59.8 | 86.2 | 429.2 |

*Note:*

(1) The implementation timeline for strategic investments and/or acquisition depends on investment and acquisition opportunities and the selection process based on our selection criteria.

The above allocation of the net proceeds from the Global Offering will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range.

If the Over-allotment Option is fully exercised, the net proceeds that we will receive will be approximately HK$499.6 million, assuming the Offer Price of HK$32.96 per Share (being the mid-point of the indicative Offer Price range). In the event that the Over-allotment Option is exercised, we intend to apply the additional net proceeds to the above purposes on a pro rata basis.

To the extent that our proceeds are not sufficient to fund the purposes set out above, we intend to fund the balance through a variety of means, including cash generated from operations, bank loans and other borrowings.

If the net proceeds of the Global Offering are not immediately applied to the above purposes, we will only deposit those net proceeds into short-term interest-bearing accounts at (i) licensed commercial banks in Hong Kong or the PRC, and/or (ii) other authorized financial institutions (as defined under the SFO) in Hong Kong.

We will issue an appropriate announcement if there is any change to the above proposed use of proceeds.

## HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited
China Galaxy International Securities (Hong Kong) Co., Limited
CMB International Capital Limited
GF Securities (Hong Kong) Brokerage Limited
Guotai Junan Securities (Hong Kong) Limited
ABCI Securities Company Limited
ICBC International Securities Limited
Soochow Securities International Brokerage Limited
Tiger Brokers (HK) Global Limited
Futu Securities International (Hong Kong) Limited
Silverbricks Securities Company Limited
Valuable Capital Limited
Livermore Holdings Limited

## UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Sole Overall Coordinator (on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 1,500,000 Hong Kong Offer Shares and the International Offering of initially 13,500,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed "Structure of the Global Offering" as well as to the Over-allotment Option (in the case of the International Offering).

## UNDERWRITING ARRANGEMENTS AND EXPENSES

### The Hong Kong Public Offering

#### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering the Hong Kong Offer Shares for subscription on the terms and conditions set out in this prospectus and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including the H Shares which may be issued pursuant to the exercise of the Over-allotment Option) as mentioned herein on the Main Board of the Stock Exchange and such approval not subsequently having been revoked prior to the commencement of trading of the H Shares on the Stock Exchange and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

***Grounds for Termination***

If any of the events set out below occur at any time prior to 8:00 a.m. on the Listing Date, the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its absolute discretion may by giving notice to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect:

(a) there develops, occurs, exists or comes into effect:

(i) any event, or series of events, or circumstances in the nature of force majeure (including, without limitation, any acts of government, declaration of a national, regional or international emergency or war, calamity, crisis, epidemic (including COVID-19, SARS, swine or avian flu, H5N1, H1N1, H7N9, Ebola virus, Middle East respiratory syndrome (MERS) or such related/mutated forms and the escalation, mutation or aggravation of such diseases), pandemic, outbreaks, escalation, mutation or aggravation of diseases, export controls, economic sanctions, strikes, labour disputes, lock-outs, other industrial actions, fire, explosion, flooding, earthquake, tsunami, volcanic eruption, civil commotion, riots, rebellion, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed), paralysis in government operations, severe interruptions or delay in transportation) in or affecting Hong Kong, the PRC, the United States, the United Kingdom, Japan, Singapore, the European Union (or any member thereof) or any other jurisdiction relevant to the Company (each a "**Relevant Jurisdiction**" and collectively, the "**Relevant Jurisdictions**"); or

(ii) any change or development involving a prospective change, or any event or circumstances or series of events likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market matters or conditions, equity securities or exchange control or any monetary or trading settlement system or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting any of the Relevant Jurisdictions; or

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Singapore Stock Exchange or the Tokyo Stock Exchange; or

(iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at the U.S. Federal or New York State level or by any other competent authority), London, Singapore, the PRC, the European Union (or any member thereof), Japan or any of the other Relevant Jurisdictions (declared by the relevant authorities) or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions; or

(v) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or any governmental authority in or affecting any of the Relevant Jurisdictions; or

(vi) the imposition of export controls, economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or

(vii) any change or development involving a prospective change or amendment in or affecting taxation or foreign exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the United States dollar, the Hong Kong dollar or RMB against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or RMB is linked to any foreign currency or currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions or affecting an investment in the Offer Shares; or

(viii) other than with the prior written consent of the Sole Overall Coordinator, the issue or requirement to issue by the Company of a supplement or amendment to the Hong Kong Prospectus, Preliminary Offering Circular, Final Offering Circular or other documents in connection with the offer and sale of the Offer Shares pursuant to the Companies (WUMP) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange and/or the SFC; or

(ix) a valid demand by creditors for repayment or payment of any indebtedness of the Company or the Company is liable to prior to its stated maturity or any loss or damage sustained by the Company (howsoever caused and whether or not the subject of any insurance or claim against any person); or

(x) any litigation, dispute, legal action or claim or regulatory or administrative investigation or action being threatened, instigated or announced against the Company, any Director, any Supervisor, any senior management disclosed in this prospectus or the Single Largest Group of Shareholders; or

(xi) any contravention by the Company, any Director, any Supervisor or the Single Largest Group of Shareholders of any applicable laws and regulations or the Listing Rules; or

(xii) any non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws and regulations; or

(xiii) any change or prospective change or development, or a materialisation of, any of the risks set out in section headed "Risk Factors",

which, in any such case individually or in the aggregate, in the sole and absolute opinion of the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters):

(1) has or will or may have a material adverse effect on the assets, liabilities, general affairs, business, management, prospects, shareholder's equity, profit, losses, earnings, results of operations, performance, position or condition, financial or otherwise, of the Company as a whole;

(2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications of the Offer Shares under the Hong Kong Public Offering or the level of interest under the International Offering;

(3) makes or will make or is likely to make it inadvisable, inexpedient, impracticable or incapable for the Hong Kong Public Offering and/or the International Offering to proceed or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by the Offering Documents; or

(4) has or will or may be expected to have the effect of making any material part of this Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Sole Overall Coordinator that:

(i) any statement contained in the Hong Kong Prospectus, the Formal Notice and/or any notices, announcements, advertisements, communications or other documents (including any announcement, circular, document or other communication pursuant to this Agreement) issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (collectively, the "**Offering Documents**") (including any supplement or amendment thereto but excluding information relating to the Underwriters) was, when it was issued, or has become, untrue, incorrect, inaccurate, incomplete in any material respects or misleading or deceptive, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable grounds or reasonable assumptions;

(ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of the Hong Kong Prospectus, constitute a material omission from, or misstatement in, any of the Offering Documents;

(iii) there is a breach of, or any event or circumstance rendering untrue, incorrect, incomplete or misleading in any respect, any of the warranties given by the Company or the Single Largest Group of Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;

(iv) there is a material breach of any of the obligations imposed upon the Company or the Single Largest Group of Shareholders under Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;

(v) there is an event, act or omission which gives or is likely to give rise to any liability of the Company or the Single Largest Group of Shareholders pursuant to the indemnities given by any of them under Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;

(vi) there is any material adverse change or development or any prospective material adverse change in the assets, liabilities, general affairs, business, management, prospects, shareholders' equity, profits, losses, earnings, results of operations, performance, position or condition, financial or otherwise, of the Company as a whole;

(vii) the approval of the Listing Committee of the listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of the Listing, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld;

(viii) any person (other than any of the Sole Sponsor) has withdrawn its consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears;

(ix) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering;

(x) there is a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering; or

(xi) any Director or any other member of senior management of the Company named in this prospectus is vacating his or her office;

(xii) any Director or member of senior management of the Company named in this prospectus is being charged with an indictable offence or is prohibited by operation of law or otherwise disqualified from taking part in the management of a company or there is the commencement by any governmental, political or regulatory body of any investigation or other action against any Director or member of senior management of the Company in his or her capacity as such or the Company or an announcement by any governmental, political or regulatory body that it intends to commence any such investigation or take any such action;

(xiii) a material portion of the orders placed or confirmed in the bookbuilding process, have been withdrawn, terminated or cancelled; or

(xiv) any order or petition for the winding-up of the Company or any composition or arrangement made by the Company with its creditors or a scheme of arrangement entered into by the Company or any resolution for the winding-up of the Company or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of the Company or anything analogous thereto occurring in respect of the Company.

***Undertakings to the Stock Exchange pursuant to the Listing Rules***

*Undertakings by our Company*

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that it will not issue any further H Shares, or securities convertible into equity securities of our Company (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of H Shares or securities will be completed within six months from the Listing Date), except (a) pursuant to the Global Offering or the Over-allotment Option or (b) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

***Undertakings by our Single Largest Group of Shareholders***

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Single Largest Group of Shareholders has undertaken to the Stock Exchange and to our Company that, he shall not and shall procure that the relevant registered holder(s) shall not, except in compliance with the requirements of the Listing Rules, in the period commencing on the date by reference to which disclosure of his shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities in respect of which he is shown by this prospectus to be the beneficial owner(s).

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Single Largest Group of Shareholders has further undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of his shareholding in our Company is made in this Prospectus and ending on the date which is twelve months from the Listing Date, he shall:

(i) when he pledges or charges any securities of our Company beneficially owned by him in favor of an authorized institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge/charge together with the number of securities so pledged/charged; and

(ii) when he receives indications, either verbal or written, from the pledgee/chargee that any of the pledged/charged securities of our Company will be disposed of, immediately inform our Company of such indications.

Our Company will inform the Stock Exchange as soon as we have been informed of the matters referred to in paragraph (i) and (ii) above (if any) by any of our Single Largest Group of Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

***Undertakings pursuant to the Hong Kong Underwriting Agreement***

*Undertakings by our Company*

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to each of the Sole Sponsor, the Sole Overall Coordinator, the Hong Kong Underwriters and the Capital Market Intermediaries not to (save for the issue, offer or sale of the Offer Shares by our Company pursuant to the Global Offering including pursuant to any exercise of the Over-allotment Option), without the prior written consent of the Sole Sponsor and Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the last date of the six months after the Listing Date (the "**First Six-Month Period**"):

(i) offer, allot, issue, sell, accept subscription for, contract to allot, issue or sell, contract or agree to allot, issue or sell, assign, grant or sell any option, warrant, right or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, or otherwise transfer or dispose of, or agree to transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in any H Shares or other securities of our Company, or any interests in any of the foregoing (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or other securities of our Company); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership (legal or beneficial) of any H Shares or other securities of our Company, or any interest therein (including, without limitation, any securities of which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any H Shares or other securities of our Company); or

(iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or

(iv) offer to or contract to or agree to announce, or publicly disclose that our Company will or may enter into any such transaction described in paragraphs (i), (ii) or (iii) above,

in each case, whether any such transaction described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of the H Shares or other securities of our Company, in cash or otherwise (whether or not the issue of such Shares or other securities of our Company will be completed within the First Six-Month Period).

In the event that, during the period of six months immediately following the First Six-Month Period (the "**Second Six-Month Period**"), our Company enters into any such transactions or offers or agrees or contracts to, or announces, or publicly discloses, any intention to, enter into any such transactions, our Company will take all reasonable steps to ensure that it will not create a disorderly or false market in the H Shares or other securities of our Company.

Each of the Single Largest Group of Shareholders has undertaken to each of the Sole Sponsor, the Sole Overall Coordinator, the Hong Kong Underwriters and the Capital Market Intermediaries to procure the Company to comply with the above undertakings.

***Undertaking by our Single Largest Group of Shareholders***

Each of our Single Largest Group of Shareholders has undertaken to each of the Sole Sponsor, the Sole Overall Coordinator, the Hong Kong Underwriters and the Capital Market Intermediaries that without the prior written consent of the Sole Sponsor and Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

(a) during the First Six-Month Period, he/it will not, and he/it will procure that the relevant registered holder(s) will not:

   (i) offer, pledge, charge, sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant, or purchase any option, warrant, contract or right to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any H Shares or other securities of our Company or any interest in any of the foregoing (including, but not limited to, any securities that are convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or other securities of our Company) beneficially owned by him as at the Listing Date (the "**Locked-up Securities**"); or

   (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of, any Locked-up Securities; or

   (iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or

   (iv) offer to or contract to or agree to or publicly disclose that our Single Largest Group of Shareholders will or may enter into any transaction described in paragraphs (i), (ii) or (iii) above, in each case, whether any such transaction described in paragraphs (a)(i), (a)(ii) or (a)(iii) above is to be settled by delivery of such H Shares or other securities of our Company, in cash or otherwise (whether or not the settlement or delivery of such H Shares or other securities will be completed within the First Six-Month Period);

(b) within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months after the Listing Date, each of our Single Largest Group of Shareholders will:

(i) if and when he/it or the relevant registered holder(s) pledges or charges any H Shares or other securities of the Company beneficially owned by him, immediately inform the Company and the Sole Overall Coordinator in writing of such pledge or charge together with the number of H Shares or other securities (or interests therein) of the Company so pledged or charged; and

(ii) if and when he/it or the relevant registered holder(s) receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged H Shares or other securities (or interests therein) of the Company will be disposed of, immediately inform the Company and the Sole Overall Coordinator in writing of such indications.

Our Company has undertaken to each of the Sole Sponsor, the Sole Overall Coordinator, the Hong Kong Underwriters and the Capital Market Intermediaries that upon receiving such information in writing from a Single Largest Group of Shareholders, it will, as soon as practicable and if required pursuant to the Listing Rules, notify the Stock Exchange and make a public disclosure in relation to such information by way of an announcement.

***Hong Kong Underwriters' Interests in our Company***

Save for their respective obligations under the Hong Kong Underwriting Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any H Shares or any securities of our Company or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any H Shares or any securities of our Company.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their respective obligations under the Underwriting Agreements.

## The International Offering

### *International Underwriting Agreement*

In connection with the International Offering, our Company and our Single Largest Group of Shareholders expect to enter into the International Underwriting Agreement with the Sole Overall Coordinator and the International Underwriters on or around the Price Determination Date. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds to the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into or terminated, the Global Offering will not proceed. See "Structure of the Global Offering – The International Offering".

### *Over-allotment Option*

Our Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Overall Coordinator (for itself and on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until 30 days after the last day for lodging applications under the Hong Kong Public Offering, pursuant to which our Company may be required to issue up to an aggregate of 2,250,000 H Shares, representing not more than 15% of the number of the Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations in the International Offering, if any. See "Structure of the Global Offering – Over-allotment Option" for further details.

## Commissions and Expenses

Our Company will pay an underwriting commission of 3.00% of the aggregate Offer Price of all the Offer Shares, including Offer Shares to be issued pursuant to the Over-allotment Option (approximately 13% of such underwriting commission are subject to further allocation by our Company), and in addition, we will pay to the Sole Overall Coordinator a fixed incentive fee of 1.00% of the Offer Price in respect of all the Offer Shares, including Offer Shares to be issued pursuant to the Over-allotment Option (the "**Fixed Fees**"). Our Company may, at our sole and absolute discretion, pay an additional incentive fee of up to 1.00% of the Offer Price in respect of all the Offer Shares (including Offer Shares to be issued pursuant to the Over-allotment Option) (together with the portion of underwriting commission that subject to further allocation, the "**Discretionary Fees**"). Therefore, the fee split ratio of Fixed Fees and Discretionary Fees payable is approximately 72.22:27.78 (on the basis that the Discretionary Fees will be fully paid). For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters and not the Hong Kong Underwriters.

The aggregate underwriting commissions payable by our Company to the Underwriters in relation to the Global Offering (assuming an Offer Price of HK$32.96 per Offer Share (which is the mid-point of the Offer Price range), the full payment of the discretionary incentive fee and the full exercise of the Over-allotment Option) will be approximately HK$28.43 million.

The aggregate underwriting commissions and incentive fees together with the Stock Exchange listing fees, the AFRC transaction levy, the SFC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK$68.92 million (assuming an Offer Price of HK$32.96 per Offer Share (which is the mid-point of the Offer Price range), the full payment of the discretionary incentive fee and the full exercise of the Over-allotment Option) and will be paid by our Company.

**Sole Sponsor's Fee**

An amount of US$750,000 is payable by the Company as sponsor fee to the Sole Sponsor.

**Indemnity**

Each of our Company and our Single Largest Group of Shareholders has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by any of our Company and our Single Largest Group of Shareholders of the Hong Kong Underwriting Agreement.

## ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, loan financing, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities, co-investments and/or instruments of or with our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Company's loans and other debt.

In relation to the H Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the H Shares (which financing may be secured by the H Shares) in the Global Offering, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares, which may have a negative impact on the trading price of the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering". Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager or its affiliates or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking, loan financing and other services to our Company and each of its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

## THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. China International Capital Corporation Hong Kong Securities Limited is the Sole Sponsor and the Sole Overall Coordinator of the Global Offering.

The Listing of the H Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the H Shares to be issued as mentioned in this prospectus.

15,000,000 Offer Shares (subject to reallocation and the Over-allotment Option) will initially be made available under the Global Offering comprising:

(a) the Hong Kong Public Offering of initially 1,500,000 H Shares (subject to reallocation) in Hong Kong as described in "– The Hong Kong Public Offering" in this section below;

(b) the International Offering of initially 13,500,000 H Shares (subject to reallocation and the Over-allotment Option) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in "– The International Offering" in this section below.

Investors may either:

(i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or

(ii) apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 25.00% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.71% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering and the issue of Offer Shares pursuant to the Over-Allotment Option.

References in this prospectus to applications, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

## THE HONG KONG PUBLIC OFFERING

### Number of Hong Kong Offer Shares initially offered

Our Company is initially offering 1,500,000 H Shares (subject to reallocation) for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 2.50% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in "– Conditions of the Global Offering" in this section below.

### Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A and pool B (with any odd lot being allocated to pool A). The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, the AFRC transaction levy, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, the AFRC transaction levy, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 750,000 Hong Kong Offer Shares is liable to be rejected.

**Reallocation**

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Hong Kong Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached.

If the International Offering is fully subscribed or oversubscribed and the number of Hong Kong Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 15 times or more but less than 50 times, (b) 50 times or more but less than 100 times, and (c) 100 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will be increased to 4,500,000 Offer Shares (in the case of (a)), 6,000,000 Offer Shares (in the case of (b)), and 7,500,000 Offer Shares (in the case of (c)), representing 30%, 40% and 50% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option), reallocation being referred to in this prospectus as "Mandatory Reallocation".

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Sole Overall Coordinator deems appropriate.

In addition to any Mandatory Reallocation required as described above, the Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Sole Overall Coordinator. The Sole Overall Coordinator may, according to the relevant Listing Rules and guidance letters issued by the Stock Exchange, reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In particular, if (i) the

International Offering is not fully subscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed; or (ii) the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed with the number of Hong Kong Offer Shares validly applied for in the Hong Kong Public Offering representing less than 15 times of the number of Hong Kong Offer Shares initially available for subscription under the Hong Kong Public Offering, the Sole Overall Coordinator has the authority to reallocate International Offer Shares originally included in the International Offering to the Hong Kong Public Offering in such number as it deems appropriate, provided that in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, (i) the number of International Offer Shares reallocated to the Hong Kong Public Offering should not exceed 1,500,000 Offer Shares, representing approximately 10% of the Offer Shares initially available under the Global Offering, increasing the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering to 3,000,000 Offer Shares; and (ii) the final Offer Price should be fixed at the bottom end of the indicative Offer Price range (i.e. HK$27.47 per Offer Share) stated in this prospectus.

If the Hong Kong Public Offering is not fully subscribed for, the Sole Overall Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Overall Coordinator deems appropriate.

Details of any reallocation of the Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement which is expected to be published on Wednesday, December 27, 2023.

**Applications**

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$38.45 per Offer Share in addition to the brokerage, the AFRC transaction levy, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK$3,883.78 for one board lot of 100 Shares. If the Offer Price, as finally determined in the manner described in the paragraph headed "– Pricing and Allocation" in this section below, is less than the maximum Offer Price of HK$38.45 per Offer Share, appropriate refund payments (including the brokerage, the AFRC transaction levy, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. See "How to Apply for Hong Kong Offer Shares" for further details.

## THE INTERNATIONAL OFFERING

### Number of International Offer Shares initially offered

The International Offering will consist of an offering of initially 13,500,000 H Shares being offered by our Company and representing approximately 90% of the total number of Offer Shares initially available under the Global Offering (subject to reallocation and the Over-allotment Option). The number of International Offer Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 22.50% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

### Allocation

The International Offering will include selective marketing of H Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of International Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph headed "– Pricing and Allocation" in this section below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further H Shares and/or hold or sell its H Shares after the Listing. Such allocation is intended to result in a distribution of the H Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and the Shareholders as a whole.

The Sole Overall Coordinator (on behalf of the Underwriters) may require any investor who has been offered the Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Overall Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Hong Kong Offer Shares under the Hong Kong Public Offering.

### Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the clawback arrangement described in the paragraph headed "Hong Kong Public Offering – Reallocation" in this section above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Hong Kong Offer Shares originally included in the Hong Kong Public Offering.

## OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Overall Coordinator (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Sole Overall Coordinator (on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require our Company to issue up to an aggregate of 2,250,000 H Shares, representing not more than 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 3.61% of the total Shares in issue immediately following the completion of the Global Offering and the issue of Offer Shares pursuant to the Over-allotment Option. If the Over-allotment Option is exercised, an announcement will be made.

## STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager (or its affiliates or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the H Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager (or its affiliates or any person acting for it) to conduct any such stabilizing action. Such stabilizing action, if taken: (a) will be conducted at the absolute discretion of the Stabilizing Manager (or its affiliates or any person acting for it) and in what the Stabilizing Manager reasonably regards as the best interest of our Company; (b) may be discontinued at any time; and (c) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes: (a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the H Shares, (b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the H Shares, (c) purchasing, or agreeing to purchase, the H Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the H Shares for the sole purpose of preventing or minimizing any reduction in the market price of the H Shares, (e) selling or agreeing to sell any H Shares in order to liquidate any position established as a result of those purchases, and (f) offering or attempting to do anything as described in paragraph (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

(a) the Stabilizing Manager (or its affiliates or any person acting for it) may, in connection with the stabilizing action, maintain a long position in the H Shares;

(b) there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager (or its affiliates or any person acting for it) will maintain such a long position;

(c) liquidation of any such long position by the Stabilizing Manager (or its affiliates or any person acting for it) and selling in the open market may have an adverse impact on the market price of the H Shares;

(d) no stabilizing action can be taken to support the price of the H Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the H Shares, and therefore the price of the H Shares, could fall;

(e) the price of the H Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

(f) stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

In order to effect stabilization actions, the Stabilizing Manager will arrange cover of up to an aggregate of 2,250,000 H Shares, representing up to 15% of the initial Offer Shares, through delayed delivery arrangements with investors who have been allocated Offer Shares in the International Offering. The delayed delivery arrangements (if specifically agreed by an investor) relate only to the delay in the delivery of the Offer Shares to such investor and the Offer Price for the Offer Shares allocated to such investor will be fully paid before the Listing Date.

Both the size of such cover and the extent to which the Over-allotment Option can be exercised will depend on whether arrangements can be made with investors such that a sufficient number of H Shares can be delivered on a delayed basis. If no investor in the International Offering agrees to the delayed delivery arrangements, no stabilizing actions will be undertaken by the Stabilizing Manager and the Over-allotment Option will not be exercised.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

### Over-allocation

Following any over-allocation of H Shares in connection with the Global Offering, the Stabilizing Manager (or its affiliates or any person acting for it) may cover such over-allocations by exercising the Over-allotment Option in full or in part, or by using H Shares purchased by the Stabilizing Manager (or its affiliates or any person acting for it) in the secondary market at prices that do not exceed the Offer Price, or by a combination of these methods.

## PRICING AND ALLOCATION

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Friday, December 22, 2023, but in any event, no later than 12:00 noon on Friday, December 22, 2023, by agreement between the Sole Overall Coordinator (on behalf of the Underwriters), our Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$38.45 per Offer Share and is expected to be not less than HK$27.47 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the maximum Offer Price of HK$38.45 per Offer Share plus brokerage of 1.0%, AFRC transaction levy of 0.00015%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.00565%, amounting to a total of HK$3,883.78 for one board lot of 100 Shares. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the minimum Offer Price stated in this prospectus.**

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Sole Overall Coordinator (on behalf of the Underwriters) may, where it deems appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of our Company, reduce the number of Offer Shares offered and/or the Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the websites of our Company and the Stock Exchange at **www.batelab.com** and **www.hkexnews.hk**, respectively, notices of the reduction of the Offer Shares and/or the indicative Offer Price range, and the cancellation of the Global Offering and relaunch of the offer at the revised number of Offer Shares and/or the revised Offer Price.

Our Company will also, as soon as practicable following the decision to make such change, issue a supplemental prospectus or a new prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price, and giving investors at least three business days to consider the new information. The supplemental or new prospectus should include at least the following: updated (i) Offer Price and market capitalization; (ii) listing timetable and underwriting obligations; (iii) price/earning multiple, unaudited pro forma and adjusted net tangible assets; and (iv) use of proceeds and working capital adequacy confirmation based on revised proceeds.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. In the absence of any such supplemental or new prospectus so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Sole Overall Coordinator (on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If there is any change to the offer size due to change in the number of Offer Shares initially offered in the Global Offering (other than pursuant to the exercise of the Over-allotment Option and/or reallocation mechanism as disclosed in this prospectus), or change to the Offer Price which leads to the resulting price falling outside the indicative Offer Price range as stated in this prospectus, or if our Company becomes aware that there has been a significant change affecting any matter contained in this prospectus or a significant new matter has arisen, the inclusion of information in respect of which would have been required to be in this prospectus if it had arisen before this prospectus was issued, after the issue of this prospectus and before the commencement of dealings in our H Shares as prescribed under Rule 11.13 of the Listing Rules, our Company is required to cancel the Global Offering and relaunch the offer and issue a supplemental prospectus or a new prospectus.

In the event of a reduction in the number of Offer Shares, the Hong Kong Offer Shares and the International Offer Shares may be reallocated as between the Hong Kong Public Offering and International Offering at the discretion of the Sole Overall Coordinator, provided that the number of the initial Hong Kong Offer Shares shall not be less than 10% of the total number of Offer Shares in the Global Offering (assuming the Over-allotment Option is not exercised).

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in "How to Apply for Hong Kong Offer Shares – B. Publication of Results".

## UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to, among other things, the Sole Overall Coordinator (on behalf of the Underwriters) and our Company agreeing on the Offer Price.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarized in "Underwriting".

## CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

(a) the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including the H Shares which may be issued pursuant to the exercise of the Over-allotment Option) as mentioned herein on the Main Board of the Stock Exchange and such approval not subsequently having been revoked prior to the commencement of trading of the H Shares on the Stock Exchange;

(b) the Offer Price having been agreed between the Sole Overall Coordinator (on behalf of the Underwriters) and our Company on or about the Price Determination Date;

(c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between the Sole Overall Coordinator (on behalf of the Underwriters) and our Company by 12:00 noon on Friday, December 22, 2023, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the websites of our Company and the Stock Exchange at **www.batelab.com** and **www.hkexnews.hk**, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares – D. Despatch/Collection of H Share Certificates and Refund of Application Monies". In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

H Share certificates for the Offer Shares will only become valid evidence of title at 8:00 a.m. on Thursday, December 28, 2023, provided that the Global Offering has become unconditional in all respects at or before that time.

## DEALINGS IN THE H SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, December 28, 2023, it is expected that dealings in the H Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, December 28, 2023.

The H Shares will be traded in board lots of 100 H Shares each and the stock code of H Shares will be 2149.

**IMPORTANT NOTICE TO INVESTORS:**

**Fully Electronic Application Process**

**We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.**

This prospectus is available at the website of the Stock Exchange at **www.hkexnews.hk** under the "*HKEXnews* > *New Listings* > *New Listing Information*" section, and our website at **www.batelab.com**. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an **intermediary**, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

## A. APPLICATION FOR HONG KONG OFFER SHARES

### 1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older; and
- have a Hong Kong address *(for the **White Form eIPO** service only).*

Unless permitted by the Listing Rules or a waiver and/or consent has been granted by the Stock Exchange to us, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing Shareholder or close associates; or
- are a Director or a Supervisor or chief executive of our Company or any of his/her close associates.

## 2. Application Channels

**The Hong Kong Public Offering period will begin at 9:00 a.m. on Monday, December 18, 2023 and end at 12:00 noon on Thursday, December 21, 2023 (Hong Kong time).**

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

| Application Channel | Platform | Target Investors | Application Time |
|---|---|---|---|
| **White Form eIPO service** | www.eipo.com.hk | Investors who would like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name. | From 9:00 a.m. on Monday, December 18, 2023 to 11:30 a.m. on Thursday, December 21, 2023, Hong Kong time.<br><br>The latest time for completing full payment of application monies will be 12:00 noon on Thursday, December 21, 2023, Hong Kong time. |
| **HKSCC EIPO channel** | Your broker or custodian who is a HKSCC Participant will submit an EIPO application on your behalf through HKSCC's FINI system in accordance with your instruction | Investors who would not like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account. | Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian. |

The **White Form eIPO** service and the **HKSCC EIPO** channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

For those applying through the **White Form eIPO** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the **electronic application instructions** are given, you shall be deemed to have declared that only one set of **electronic application instructions** has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of **electronic application instructions** for the benefit of the person for whom you are an agent and that you are duly authorized to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **White Form eIPO** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **White Form eIPO** service, you are deemed to have authorized the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through **HKSCC EIPO** channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offering.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

## 3. Information Required to Apply

You must provide the following information with your application:

**For Individual/Joint Applicants**

- Full name(s)[2] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. HKID card; or
  - ii. National identification document; or
  - iii. Passport; and
- Identity document number

**For Corporate Applicants**

- Full name(s)[2] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. LEI registration document; or
  - ii. Certificate of incorporation; or
  - iii. Business registration certificate; or
  - iv. Other equivalent document; and
- Identity document number

*Notes:*

1. If you are applying through the **White Form eIPO** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong Address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card.

2. The applicant's full name as shown on their identity document must be used. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card, the HKID number must be used when making an application to subscribe for shares in a public offer. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.

3. If the applicant is a trustee, the client identification data ("CID") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.

4. The maximum number of joint applicants on FINI is capped at 4 in accordance with market practice.

5. If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii), the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

6. If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

   "Unlisted company" means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

   "Statutory control" means you:

   - control the composition of the board of directors of our company;
   - control more than half of the voting power of our company; or
   - hold more than half of the issued share capital of our company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through **HKSCC EIPO** channel, and making an application under a power of attorney, we and the Sole Overall Coordinator, as our agent, have discretion to consider whether to accept it on any conditions we think fit, including evidence of the attorney's authority.

Failing to provide any required information may result in your application being rejected.

## 4. Permitted Number of Hong Kong Offer Shares for Application

| | | |
|---|---|---|
| **Board lot size** | : | 100 Shares. |
| **Permitted number of Hong Kong Offer Shares for application and amount payable on application/ successful allotment** | : | Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below.<br><br>The maximum Offer Price is HK$38.45 per Hong Kong Offer Share.<br><br>If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong. |

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the final Offer Price, the brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the Designated Bank for your broker or custodian.

If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective amount payable on application in full upon application for Hong Kong Offer Shares.

| No. of Hong Kong Offer Shares applied for | Maximum Amount payable(2) on application/ successful allotment | No. of Hong Kong Offer Shares applied for | Maximum Amount payable(2) on application/ successful allotment | No. of Hong Kong Offer Shares applied for | Maximum Amount payable(2) on application/ successful allotment | No. of Hong Kong Offer Shares applied for | Maximum Amount payable(2) on application/ successful allotment |
|---|---|---|---|---|---|---|---|
| | *HK$* | | *HK$* | | *HK$* | | *HK$* |
| 100 | 3,883.78 | 2,000 | 77,675.54 | 10,000 | 388,377.68 | 80,000 | 3,107,021.45 |
| 200 | 7,767.55 | 2,500 | 97,094.42 | 15,000 | 582,566.53 | 90,000 | 3,495,399.14 |
| 300 | 11,651.33 | 3,000 | 116,513.30 | 20,000 | 776,755.36 | 100,000 | 3,883,776.83 |
| 400 | 15,535.11 | 3,500 | 135,932.18 | 25,000 | 970,944.20 | 150,000 | 5,825,665.23 |
| 500 | 19,418.89 | 4,000 | 155,351.07 | 30,000 | 1,165,133.04 | 200,000 | 7,767,553.66 |
| 600 | 23,302.65 | 4,500 | 174,769.96 | 35,000 | 1,359,321.89 | 250,000 | 9,709,442.07 |
| 700 | 27,186.44 | 5,000 | 194,188.84 | 40,000 | 1,553,510.74 | 300,000 | 11,651,330.48 |
| 800 | 31,070.22 | 6,000 | 233,026.61 | 45,000 | 1,747,699.58 | 400,000 | 15,535,107.30 |
| 900 | 34,953.99 | 7,000 | 271,864.38 | 50,000 | 1,941,888.41 | 500,000 | 19,418,884.13 |
| 1,000 | 38,837.77 | 8,000 | 310,702.15 | 60,000 | 2,330,266.10 | 600,000 | 23,302,660.96 |
| 1,500 | 58,256.66 | 9,000 | 349,539.91 | 70,000 | 2,718,643.78 | 750,000(1) | 29,128,326.19 |

(1) Maximum number of Hong Kong Offer Shares you may apply for.

(2) This is 50% of the Hong Kong Offer Shares initially offered, and the amount payable is inclusive of the brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy. If your application is successful, the brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the White Form eIPO service provider (for applications made through the White Form eIPO service) and the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

**5. Multiple Applications Prohibited**

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed "– A. Application for Hong Kong Offer Shares – 3. Information Required to Apply" in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **White Form eIPO** service, (ii) **HKSCC EIPO** channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **White Form eIPO** service or **HKSCC EIPO** channel, you or the person(s) for whose benefit you have made the application shall not apply for any International Offer Shares.

**6. Terms and Conditions of An Application**

By applying for Hong Kong Offer Shares through the **White Form eIPO** service or **HKSCC EIPO** channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

(i) undertake to execute all relevant documents and instruct and authorise us and/or the Sole Overall Coordinator, as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the **HKSCC EIPO** channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant's stock account on your behalf;

(ii) confirm that you have read and understand the terms and conditions and application procedures set out in this prospectus and the designated website of the **White Form eIPO** service (or as the case may be, the agreement you entered into with your broker or custodian), and agree to be bound by them;

(iii) (if you are applying through the **HKSCC EIPO** channel) agree to the arrangements, undertakings and warranties under the participant agreement between your broker or custodian and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;

(iv) confirm that you are aware of the restrictions on offers and sales of shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;

(v) confirm that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;

(vi) agree that our Company, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering (the "**Relevant Persons**"), the H Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;

(vii) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, the H Share Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraph headed "– G. Personal Data – 3. Purposes and 4. Transfer of personal data" in this section;

(viii) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees' application) has been accepted) that you will not rescind it because of an innocent misrepresentation;

(ix) agree that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the H Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed "– B. Publication of Results" in this section;

(x) confirm that you are aware of the situations specified in the paragraph headed "– C. Circumstances In Which You Will Not Be Allocated Hong Kong Offer Shares" in this section;

(xi) agree that your application or HKSCC Nominees' application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

(xii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither we nor the Relevant Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

(xiii) confirm that (a) your application or HKSCC Nominees' application on your behalf is not financed directly or indirectly by our Company, any of the directors, chief executives, substantial Shareholder(s) or existing shareholder(s) of our Company or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from our Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of our Company or any of its subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in your name or otherwise held by you;

(xiv) warrant that the information you have provided is true and accurate;

(xv) confirm that you understand that we and the Sole Overall Coordinator will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xvi) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;

(xvii) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the application channel of the H Share Registrar or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (1) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC and (2) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

## B. PUBLICATION OF RESULTS

### Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

| Platform | | Date/Time |
|---|---|---|
| Applying through **White Form eIPO** service or **HKSCC EIPO** channel: | | |
| Website | The designated results of allocation at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**) with a "search by ID" function.<br><br>The full list of (i) wholly or partially successful applicants using the **White Form eIPO** service and **HKSCC EIPO** channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed on the "Allotment Results" page of the **White Form eIPO** service at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**). | 24 hours, from 11:00 p.m. on Wednesday, December 27, 2023 to 12:00 midnight on Tuesday, January 2, 2024 (Hong Kong time) |
| | The Stock Exchange's website at **www.hkexnews.hk** and our website at **www.batelab.com** which will provide links to the above mentioned websites of the H Share Registrar. | No later than 11:00 p.m. on Wednesday, December 27, 2023 (Hong Kong time) |
| Telephone | +852 2862 8555 – the allocation results telephone enquiry line provided by the H Share Registrar. | Between 9:00 a.m. and 6:00 p.m., from Thursday, December 28, 2023 to Wednesday, January 3, 2024 (Hong Kong time) on a business day |

For those applying through **HKSCC EIPO** channel, you may also check with your broker or custodian from 6:00 p.m. on Friday, December 22, 2023 (Hong Kong time).

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Friday, December 22, 2023 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

**Allocation Announcement**

We expect to announce the results of the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Hong Kong Offer Shares on the Stock Exchange's website at **www.hkexnews.hk** and our website at **www.batelab.com** by no later than 11:00 p.m. on Wednesday, December 27, 2023 (Hong Kong time).

## C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

**1. If your application is revoked:**

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

**2. If we or our agents exercise our discretion to reject your application:**

We, the Sole Overall Coordinator, the H Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**3. If the allocation of Hong Kong Offer Shares is void:**

The allocation of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

**4. If:**

- you make multiple applications or suspected multiple applications. You may refer to the paragraph headed "– A. Application for Hong Kong Offer Shares – 5. Multiple Applications Prohibited" in this section on what constitutes multiple applications;
- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;

- the Underwriting Agreements do not become unconditional or are terminated;
- we or the Sole Overall Coordinator believe that by accepting your application, it or we would violate applicable securities or other laws, rules or regulations.

**5. If there is money settlement failure for allotted Shares:**

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their Designated Bank before balloting. After balloting of Hong Kong Offer Shares, the Receiving Bank will collect the portion of these funds required to settle each HKSCC Participant's actual Hong Kong Offer Share allotment from their Designated Bank.

**There is a risk of money settlement failure.** In the extreme event of money settlement failure by a HKSCC Participant (or its Designated Bank), who is acting on your behalf in settling payment for your allotted shares, HKSCC will contact the defaulting HKSCC Participant and its Designated Bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the International Offering. Hong Kong Offer Shares applied for by you through the broker or custodian may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the H Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

## D. DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **HKSCC EIPO** channel where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application.

Share certificates will only become valid evidence of title at 8:00 a.m. on Thursday, December 28, 2023 (Hong Kong time), provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" has not been exercised. Investors who trade H Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so entirely at their own risk.

The right is reserved to retain any H Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

The following sets out the relevant procedures and time:

| | White Form eIPO service | HKSCC EIPO channel |
|---|---|---|
| **Despatch/collection of Share certificate** | | |
| **For physical share certificates of 500,000 or more Offer Shares issued under your own name** | Collection in person at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong<br><br>**Time:** from 9:00 a.m. to 1:00 p.m. on Thursday, December 28, 2023 (Hong Kong time)<br><br>If you are an individual, you must not authorise any other person to collect for you. If you are a corporate applicant, your authorised representative must bear a letter of authorization from your corporation stamped with your corporation's chop.<br><br>Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.<br><br>**Note:** If you do not collect your Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk | Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant's stock account<br><br>No action by you is required |

| | | |
|---|---|---|
| **For physical share certificates of less than 500,000 Offer Shares issued under your own name** | Your Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk<br><br>**Time:** Wednesday, December 27, 2023 | |

**Refund mechanism for surplus application monies paid by you**

| | | |
|---|---|---|
| **Date** | Thursday, December 28, 2023 | Subject to the arrangement between you and your broker or custodian |
| **Responsible party** | H Share Registrar | Your broker or custodian |
| **Application monies paid through single bank account** | **White Form** e-Refund payment instructions to your designated bank account | Your broker or custodian will arrange refund to your designated bank account subject to the arrangement between you and it |
| **Application monies paid through multiple bank accounts** | Refund cheque(s) will be despatched to the address as specified in your application instructions by ordinary post at your own risk | |

Except in the event of any Severe Weather Signals (as defined below) in force in Hong Kong on the business day before the Listing Date rendering it impossible for the relevant share certificates to be despatched to HKSCC in a timely manner, the Company shall procure the H Share Registrar to arrange for delivery of the supporting documents and share certificates in accordance with the contingency arrangements as agreed between them. You may refer to "—E. Severe Weather Arrangements" in this section.

## E. SEVERE WEATHER ARRANGEMENTS

### The Opening and Closing of the Application Lists

The application lists will not open or close on Thursday, December 21, 2023 if, there is/are:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or
- Extreme Conditions,

(collectively, "**Severe Weather Signals**"),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, December 21, 2023.

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have **Severe** Weather Signals in force at any time between 9:00 a.m. and 12:00 noon.

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the listing date. Should there be any changes to the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made and published on the Stock Exchange's website at **www.hkexnews.hk** and our website at **www.batelab.com** of the revised timetable.

If a **Severe** Weather Signal is hoisted on Wednesday, December 27, 2023, the H Share Registrar will make appropriate arrangements for the delivery of the share certificates to the CCASS Depository's service counter so that they would be available for trading on Thursday, December 28, 2023.

If a **Severe** Weather Signal is hoisted on Wednesday, December 27, 2023:

- for physical H share certificates of less than 500,000 Hong Kong Offer Shares issued under your own name, despatch will be made by ordinary post when the post office re-opens after the **Severe** Weather Signal is lowered or cancelled (e.g. in the afternoon of Wednesday, December 27, 2023 or on Thursday, December 28, 2023).

If a **Severe** Weather Signal is hoisted on Thursday, December 28, 2023:

- for physical H share certificates of 500,000 or more Hong Kong Offer Shares issued under your own name, you may pick them up from the H Share Registrar's office after the **Severe** Weather Signal is lowered or cancelled (e.g. in the afternoon of Thursday, December 28, 2023 or on Friday, December 29, 2023).

**Prospective investors should be aware that if they choose to receive physical H Share certificates issued in their own name, there may be a delay in receiving the H Share certificates.**

## F. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

You should seek the advice of your broker or other professional advisor for details of the settlement arrangement as such arrangements may affect your rights and interests.

## G. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by Company, the H Share Registrar, the receiving banks and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agreed to all of the terms of the Personal Information Collection Statement below.

### 1. Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of our Company and the H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

### 2. Reasons for the collection of your personal data

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to our Company or its agents and the H Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in the delay or the inability of our Company or the H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the despatch of Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform our Company and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

**3. Purposes**

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and **White Form** e-Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of our Company;
- verifying identities of applicants for and holders of the Shares and identifying any duplicate applications for the Shares;
- facilitating Hong Kong Offer Shares balloting;
- establishing benefit entitlements of holders of the Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from our Company;
- compiling statistical information and profiles of the holder of the Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and the H Share Registrar to discharge their obligations to applicants and holders of the Shares and/or regulators and/or any other purposes to which applicants and holders of the Shares may from time to time agree.

**4. Transfer of personal data**

Personal data held by our Company and the H Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but our Company and the H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our Company's appointed agents such as financial advisers, receiving banks and overseas principal share registrar;
- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the H Share Registrar for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company or the H Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and
- any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

**5. Retention of personal data**

Our Company and the H Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

**6. Access to and correction of personal data**

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether our Company or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. Our Company and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to our Company and the H Share Registrar, at their registered address disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time, for the attention of the company secretary, or the H Share Registrar for the attention of the privacy compliance officer.

*The following is the text of a report set out on pages I-1 to I-52, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*

KPMG

**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BATELAB CO., LTD. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED**

**Introduction**

We report on the historical financial information of BaTeLab Co., Ltd. (the "Company") set out on pages I-4 to I-52, which comprises the statements of financial position of the Company as at 31 December 2020, 2021 and 2022 and 30 June 2023 and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows, for each of the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 (the "Relevant Periods"), and a summary of material accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-52 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 18 December 2023 (the "Prospectus") in connection with the initial listing 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 ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of 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 financial position as at 31 December 2020, 2021 and 2022 and 30 June 2023 and of the Company's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

**Review of stub period corresponding financial information**

We have reviewed the stub period corresponding financial information of the Company which comprises the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the six months ended 30 June 2022 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, 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 27(a) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

*Certified Public Accountants*
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

18 December 2023

## HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Company for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP Suzhou Branch (畢馬威華振會計師事務所(特殊普通合夥)蘇州分所) in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Note | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|---|
| | | **2020** | **2021** | **2022** | **2022** | **2023** |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | | *(unaudited)* | |
| **Revenue** | *4* | 88,720 | 212,711 | 352,510 | 162,065 | 204,422 |
| Cost of sales | | (39,971) | (92,711) | (153,186) | (68,990) | (91,527) |
| Gross profit | | 48,749 | 120,000 | 199,324 | 93,075 | 112,895 |
| Other income and net gain | *5* | 1,965 | 4,087 | 9,791 | 1,668 | 5,642 |
| Distribution costs | | (791) | (1,772) | (3,580) | (1,500) | (2,870) |
| Administrative expenses | | (3,505) | (13,860) | (22,181) | (10,591) | (10,596) |
| Research and development expenses | | (28,405) | (47,609) | (84,879) | (39,279) | (57,411) |
| **Profit from operations** | | 18,013 | 60,846 | 98,475 | 43,373 | 47,660 |
| Finance costs | *6(a)* | (4,018) | (3,877) | (1,651) | (612) | (1,796) |
| Profit before taxation | *6* | 13,995 | 56,969 | 96,824 | 42,761 | 45,864 |
| Income tax | *7(a)* | — | — | (1,562) | — | — |
| **Profit for the year/period** | | 13,995 | 56,969 | 95,262 | 42,761 | 45,864 |
| **Other comprehensive income for the year/period, net of nil tax** | | — | — | — | — | — |
| **Total comprehensive income for the year/period** | | 13,995 | 56,969 | 95,262 | 42,761 | 45,864 |
| **Earnings per share** | | | | | | |
| Basic and diluted (RMB cents) | *10* | N/A | N/A | N/A | N/A | N/A |

## STATEMENTS OF FINANCIAL POSITION

| | Note | At 31 December 2020 RMB'000 | 2021 RMB'000 | 2022 RMB'000 | At 30 June 2023 RMB'000 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Property, plant and equipment | 11 | 1,420 | 7,358 | 59,253 | 61,614 |
| Right-of-use assets | 12 | 224 | 4,774 | 3,445 | 2,598 |
| Intangible assets | 13 | — | 284 | 254 | 399 |
| Other non-current assets | 15 | 4,885 | 32,720 | 2,660 | 766 |
| | | 6,529 | 45,136 | 65,612 | 65,377 |
| **Current assets** | | | | | |
| Inventories | 16 | 44,429 | 56,474 | 76,316 | 130,384 |
| Trade and other receivables | 17 | 20,972 | 31,749 | 67,097 | 49,581 |
| Prepayments | 18 | 32,228 | 75,915 | 202,845 | 302,720 |
| Pledged bank deposits | 19 | — | — | 21,151 | 81,379 |
| Cash and cash equivalents | 20 | 13,435 | 146,778 | 162,507 | 207,427 |
| Financial assets at fair value through profit or loss ("FVTPL") | 14 | 54,059 | — | — | — |
| | | 165,123 | 310,916 | 529,916 | 771,491 |
| **Current liabilities** | | | | | |
| Loans and borrowings | 21 | 20,029 | 30,508 | 95,512 | 107,370 |
| Trade and other payables | 22 | 11,500 | 18,585 | 96,049 | 270,213 |
| Lease liabilities | 23 | 267 | 2,229 | 3,627 | 4,702 |
| | | 31,796 | 51,322 | 195,188 | 382,285 |
| **Net current assets** | | 133,327 | 259,594 | 334,728 | 389,206 |
| **Total assets less current liabilities** | | 139,856 | 304,730 | 400,340 | 454,583 |
| **Non-current liabilities** | | | | | |
| Lease liabilities | 23 | — | 4,157 | 2,943 | 1,327 |
| Deferred tax liabilities | 24(a) | — | — | 1,562 | 1,562 |
| Financial instruments issued to investors | 25 | 106,049 | — | — | — |
| | | 106,049 | 4,157 | 4,505 | 2,889 |
| **NET ASSETS** | | 33,807 | 300,573 | 395,835 | 451,694 |
| **EQUITY** | | | | | |
| Paid-in capital | 27(b) | 8,472 | — | — | — |
| Share capital | 27(c) | — | 45,000 | 45,000 | 45,000 |
| Reserves | 27(d) | 25,335 | 255,573 | 350,835 | 406,694 |
| **TOTAL EQUITY** | | 33,807 | 300,573 | 395,835 | 451,694 |

## STATEMENTS OF CHANGES IN EQUITY

| | Note | Paid-in capital RMB'000 (note 27(b)) | Capital reserve RMB'000 (note 27(d)(ii)) | Share capital RMB'000 (note 27(c)) | Share premium RMB'000 (note 27(d)(i)) | PRC statutory reserves RMB'000 (note 27(d)(iii)) | (Accumulated losses)/Retained profits RMB'000 | Total equity RMB'000 |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2020** | | 6,152 | 32,435 | — | — | — | (60,317) | (21,730) |
| Profit and total comprehensive income for the year | | — | — | — | — | — | 13,995 | 13,995 |
| Issuance of financial instruments to investors | 25,27(b) | 1,166 | 43,834 | — | — | — | — | 45,000 |
| Recognition of financial instruments issued to investors as non-current liabilities | 25 | — | (48,000) | — | — | — | — | (48,000) |
| Capital contributions by investors | 27(b) | 1,154 | 43,388 | — | — | — | — | 44,542 |
| **Balance at 31 December 2020 and 1 January 2021** | | 8,472 | 71,657 | — | — | — | (46,322) | 33,807 |
| Profit and total comprehensive income for the year | | — | — | — | — | — | 56,969 | 56,969 |
| Capital contributions by investors | 25,27(b) | 2,796 | 22,404 | — | — | — | — | 25,200 |
| Issuance of financial instruments to investors | 27(b) | 1,103 | 34,397 | 495 | 39,505 | — | — | 75,500 |
| Recognition of financial instruments issued to investors as non-current liabilities | 25 | — | (38,500) | — | (44,000) | — | — | (82,500) |
| Conversion into a joint stock company | 27(c) | (12,371) | (89,958) | 12,371 | 67,439 | — | 22,519 | — |
| Share capital increased by share premium transfer | 27(c) | — | — | 32,134 | (32,134) | — | — | — |
| Termination of financial instruments issued to investors | 25 | — | — | — | 191,597 | — | — | 191,597 |
| Appropriation to reserves | | — | — | — | — | 4,730 | (4,730) | — |
| **Balance at 31 December 2021 and 1 January 2022** | | — | — | 45,000 | 222,407 | 4,730 | 28,436 | 300,573 |
| Profit and total comprehensive income for the year | | — | — | — | — | — | 95,262 | 95,262 |
| Appropriation to reserves | | — | — | — | — | 9,527 | (9,527) | — |

| | *Note* | **Paid-in capital** *RMB'000* *(note 27(b))* | **Capital reserve** *RMB'000* *(note 27(d)(ii))* | **Share capital** *RMB'000* *(note 27(c))* | **Share premium** *RMB'000* *(note 27(d)(i))* | **PRC statutory reserves** *RMB'000* *(note 27(d)(iii))* | **(Accumulated losses)/Retained profits** *RMB'000* | **Total equity** *RMB'000* |
|---|---|---|---|---|---|---|---|---|
| **Balance at 31 December 2022 and 1 January 2023** | | — | — | 45,000 | 222,407 | 14,257 | 114,171 | 395,835 |
| Profit and total comprehensive income for the period | | — | — | — | — | — | 45,864 | 45,864 |
| Equity-settled share-based transactions | *26* | — | 9,995 | — | — | — | — | 9,995 |
| **Balance at 30 June 2023** | | — | 9,995 | 45,000 | 222,407 | 14,257 | 160,035 | 451,694 |
| **Unaudited:** | | | | | | | | |
| **Balance at 31 December 2021 and 1 January 2022** | | — | — | 45,000 | 222,407 | 4,730 | 28,436 | 300,573 |
| Profit and total comprehensive income for the period (unaudited) | | — | — | — | — | — | 42,761 | 42,761 |
| **Balance at 30 June 2022 (unaudited)** | | — | — | 45,000 | 222,407 | 4,730 | 71,197 | 343,334 |

## STATEMENTS OF CASH FLOWS

| | Note | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|---|
| | | 2020 | 2021 | 2022 | 2022 | 2023 |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 (unaudited) | RMB'000 |
| **Operating activities** | | | | | | |
| **Profit before taxation** | | 13,995 | 56,969 | 96,824 | 42,761 | 45,864 |
| Adjustments for: | | | | | | |
| – Depreciation of property, plant and equipment | 6(c) | 571 | 684 | 1,149 | 526 | 1,506 |
| – Depreciation of right-of-use assets | 6(c) | 768 | 1,983 | 2,241 | 1,105 | 847 |
| – Amortisation of intangible assets | 6(c) | — | 15 | 30 | 15 | 23 |
| – Net loss on disposal of property, plant and equipment | 5 | — | 37 | — | — | 1 |
| – Finance costs | 6(a) | 4,018 | 3,877 | 1,651 | 612 | 1,796 |
| – Interest income | 5 | (289) | (166) | (495) | (158) | (628) |
| – Net realised and unrealised gains on financial assets measured at fair value through profit or loss | 5 | (417) | (1,195) | (1,730) | (932) | (237) |
| – COVID-19-related rent concessions received | 12 | (198) | — | — | — | — |
| – Equity-settled share-based transactions | 26 | — | — | — | — | 9,995 |
| Changes in working capital: | | | | | | |
| Increase in inventories | | (31,506) | (12,045) | (19,842) | (10,557) | (54,068) |
| (Increase)/decrease in trade and other receivables | | (854) | (8,846) | (37,866) | (62,214) | 17,516 |
| Increase in prepayments | | (28,628) | (43,687) | (126,930) | (43,863) | (82,246) |
| Increase in pledged bank deposits | | — | — | (21,151) | (14,778) | (60,228) |
| Increase in trade and other payables | | 1,047 | 11,179 | 74,703 | 95,371 | 169,975 |
| **Net cash (used in)/generated from operating activities** | | (41,493) | 8,805 | (31,416) | 7,888 | 50,116 |
| **Investing activities:** | | | | | | |
| Payment for the purchase of property, plant and equipment | | (5,784) | (35,918) | (18,718) | (5,717) | (5,876) |
| Payment for purchase of intangible assets | | — | (299) | — | — | (190) |
| Interest received | | 289 | 166 | 495 | 158 | 628 |
| Payments for acquisition of financial assets measured at fair value through profit or loss | | (117,525) | (51,010) | (462,700) | (242,000) | (30,000) |
| Proceeds from disposal of financial assets measured at fair value through profit or loss | | 63,883 | 106,264 | 464,430 | 182,716 | 30,237 |
| Loans and borrowings to related parties | 30(b) | (1,406) | (100) | — | — | — |
| Repayments of loans and borrowings to related parties | 30(b) | 11,657 | 490 | 1,013 | 1,013 | — |
| Other cash flows arising from investing activities | | — | 9 | — | — | — |
| **Net cash (used in)/generated from investing activities** | | (48,886) | 19,602 | (15,480) | (63,830) | (5,201) |

| | Note | Year ended 31 December 2020 RMB'000 | 2021 RMB'000 | 2022 RMB'000 | Six months ended 30 June 2022 RMB'000 (unaudited) | 2023 RMB'000 |
|---|---|---|---|---|---|---|
| **Financing activities:** | | | | | | |
| Capital element of lease rentals paid | *20(b)* | (579) | (414) | (728) | (278) | (541) |
| Interest element of lease rentals paid | *20(b)* | (15) | (179) | (248) | (118) | (112) |
| Proceeds from loans and borrowings | *20(b)* | 20,000 | 30,480 | 153,747 | 8,992 | 11,858 |
| Repayment of loans and borrowings | *20(b)* | (21,630) | (20,000) | (88,814) | (15,500) | — |
| Capital contributions by investors | | 44,542 | 25,200 | — | — | — |
| Proceeds from the issue of financial instruments to investors | *20(b)* | 45,000 | 70,500 | — | — | — |
| Interest paid | *20(b)* | (1,253) | (651) | (1,332) | (488) | (1,684) |
| Loans and borrowing from a related party | *30(b)* | 500 | — | — | — | — |
| Repayment of loans and borrowing from a related party | *30(b)* | (500) | — | — | — | — |
| Listing expense paid | | — | — | — | — | (9,516) |
| Other cash flows arising from financing activities | | 5,000 | — | — | — | — |
| **Net cash generated from/(used in) financing activities** | | 91,065 | 104,936 | 62,625 | (7,392) | 5 |
| **Net increase/(decreased) in cash and cash equivalents** | | 686 | 133,343 | 15,729 | (63,334) | 44,920 |
| **Cash and cash equivalents at 1 January** | *20(a)* | 12,749 | 13,435 | 146,778 | 146,778 | 162,507 |
| **Cash and cash equivalents at 31 December/30 June** | *20(a)* | 13,435 | 146,778 | 162,507 | 83,444 | 207,427 |

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

BaTeLab Co., Ltd.* (the "Company") (蘇州貝克微電子股份有限公司), formerly known as BaTeLab Co., Ltd.* (蘇州貝克微電子有限公司) was incorporated in Suzhou, Jiangsu Province, People's Republic of China (the "PRC") on 12 November 2010 as a limited liability company. In November 2021, the Company was converted from a limited liability company into a joint stock limited liability company.

During the Relevant Periods, the Company is principally engaged in research, development and sale of high-performance analog integrated circuit design products.

The statutory financial statements of the Company for the years ended 31 December 2020, 2021 and 2022 were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC (the "PRC GAAP") and audited by Jiangsu Suruihua Certified Public Accountants Co., Ltd.* (江蘇蘇瑞華會計師事務所有限公司).

The Company has adopted 31 December as its financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (the "HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Further details of the material accounting policies adopted are set out in Note 2.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Company has adopted all applicable new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the Relevant Periods. The revised and new accounting standards and interpretations issued but not yet effective for the Relevant Periods are set out in Note 32.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

### 2 MATERIAL ACCOUNTING POLICIES

#### (a) Basis of measurement

The financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, unless otherwise stated.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following asset stated at their fair value as explained in the accounting policies set out below:

— other investments (see note 2(c))

#### (b) Use of estimates and judgments

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, 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 judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

* The English translation of all above companies is for reference only. The official names of the companies established in the PRC are in Chinese.

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.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

**(c) Other investments**

The Company's policies for investments, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments are recognised/derecognised on the date the Company 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 (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Company determines fair value of financial instruments, see note 28(d). These investments are subsequently accounted for as follows, depending on their classification.

***(i) Investments other than equity investments***

Non-equity investments held by the Company are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(r)(ii)).

— 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. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income 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 amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

**(d) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(g)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(t)).

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.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

| | |
|---|---|
| — Leasehold improvements | 3-5 years |
| — Equipment and machinery | 3-10 years |
| — Passenger vehicles | 4 years |
| — Office equipment and furniture | 3-5 years |

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.

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is stated at cost less impairment losses (see note 2(g)(ii)). Capitalisation of construction in progress costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

**(e) Intangible assets**

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2(t)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(g)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(g)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. Software is amortised from the date it is available for use over its estimated useful life of 10 years. Both the period and method of amortisation are reviewed annually.

**(f) Right-of-use assets**

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. 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.

***(i) As a lessee***

Where the contract contains lease component(s) and non-lease component(s), the Company 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 Company recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Company are primarily passenger vehicles and staff dormitories. When the Company enters into a lease in respect of a low-value asset, the Company decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, 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 amortised cost and interest expense is calculated 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 hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes 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, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(g)(ii)). Depreciation is calculated using the straight-line method over the unexpired term of lease.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Company will be reasonably certain to 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 change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that 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. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 *Leases*. In such cases, the Company has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the statements 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.

The Company presents right-of-use assets that do not meet the definition of investment property in "right-of-use assets" and presents lease liabilities separately in the statements of financial position.

***(ii) As a lessor***

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Company allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(r)(iii).

When the Company is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Company applies the exemption described in note 2(f)(i), then the Company classifies the sub-lease as an operating lease.

**(g) Credit losses and impairment of assets**

***(i) Credit losses from financial instruments***

The Company recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents, pledged bank deposits, trade and other receivables and prepayments).

Other financial assets measured at fair value are not subject to the ECL assessment.

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

The expected cash shortfalls are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

In measuring ECLs, the Company takes 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 losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Company recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

*Significant increases in credit risk*

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Company compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Company considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or (ii) the financial asset is 30 days past due. The Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Company.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

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 Company recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

*Basis of calculation of interest income*

Interest income recognised in accordance with note 2(r)(ii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Company 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 past due event;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; 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 is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company 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 each 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;

— right-of-use assets; and

— intangible assets.

If any such indication exists, the asset's recoverable amount is estimated.

— *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, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

**(h) Inventories and other contract costs**

***(i) Inventories***

Inventories are assets which are held for sale in the ordinary course of business or in the form of materials or supplies to be consumed in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

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 realisable value is the estimated selling price in the ordinary course of business less 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 realisable 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) Other contract costs***

Other contract costs are the costs to fulfil a contract with a customer, which are not capitalised as inventory (see note 2(h)(i)), property, plant and equipment (see note 2(d)) or intangible assets (see note 2(e)), are expensed as incurred.

**(i) Contract liabilities**

A contract liability is recognised when the customer pays non-refundable consideration before the Company recognises the related revenue (see note 2(r)). A contract liability would also be recognised if the Company has an unconditional right to receive non-refundable consideration before the Company recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(j)).

**(j) Trade and other receivables**

A receivable is recognised when the Company has an unconditional right to receive consideration. A right to receive consideration is unconditional if 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 amortised cost, using the effective interest method and including an allowance for credit losses (see note 2(g)(i)).

**(k) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and 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. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(g)(i).

**(l) 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 amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

**(m) Financial instruments issued to investors with preferred rights**

The Company recognises as a financial liability its obligation to purchase its own equity instruments for cash or another financial asset. The financial liability is initially measured at the present value of the redemption amount and subsequently measured at amortised cost.

The Company derecognises the financial liability when, and only when, the Company's obligation is discharged, cancelled or has expired.

**(n) Interest-bearing borrowings**

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Company's accounting policy for borrowing costs (see note 2(t)).

**(o) Employee benefits**

***(i) Short-term employee benefits and contributions to defined contribution retirement plans***

Salaries, annual bonuses and contributions to defined contribution retirement plans are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

***(ii) Share-based payments***

The fair value of shares granted to employees is recognised as an employee cost with a corresponding increase in capital reserve within equity. The fair value is measured at grant date when the shares were granted. Where the shares granted without vesting conditions and contract life, the total fair value is recognised as an employee cost immediately on the grant date.

***(iii) Termination benefits***

Termination benefits are recognised at the earlier of when the Company can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

**(p) Income tax**

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Company controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

**(q) Provisions and contingent liabilities**

Provisions are recognised when the Company 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.

**(r) Revenue and other income**

Income is classified by the Company as revenue when it arises from the sale of goods, the provision of services or the use by others of the Company's assets under leases in the ordinary course of the Company's business.

The Company is the principal for its revenue transactions and recognises revenue on a gross basis, including the sale of electronic products that are sourced externally. In determining whether the Company acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Company's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Company 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 Company's revenue and other income recognition policies are as follows:

***(i) Sale of goods and provision of services***

Revenue is recognised when the customer takes possession of and accepts the products and/or services.

***(ii) Interest income***

Interest income is recognised as it accrues under the effective interest method using 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. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(g)(i)).

***(iii) Rental income from operating leases***

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

***(iv) Government grants***

Government grants are recognised in the statements of financial position initially when there is reasonable assurance that they will be received and that the Company will comply with the conditions attaching to them. Grants that compensate the Company 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 that compensate the Company for the cost of an asset are recognised initially as deferred income and amortised as income in the profit or loss on a straight-line basis over the useful life of the related asset.

**(s) Translation of foreign currencies**

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of each reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

**(t) 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 capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

**(u) Related parties**

(a) A person, or a close member of that person's family, is related to the Company if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Company or the Company's parent.

(b) An entity is related to the Company if any of the following conditions applies:

(i) The entity and the Company 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 Company or an entity related to the Company.

(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 Company or to the Company'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.

**(v) 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 Company's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Company'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 JUDGEMENT AND ESTIMATES

There is no significant effect on the amounts recognised in the Historical Financial Information arising from the judgments, apart from those involving estimations, made by management in the process of applying the Company's accounting policies. The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

**(i) Allowance for impairment of trade and other receivables**

The Company's management determines the loss allowance for expected credit losses on trade and other receivables based on an assessment of the present value of all expected cash shortfalls. These estimates are based on the information about past events, current conditions and forecasts of future economic conditions. The Company's management reassesses the loss allowance at each reporting period end.

**(ii) Net realisable value of inventories**

As described in note 2(h), net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions.

Management reassesses these estimations at the end of reporting period to ensure inventory is shown at the lower of cost and net realisable value.

**4 REVENUE AND SEGMENT REPORTING**

**(a) Revenue**

***(i) Disaggregation of revenue***

Disaggregation of revenue from contracts with customers by major products is as follows:

| | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (*unaudited*) | *RMB'000* |
| **Revenue from contracts with customers within the scope of HKFRS 15** | | | | | |
| Disaggregated by major products | | | | | |
| — Sales of signal chain products | 1,645 | 19,812 | 57,713 | 28,837 | 24,826 |
| — Sales of power management products | 87,075 | 192,899 | 294,797 | 133,228 | 179,596 |
| | 88,720 | 212,711 | 352,510 | 162,065 | 204,422 |

All revenue was recognised at a point in time.

***(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date.***

The Company has applied the practical expedient in paragraph 121(a) of HKFRS 15 to its sales contracts for signal chain products and power management products that the Company will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of signal chain products and power management products that had an original expected duration of one year or less.

**(b) Segment reporting**

HKFRS 8, *Operating Segments*, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Company's chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, the Company has determined that it only has one operating segment which is the sales of signal chain products and power management products.

***(i) Information about geographical area***

All of the Company's revenue is derived from the sales of signal chain products and power management products in mainland China and the principal non-current assets employed by the Company are located in mainland China. Accordingly, no analysis by geographical segments has been provided for the Relevant Periods.

***(ii) Information about major customers***

Revenue from each major customer which accounted for 10% or more of the Company's revenue during the Relevant Periods is set out below:

| | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* *(unaudited)* | *RMB'000* |
| Customer A | 47,995 | 116,393 | 156,094 | 83,563 | 86,221 |
| Customer B | 26,245 | 75,804 | 126,585 | 48,513 | 82,022 |
| Customer C | 9,897 | N/A* | 39,849 | N/A* | 22,257 |

* Less than 10% of the Company's revenue in the respective year.

## 5 OTHER INCOME AND NET GAIN

| | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* *(unaudited)* | *RMB'000* |
| Interest income | 289 | 166 | 495 | 158 | 628 |
| Net loss on disposal of property, plant and equipment | — | (37) | — | — | (1) |
| Net realised and unrealised gains on financial assets measured at fair value through profit or loss | 417 | 1,195 | 1,730 | 932 | 237 |
| Government grants *(Note)* | 1,194 | 2,194 | 672 | 317 | 4,283 |
| Rental income | — | — | 710 | 261 | 397 |
| Research and development service income | — | 609 | 6,184 | — | — |
| Others | 65 | (40) | — | — | 98 |
| | 1,965 | 4,087 | 9,791 | 1,668 | 5,642 |

*Note:* The government grant primarily comprise subsidies received from government for the encouragement of research and development projects and activities carried out in IC industry and high-technology advancement. No specific conditions are attached to the grant.

## 6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

| | Note | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|---|
| | | 2020 | 2021 | 2022 | 2022 | 2023 |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 (unaudited) | RMB'000 |
| ***(a) Finance costs:*** | | | | | | |
| Interest on | | | | | | |
| — loans and borrowings | | 1,263 | 650 | 1,403 | 494 | 1,684 |
| — lease liabilities | | 15 | 179 | 248 | 118 | 112 |
| — financial instruments issued to investors | *25* | 2,740 | 3,048 | — | — | — |
| Total interest expense | | 4,018 | 3,877 | 1,651 | 612 | 1,796 |
| ***(b) Staff costs:*** | | | | | | |
| Salaries, wages and other benefits | | 13,876 | 21,094 | 32,444 | 13,504 | 16,287 |
| Contributions to defined contribution retirement plans | *(i)* | 38 | 608 | 903 | 415 | 502 |
| Share-based payments | *26* | — | — | — | — | 9,995 |
| | | 13,914 | 21,702 | 33,347 | 13,919 | 26,784 |

(i) Employees of the Company are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Company 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.

Due to the impact of an outbreak of COVID-19, a number of policies including the relief of social insurance have been promulgated by the government since February 2020 to expedite resumption of economic activities, which contributed to the relief of certain defined contribution plans during the year ended 31 December 2020.

The Company has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

***(c) Other items:***

| | Note | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|---|
| | | 2020 | 2021 | 2022 | 2022 | 2023 |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 (unaudited) | RMB'000 |
| Cost of inventories | *16(b)* | 54,080 | 122,710 | 213,004 | 97,596 | 123,587 |
| Depreciation: | | | | | | |
| — owned property, plant and equipment | *11* | 571 | 684 | 1,149 | 526 | 1,506 |
| — right-of-use assets | *12* | 768 | 1,983 | 2,241 | 1,105 | 847 |
| Research and development expenses *(i)* | | 28,405 | 47,609 | 84,879 | 39,279 | 57,411 |
| Amortisation of intangible assets | *13* | — | 15 | 30 | 15 | 23 |
| Auditors' remuneration | | 32 | 23 | 42 | 38 | 38 |
| Listing expense | | — | — | — | — | 785 |

(i) During the years ended 31 December 2020, 2021 and 2022 and six months ended 30 June 2022 and 2023, research and development expenses include staff costs and depreciation expenses of RMB11,773,000, RMB14,280,000, RMB18,699,000, RMB7,807,000 (unaudited) and RMB19,743,000, respectively, which amounts are also included in the respective total amounts disclosed separately above.

## 7 INCOME TAX IN THE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

**(a) Taxation in the statements of profit or loss and other comprehensive income represents:**

| | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* *(unaudited)* | *RMB'000* |
| **Current tax:** | | | | | |
| Provision for PRC income tax for the year/period | — | — | — | — | — |
| **Deferred tax:** | | | | | |
| Origination of temporary differences | — | — | 1,562 | — | — |
| | — | — | 1,562 | — | — |

**(b) Reconciliation between tax expense and accounting profit at applicable tax rates:**

| | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* *(unaudited)* | *RMB'000* |
| Profit before taxation | 13,995 | 56,969 | 96,824 | 42,761 | 45,864 |
| Notional tax on profit before taxation, calculated at the rates applicable in the PRC *(i)* | 3,499 | 14,242 | 24,206 | 10,690 | 11,466 |
| Effect of preferential tax rate *(ii)* | (1,400) | (5,188) | (10,506) | (6,482) | (5,943) |
| Effect of additional deduction on research and development expenses *(iii)* | (3,118) | (4,940) | (10,173) | (4,249) | (7,076) |
| Effect of deduction on equipment newly purchased during the period from 1 October 2022 to 31 December 2022 *(iv)* | — | — | (2,082) | — | — |
| Tax effect of non-deductible expenses | 421 | 510 | 117 | 41 | 1,553 |
| Tax effect of unused tax losses and deductible temporary differences not recognised, net of utilisation of tax losses and deductible temporary differences for which no deferred tax asset was recognised in previous periods | 598 | (4,624) | — | — | — |
| Actual tax expense | — | — | 1,562 | — | — |

(i) Pursuant to the Enterprise Income Tax (the "EIT") Law of the PRC (the "EIT Law"), the Company is liable to EIT at a rate of 25% unless otherwise specified.

(ii) According to the EIT Law and its relevant regulations, entities that qualified as high-technology enterprise are entitled to a preferential income tax rate of 15%. The Company obtained the certificate of high-technology enterprise on 2 December 2020 and is subject to income tax rate at 15% for a three years period from 2020 to 2022. The Company is in the process of renewing the high-technology enterprise certificate.

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, from the year of being profitable, the Company can enjoy the exemption from EIT for the first two years and half reduced rate on statutory rate at 25% for the following three years (the "Tax Holiday").

(iii) Effective from 1 January 2020 to 30 September 2022, an additional 75% of qualified research and development expenses incurred is allowed to be deducted from taxable income under the PRC Enterprise Income Tax Law and its relevant regulations. Effective from 1 October 2022 to 30 June 2023, an additional 100% of qualified research and development expenses incurred is allowed to be deducted from taxable income under the EIT Law and its relevant regulations.

(iv) In 2022, high-technology enterprises are allowed to deduct the full amount of equipment and appliances newly purchased during the period from 1 October 2022 to 31 December 2022 from the taxable income amount on a one-off basis in the current year and allowed to conduct 100% deduction before tax according to Announcement 2022 No.28 issued by the Ministry of Finance of the PRC, the State Taxation Administration of the PRC and the Ministry of Science and Technology of the PRC.

## 8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Year ended 31 December 2020

| | Directors' fees | Salaries, allowances and benefits in kind | Discretionary bonuses | Retirement scheme contributions | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Executive directors** | | | | | |
| Mr. Li Zhen | — | 171 | 88 | 1 | 260 |
| Mr. Zhang Guangping | — | 166 | 88 | 1 | 255 |
| Mr. Li Yi | — | 171 | 88 | 1 | 260 |
| Mr. Kong Jianhua | — | — | — | — | — |
| Mr. Chen Datong *(a)* | — | — | — | — | — |
| Mr. Ma Guolin *(b)* | — | — | — | — | — |
| **Supervisors** | | | | | |
| Ms. Zhou Feng *(c)* | — | 98 | 3 | 1 | 102 |
| Mr. Chen Xingyu *(d)* | — | — | — | — | — |
| Mr. Xue Liang *(e)* | — | — | — | — | — |
| Mr. Zhou Taotao *(f)* | — | 72 | 1 | 1 | 74 |
| Ms. Yu Binyan *(g)* | — | — | — | — | — |
| | — | 678 | 268 | 5 | 951 |

Year ended 31 December 2021

| | Directors' fees | Salaries, allowances and benefits in kind | Discretionary bonuses | Retirement scheme contributions | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Executive directors** | | | | | |
| Mr. Li Zhen | — | 603 | 129 | 9 | 741 |
| Mr. Zhang Guangping | — | 561 | 168 | 4 | 733 |
| Mr. Li Yi | — | 544 | 164 | 9 | 717 |
| Mr. Kong Jianhua | — | — | — | — | — |
| Mr. Chen Datong *(a)* | — | — | — | — | — |
| Mr. Zhou Yufeng *(h)* | — | — | — | — | — |
| **Independent non-executive directors** | | | | | |
| Mr. Zhao Heming *(i)* | 10 | — | — | — | 10 |
| Mr. Wen Chengge *(j)* | 10 | — | — | — | 10 |
| Mr. Ma Ming *(k)* | 10 | — | — | — | 10 |

| | Directors' fees RMB'000 | Salaries, allowances and benefits in kind RMB'000 | Discretionary bonuses RMB'000 | Retirement scheme contributions RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **Supervisors** | | | | | |
| Ms. Zhou Feng *(c)* | — | 137 | 33 | 4 | 174 |
| Mr. Chen Xingyu *(d)* | — | — | — | — | — |
| Mr. Xue Liang *(e)* | — | — | — | — | — |
| Mr. Zhou Taotao *(f)* | — | 91 | 13 | 4 | 108 |
| Ms. Yu Binyan *(g)* | — | — | — | — | — |
| Mr. Zhou Cheng *(l)* | — | 274 | 71 | 4 | 349 |
| | 30 | 2,210 | 578 | 34 | 2,852 |

Year ended 31 December 2022

| | Directors' fees RMB'000 | Salaries, allowances and benefits in kind RMB'000 | Discretionary bonuses RMB'000 | Retirement scheme contributions RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **Executive directors** | | | | | |
| Mr. Li Zhen | — | 720 | 11 | 15 | 746 |
| Mr. Zhang Guangping | — | 670 | 617 | 8 | 1,295 |
| Mr. Li Yi | — | 622 | 605 | 15 | 1,242 |
| Mr. Kong Jianhua | — | — | — | — | — |
| Mr. Chen Datong *(a)* | — | — | — | — | — |
| Mr. Zhou Yufeng *(h)* | — | — | — | — | — |
| **Independent non-executive directors** | | | | | |
| Mr. Zhao Heming *(i)* | 60 | — | — | — | 60 |
| Mr. Wen Chengge *(j)* | 60 | — | — | — | 60 |
| Mr. Ma Ming *(k)* | 60 | — | — | — | 60 |
| **Supervisors** | | | | | |
| Mr. Chen Xingyu *(d)* | — | — | — | — | — |
| Mr. Zhou Taotao *(f)* | — | 130 | 22 | 8 | 160 |
| Mr. Zhou Cheng *(l)* | — | 310 | 90 | 8 | 408 |
| | 180 | 2,452 | 1,345 | 54 | 4,031 |

Six months ended 30 June 2023

| | Directors' fees RMB'000 | Salaries, allowances and benefits in kind RMB'000 | Discretionary bonuses RMB'000 | Retirement scheme contributions RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **Executive directors** | | | | | |
| Mr. Li Zhen | — | 360 | 7 | 7 | 374 |
| Mr. Zhang Guangping | — | 335 | 370 | 4 | 709 |
| Mr. Li Yi | — | 311 | 363 | 7 | 681 |
| Mr. Kong Jianhua | — | — | — | — | — |
| Mr. Chen Datong *(a)* | — | — | — | — | — |
| Mr. Zhou Yufeng *(h)* | — | — | — | — | — |

| | Directors' fees RMB'000 | Salaries, allowances and benefits in kind RMB'000 | Discretionary bonuses RMB'000 | Retirement scheme contributions RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **Independent non-executive directors** | | | | | |
| Mr. Zhao Heming *(i)* | 30 | — | — | — | 30 |
| Mr. Wen Chengge *(j)* | 30 | — | — | — | 30 |
| Mr. Ma Ming *(k)* | 30 | — | — | — | 30 |
| Ms. Kang Yuanshu *(m)* | — | — | — | — | — |
| **Supervisors** | | | | | |
| Mr. Chen Xingyu *(d)* | — | — | — | — | — |
| Mr. Zhou Taotao *(f)* | — | 69 | 13 | 4 | 86 |
| Mr. Zhou Cheng *(l)* | — | 160 | 43 | 4 | 207 |
| | 90 | 1,235 | 796 | 26 | 2,147 |

(Unaudited)
Six months ended 30 June 2022

| | Directors' fees RMB'000 | Salaries, allowances and benefits in kind RMB'000 | Discretionary bonuses RMB'000 | Retirement scheme contributions RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **Executive directors** | | | | | |
| Mr. Li Zhen | — | 361 | 6 | 8 | 375 |
| Mr. Zhang Guangping | — | 335 | 101 | 4 | 440 |
| Mr. Li Yi | — | 311 | 98 | 8 | 417 |
| Mr. Kong Jianhua | — | — | — | — | — |
| Mr. Chen Datong *(a)* | — | — | — | — | — |
| Mr. Zhou Yufeng *(h)* | — | — | — | — | — |
| **Independent non-executive directors** | | | | | |
| Mr. Zhao Heming *(i)* | 30 | — | — | — | 30 |
| Mr. Wen Chengge *(j)* | 30 | — | — | — | 30 |
| Mr. Ma Ming *(k)* | 30 | — | — | — | 30 |
| **Supervisors** | | | | | |
| Mr. Chen Xingyu *(d)* | — | — | — | — | — |
| Mr. Zhou Taotao *(f)* | — | 60 | 8 | 4 | 72 |
| Mr. Zhou Cheng *(l)* | — | 160 | 43 | 4 | 207 |
| | 90 | 1,227 | 256 | 28 | 1,601 |

*Notes:*

(a) Chen Datong was appointed as a director of the Company in November 2020 and resigned in April 2023.

(b) Ma Guolin was appointed as a director of the Company in December 2015 and resigned in November 2020.

(c) Zhou Feng was appointed as a supervisor of the Company in December 2015 and resigned in May 2021.

(d) Chen Xingyu was appointed as a supervisor of the Company in November 2020.

(e) Xue Liang was appointed as a supervisor of the Company in November 2020 and resigned in October 2021.

(f) Zhou Taotao was appointed as a supervisor of the Company in June 2017.

(g) Yu Binyan was appointed as a supervisor of the Company in January 2020 and resigned in October 2021.

(h) Zhou Yufeng was appointed as a director of the Company in November 2021.

(i) Zhao Heming was appointed as an independent director of the Company in November 2021.

(j) Wen Chengge was appointed as an independent director of the Company in November 2021.

(k) Ma Ming was appointed as an independent director of the Company in November 2021.

(l) Zhou Cheng was appointed as a supervisor of the Company in May 2021.

(m) Kang Yuanshu was appointed as an independent director of the Company in June 2023.

During the Relevant Periods, there were no amounts paid or payable by the Company to the directors or any of the five highest paid individuals set out in note 9 below as an inducement to join or upon joining the Company or as compensation for loss of office.

## 9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments of the Company for the years ended 31 December 2020, 2021 and 2022 and six months ended 30 June 2022 and 2023, three, three, two, three and two individuals' emoluments are disclosed in note 8 and the emoluments in respect of the remaining two, two, three, two and three individuals during the Relevant Periods are as follows:

| | **Year ended 31 December** | | | **Six months ended 30 June** | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* *(unaudited)* | *RMB'000* |
| Salaries, allowance and benefits in kind | 1,186 | 1,938 | 2,960 | 1,010 | 1,719 |
| Discretionary bonuses | 1,059 | 114 | 1,666 | 179 | 999 |
| Retirement scheme contributions | 1 | 8 | 24 | 8 | 12 |
| Share-based payments | — | — | — | — | 9,995 |
| | 2,246 | 2,060 | 4,650 | 1,197 | 12,725 |

The emoluments of the individuals who are not director and with the highest emoluments are within the following bands:

| | **Year ended 31 December** | | | **Six months ended 30 June** | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** | **2023** |
| | *Number of individuals* | *Number of individuals* | *Number of individuals* | *Number of individuals* *(unaudited)* | *Number of individuals* |
| HK$ | | | | | |
| 1 — 1,000,000 | 1 | 1 | — | 2 | 2 |
| 1,000,001 — 1,500,000 | — | — | 1 | — | — |
| 1,500,001 — 2,000,000 | — | 1 | 1 | — | — |
| 2,000,001 — 2,500,000 | 1 | — | 1 | — | — |
| 12,000,001 — 12,500,000 | — | — | — | — | 1 |

## 10 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the presentation of the result of the Company for the Relevant Periods on the basis of preparation and presentation as disclosed.

## 11 PROPERTY, PLANT AND EQUIPMENT

| | Equipment and machinery | Passenger vehicles | Office equipment and furniture | Construction in progress | Leasehold improvements | Total |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Cost:** | | | | | | |
| At 1 January 2020 | 2,559 | — | 955 | — | — | 3,514 |
| Additions | 276 | — | 24 | — | — | 300 |
| At 31 December 2020 | 2,835 | — | 979 | — | — | 3,814 |
| At 1 January 2021 | 2,835 | — | 979 | — | — | 3,814 |
| Additions | 505 | 1,108 | 287 | 4,759 | — | 6,659 |
| Disposals | (483) | — | (251) | — | — | (734) |
| At 31 December 2021 | 2,857 | 1,108 | 1,015 | 4,759 | — | 9,739 |
| At 1 January 2022 | 2,857 | 1,108 | 1,015 | 4,759 | — | 9,739 |
| Additions | 7,197 | — | 166 | 45,516 | 165 | 53,044 |
| At 31 December 2022 | 10,054 | 1,108 | 1,181 | 50,275 | 165 | 62,783 |
| At 1 January 2023 | 10,054 | 1,108 | 1,181 | 50,275 | 165 | 62,783 |
| Additions | 754 | 1,578 | 856 | 680 | — | 3,868 |
| Transfer | — | — | — | (9,984) | 9,984 | — |
| Disposals | — | — | (4) | — | — | (4) |
| At 30 June 2023 | 10,808 | 2,686 | 2,033 | 40,971 | 10,149 | 66,647 |
| **Accumulated depreciation:** | | | | | | |
| At 1 January 2020 | (1,102) | — | (721) | — | — | (1,823) |
| Charge for the year | (468) | — | (103) | — | — | (571) |
| At 31 December 2020 | (1,570) | — | (824) | — | — | (2,394) |
| At 1 January 2021 | (1,570) | — | (824) | — | — | (2,394) |
| Charge for the year | (458) | (110) | (116) | — | — | (684) |
| Written back on disposals | 459 | — | 238 | — | — | 697 |
| At 31 December 2021 | (1,569) | (110) | (702) | — | — | (2,381) |
| At 1 January 2022 | (1,569) | (110) | (702) | — | — | (2,381) |
| Charge for the year | (752) | (263) | (129) | — | (5) | (1,149) |

| | Equipment and machinery *RMB'000* | Passenger vehicles *RMB'000* | Office equipment and furniture *RMB'000* | Construction in progress *RMB'000* | Leasehold improvements *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|
| At 31 December 2022 | (2,321) | (373) | (831) | — | (5) | (3,530) |
| At 1 January 2023 | (2,321) | (373) | (831) | — | (5) | (3,530) |
| Charge for the period | (410) | (288) | (115) | — | (693) | (1,506) |
| Written back on disposals | — | — | 3 | — | — | 3 |
| At 30 June 2023 | (2,731) | (661) | (943) | — | (698) | (5,033) |
| **Net book value:** | | | | | | |
| At 31 December 2020 | 1,265 | — | 155 | — | — | 1,420 |
| At 31 December 2021 | 1,288 | 998 | 313 | 4,759 | — | 7,358 |
| At 31 December 2022 | 7,733 | 735 | 350 | 50,275 | 160 | 59,253 |
| At 30 June 2023 | 8,077 | 2,025 | 1,090 | 40,971 | 9,451 | 61,614 |

The Company's property, plant and equipment are located in the PRC.

## 12 RIGHT-OF-USE ASSETS

| | **Properties leased for own use carried at cost** (i) *RMB'000* |
|---|---|
| **Cost:** | |
| At 1 January 2020 | 1,265 |
| Additions | 494 |
| At 31 December 2020 and 1 January 2021 | 1,759 |
| Additions | 7,819 |
| Lease modification | (2,486) |
| At 31 December 2021 and 1 January 2022 | 7,092 |
| Additions | 2,834 |
| Lease modification | (2,843) |
| At 31 December 2022 and 1 January 2023 | 7,083 |
| Additions | — |
| At 30 June 2023 | 7,083 |
| **Accumulated amortisation:** | |
| At 1 January 2020 | (767) |
| Charge for the year | (768) |

| | **Properties leased for own use carried at cost** (i) |
|---|---|
| | *RMB'000* |
| At 31 December 2020 and 1 January 2021 | (1,535) |
| Charge for the year | (1,983) |
| Lease modification | 1,200 |
| At 31 December 2021 and 1 January 2022 | (2,318) |
| Charge for the year | (2,241) |
| Lease modification | 921 |
| At 31 December 2022 and 1 January 2023 | (3,638) |
| Charge for the period | (847) |
| At 30 June 2023 | (4,485) |
| **Net book value:** | |
| At 31 December 2020 | 224 |
| At 31 December 2021 | 4,774 |
| At 31 December 2022 | 3,445 |
| At 30 June 2023 | 2,598 |

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

| | **At 31 December** | | | **At 30 June** | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* *(unaudited)* | *RMB'000* |
| Depreciation charge of right-of-use assets by class of underlying asset: | | | | | |
| Properties leased for own use | 768 | 1,983 | 2,241 | 1,105 | 847 |
| Interest on lease liabilities *(note 6(a))* | 15 | 179 | 248 | 118 | 112 |
| Expense relating to short-term leases | 86 | 59 | 13 | 4 | 238 |
| COVID-19-related rent concessions received | (198) | — | — | — | — |

During the years ended 31 December 2020, 2021 and 2022 and six months ended 30 June 2023, additions to right-of-use assets of the Company were RMB494,000, RMB7,819,000, RMB2,834,000 and nil, respectively. This amount was primarily related to the capitalised lease payments payable under new tenancy agreements.

During the years ended 31 December 2021 and 2022, a lessor agreed to decrease the lease payments of a property leased by the Company by RMB860,000 and RMB2,366,000 respectively, which were accounted for as lease modifications in accordance with the accounting policy set out in note 2(f).

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 notes 20(c), 23 and 28(b), respectively.

**(i) Properties leased for own use**

The Company has obtained the right to use properties through tenancy agreements. The leases typically run for an initial period of 2 to 3 years. None of the leases include variable lease payments.

Some leases include an option to terminate the lease before the end of the contract term. The Company considers it reasonably certain not to exercise the option to early terminate at lease commencement date.

During 2020 the Company received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19.

## 13 INTANGIBLE ASSETS

| | **Software** |
|---|---|
| | *RMB'000* |
| **Cost:** | |
| At 1 January 2020, 31 December 2020 and 1 January 2021 | — |
| Additions | 299 |
| At 31 December 2021 and 1 January 2022 | 299 |
| Additions | — |
| At 31 December 2022 and 1 January 2023 | 299 |
| Additions | 168 |
| At 30 June 2023 | 467 |
| **Accumulated amortisation:** | |
| At 1 January 2020, 31 December 2020 and 1 January 2021 | — |
| Charge for the year | (15) |
| At 31 December 2021 and 1 January 2022 | (15) |
| Charge for the year | (30) |
| At 31 December 2022 and 1 January 2023 | (45) |
| Charge for the period | (23) |
| At 30 June 2023 | (68) |
| **Net book value:** | |
| At 31 December 2020 | — |
| At 31 December 2021 | 284 |
| At 31 December 2022 | 254 |
| At 30 June 2023 | 399 |

## 14 FINANCIAL ASSETS AT FVTPL

| | At 31 December 2020 RMB'000 | 2021 RMB'000 | 2022 RMB'000 | At 30 June 2023 RMB'000 |
|---|---|---|---|---|
| **Financial assets at FVTPL:** | | | | |
| — Wealth management products | 54,059 | — | — | — |

The Company's wealth management products were purchased from banks in the PRC during the Relevant Periods.

## 15 OTHER NON-CURRENT ASSETS

| | At 31 December 2020 RMB'000 | 2021 RMB'000 | 2022 RMB'000 | At 30 June 2023 RMB'000 |
|---|---|---|---|---|
| Prepayments for property, plant and equipment | 4,885 | 32,720 | 2,660 | 766 |

## 16 INVENTORIES

### (a) Inventories in the statements of financial position comprise:

| | At 31 December 2020 RMB'000 | 2021 RMB'000 | 2022 RMB'000 | At 30 June 2023 RMB'000 |
|---|---|---|---|---|
| Raw materials | 26,744 | 30,242 | 64,598 | 104,037 |
| Finished goods | 17,685 | 26,232 | 11,718 | 26,347 |
| | 44,429 | 56,474 | 76,316 | 130,384 |

### (b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

| | At 31 December 2020 RMB'000 | 2021 RMB'000 | 2022 RMB'000 | At 30 June 2022 RMB'000 (unaudited) | 2023 RMB'000 |
|---|---|---|---|---|---|
| Carrying amount of inventories sold | 37,807 | 88,669 | 150,067 | 66,163 | 88,246 |
| Write-down of inventories | 1,947 | 2,829 | 1,766 | 2,194 | 2,688 |
| | 39,754 | 91,498 | 151,833 | 68,357 | 90,934 |
| Cost of inventories directly recognised as research and development expenses | 14,326 | 31,212 | 61,171 | 29,239 | 32,653 |
| | 54,080 | 122,710 | 213,004 | 97,596 | 123,587 |

## 17 TRADE AND OTHER RECEIVABLES

| | At 31 December | | | At 30 June |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Amounts due from third parties | | | | |
| Trade receivables, net of loss allowance | 18,039 | 27,829 | 64,870 | 44,974 |
| Other receivables and deposits, net of loss allowance | 1,770 | 3,349 | 2,227 | 4,607 |
| | 19,809 | 31,178 | 67,097 | 49,581 |
| Amounts due from related parties *(note 30(c))* | | | | |
| Other receivables and deposits, net of loss allowance | 1,163 | 571 | — | — |
| Trade and other receivables | 20,972 | 31,749 | 67,097 | 49,581 |

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

As of the end of each reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables) based on the invoice date and net of loss allowance, is as follows:

| | At 31 December | | | At 30 June |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 1 month | 15,039 | 11,378 | 14,643 | 19,111 |
| 1 to 2 months | 3,000 | 16,166 | 8,756 | 16,235 |
| 2 to 3 months | — | 274 | 10,757 | 2,586 |
| Over 3 months | — | 11 | 30,714 | 7,042 |
| | 18,039 | 27,829 | 64,870 | 44,974 |

Details on the Company's credit policy and credit risk arising from trade receivables are set out in note 28(a).

## 18 PREPAYMENTS

| | At 31 December | | | At 30 June |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Prepayments to suppliers | 32,051 | 75,851 | 202,735 | 284,873 |
| Listing expense | — | — | — | 17,629 |
| Others | 177 | 64 | 110 | 218 |
| | 32,228 | 75,915 | 202,845 | 302,720 |

All of the prepayments are expected to be recovered or recognised as expense within one year, or for certain expenses incurred for the proposed listing exercise, to be offset against the share premium account upon listing.

## 19 PLEDGED BANK DEPOSITS

| | At 31 December | | | At 30 June |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Pledged bank deposits | — | — | 21,151 | 81,379 |

As at 31 December 2022 and 30 June 2023, the Company's bank deposits were pledged as a guarantee to issue bank acceptance bills, which will be released upon the settlement of relevant bills payable.

## 20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

### (a) Cash and cash equivalents comprise:

| | At 31 December | | | At 30 June |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Cash at bank and on hand | 13,435 | 146,778 | 162,507 | 207,427 |

### (b) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Company'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 Company's cash flow statement as cash flows from financing activities.

| | Bank loans and other borrowings | Lease liabilities | Financial instruments issued to investors | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(note 21)* | *(note 23)* | *(note 25)* | |
| **At 1 January 2020** | 21,649 | 550 | 55,309 | 77,508 |
| **Changes from financing cash flows:** | | | | |
| Proceeds from loans and borrowings | 20,000 | — | — | 20,000 |
| Repayment of loans and borrowings | (21,630) | — | — | (21,630) |
| Capital element of lease rentals paid | — | (579) | — | (579) |
| Interest element of lease rentals paid | — | (15) | — | (15) |
| Interest paid | (1,253) | — | — | (1,253) |
| Loans and borrowings from a related party | 500 | — | — | 500 |
| Repayments of loans and borrowings to a related party | (500) | — | — | (500) |
| Proceeds from the issue of financial instruments to investors | — | — | 45,000 | 45,000 |
| Total changes from financing cash flows | (2,883) | (594) | 45,000 | 41,523 |
| **Other changes:** | | | | |
| COVID-19 related rent concession | — | (198) | — | (198) |
| Increase in lease liabilities from entering into new leases during the year | — | 494 | — | 494 |
| Interest expenses *(note 6(a))* | 1,263 | 15 | 2,740 | 4,018 |

| | Bank loans and other borrowings *RMB'000* *(note 21)* | Lease liabilities *RMB'000* *(note 23)* | Financial instruments issued to investors *RMB'000* *(note 25)* | Total *RMB'000* |
|---|---|---|---|---|
| Fair value adjustments on initial carrying amount of financial instruments issued to investors recognised as non-current liabilities | — | — | 3,000 | 3,000 |
| Total other changes | 1,263 | 311 | 5,740 | 7,314 |
| **At 31 December 2020** | 20,029 | 267 | 106,049 | 126,345 |

| | Bank loans and other borrowings *RMB'000* *(note 21)* | Lease liabilities *RMB'000* *(note 23)* | Financial instruments issued to investors *RMB'000* *(note 25)* | Total *RMB'000* |
|---|---|---|---|---|
| **At 1 January 2021** | 20,029 | 267 | 106,049 | 126,345 |
| **Changes from financing cash flows:** | | | | |
| Proceeds from loans and borrowings | 30,480 | — | — | 30,480 |
| Repayment of loans and borrowings | (20,000) | — | — | (20,000) |
| Capital element of lease rentals paid | — | (414) | — | (414) |
| Interest element of lease rentals paid | — | (179) | — | (179) |
| Interest paid | (651) | — | — | (651) |
| Proceeds from the issue of financial instruments to investors | — | — | 70,500 | 70,500 |
| Total changes from financing cash flows | 9,829 | (593) | 70,500 | 79,736 |
| **Other changes:** | | | | |
| Increase in lease liabilities from entering into new leases during the year | — | 7,819 | — | 7,819 |
| Lease modification | — | (1,286) | — | (1,286) |
| Interest expenses *(note 6(a))* | 650 | 179 | 3,048 | 3,877 |
| Proceeds from the issue of financial instruments to investors received in previous year | — | — | 5,000 | 5,000 |
| Fair value adjustments on initial carrying amount of financial instruments issued to investors recognised as non-current liabilities | — | — | 7,000 | 7,000 |
| Termination of financial instruments issued to investors | — | — | (191,597) | (191,597) |
| Total other changes | 650 | 6,712 | (176,549) | (169,187) |
| **At 31 December 2021** | 30,508 | 6,386 | — | 36,894 |

| | Bank loans and other borrowings | Lease liabilities | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(note 21)* | *(note 23)* | |
| **At 1 January 2022** | 30,508 | 6,386 | 36,894 |
| **Changes from financing cash flows:** | | | |
| Proceeds from loans and borrowings | 153,747 | — | 153,747 |
| Repayment of loans and borrowings | (88,814) | — | (88,814) |
| Capital element of lease rentals paid | — | (728) | (728) |
| Interest element of lease rentals paid | — | (248) | (248) |
| Interest paid | (1,332) | — | (1,332) |
| Total changes from financing cash flows | 63,601 | (976) | 62,625 |
| **Other changes:** | | | |
| Increase in lease liabilities from entering into new leases during the year | — | 2,834 | 2,834 |
| Lease modification | — | (1,922) | (1,922) |
| Interest expenses *(note 6(a))* | 1,403 | 248 | 1,651 |
| Total other changes | 1,403 | 1,160 | 2,563 |
| **At 31 December 2022** | 95,512 | 6,570 | 102,082 |

| | Bank loans and other borrowings | Lease liabilities | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(note 21)* | *(note 23)* | |
| **At 1 January 2023** | 95,512 | 6,570 | 102,082 |
| **Changes from financing cash flows:** | | | |
| Proceeds from loans and borrowings | 11,858 | — | 11,858 |
| Capital element of lease rentals paid | — | (541) | (541) |
| Interest element of lease rentals paid | — | (112) | (112) |
| Interest paid | (1,684) | — | (1,684) |
| Total changes from financing cash flows | 10,174 | (653) | 9,521 |
| **Other changes:** | | | |
| Interest expenses *(note 6(a))* | 1,684 | 112 | 1,796 |
| Total other changes | 1,684 | 112 | 1,796 |
| **At 30 June 2023** | 107,370 | 6,029 | 113,399 |

**(c) Total cash outflow for leases**

Amounts included in the cash flow statement for leases comprise the following:

| | At 31 December | | | At 30 June | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* *(unaudited)* | *RMB'000* |
| Within operating cash flows | 86 | 59 | 13 | 4 | 238 |
| Within financing cash flows | 594 | 593 | 976 | 396 | 653 |
| | 680 | 652 | 989 | 400 | 891 |

These amounts relate to the following:

| | At 31 December | | | At 30 June | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* *(unaudited)* | *RMB'000* |
| Lease rentals paid | 680 | 652 | 989 | 400 | 891 |

## 21 LOANS AND BORROWINGS

As of the end of each reporting period, loans and borrowings were repayable as follows:

| | At 31 December | | | At 30 June |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Bank loans, within 1 year or on demand | 20,029 | 30,508 | 95,512 | 107,370 |

Loans and borrowings of the Company of RMB20,000,000, RMB10,500,000, nil and nil were guaranteed by certain related parties as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively (see note 30(d)).

## 22 TRADE AND OTHER PAYABLES

| | At 31 December | | | At 30 June |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Amounts due to third parties | | | | |
| Trade payables | 847 | 2,086 | 1,724 | — |
| Bills payable | — | — | 67,119 | 256,140 |
| | 847 | 2,086 | 68,843 | 256,140 |
| Contract liabilities *(i)* | 332 | 6,487 | 10,629 | — |
| Other payables and accruals | 10,321 | 10,012 | 16,577 | 14,073 |
| Trade and other payables | 11,500 | 18,585 | 96,049 | 270,213 |

**(i) Movements in contract liabilities:**

| | At 31 December 2020 RMB'000 | At 31 December 2021 RMB'000 | At 31 December 2022 RMB'000 | At 30 June 2023 RMB'000 |
|---|---|---|---|---|
| **Sale of goods or provision of services** | | | | |
| Balance at the beginning of the year/period | 125 | 332 | 6,487 | 10,629 |
| Decrease in contract liabilities as a result of recognising revenue or other income and net gain during the year/period that was included in the contract liabilities at the beginning of the year/period | — | (332) | (6,487) | (10,629) |
| Increase in contract liabilities as a result of receiving prepayments for sale of goods or provision of services in the next year | 207 | 6,487 | 10,629 | — |
| Balance at the end of the year/period | 332 | 6,487 | 10,629 | — |

(a) All trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

(b) As of the end of each reporting period, the ageing analysis of trade payables and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

| | At 31 December 2020 RMB'000 | At 31 December 2021 RMB'000 | At 31 December 2022 RMB'000 | At 30 June 2023 RMB'000 |
|---|---|---|---|---|
| Within 3 months | 847 | 2,086 | 24,074 | 109,666 |
| After 3 months but within 6 months | — | — | 39,965 | 146,474 |
| After 6 months but within 12 months | — | — | 4,804 | — |
| | 847 | 2,086 | 68,843 | 256,140 |

## 23 LEASE LIABILITIES

As of the end of each reporting period, the lease liabilities were repayable as follows:

| | At 31 December 2020 RMB'000 | At 31 December 2021 RMB'000 | At 31 December 2022 RMB'000 | At 30 June 2023 RMB'000 |
|---|---|---|---|---|
| Within 1 year | 267 | 2,229 | 3,627 | 4,702 |
| After 1 year but within 2 years | — | 2,458 | 2,398 | 1,144 |
| After 2 years but within 5 years | — | 1,699 | 545 | 183 |
| | — | 4,157 | 2,943 | 1,327 |
| | 267 | 6,386 | 6,570 | 6,029 |

## 24 INCOME TAX IN THE STATEMENTS OF FINANCIAL POSITION

### (a) Deferred tax liabilities recognised:

#### *(i) Movement of each component of deferred tax liabilities*

The component of deferred tax liabilities recognised in the statements of financial position and the movements during the Relevant Periods are as follow:

| Deferred tax arising from: | Depreciation allowances in excess of the related depreciation |
|---|---|
| | *RMB'000* |
| **At 1 January 2020, 31 December 2020, 31 December 2021 and 1 January 2022** | — |
| Charged to profit or loss *(note 7(a))* | 1,562 |
| **At 31 December 2022 and 1 January 2023 and 30 June 2023** | 1,562 |

#### *(ii) Reconciliation to the statements of financial position*

| | At 31 December | | | At 30 June |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Net deferred tax liabilities recognised in the statements of financial position | — | — | 1,562 | 1,562 |

### (b) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(p), as at 31 December 2020, 2021 and 2022 and 30 June 2023, the Company has not recognised deferred tax assets in respect of their cumulative tax losses of RMB40,487,000, nil, nil and nil and temporary differences of RMB3,248,000, nil, nil and nil, respectively. The unrecognised deferred tax assets in respect of their cumulative tax and temporary differences as at the year end of 2020 was mainly because the Company expected that 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.

## 25 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS

Pursuant to the agreements between the Company and its investors, certain investors were granted the right to liquidate the Company and receive a preference amount upon liquidation or require the Company to redeem their paid-in capital for cash upon specified events, including a resignation of the founders (the "Preferred Rights").

The Company recognised its obligation to pay cash to those investors with Preferred Rights as financial liabilities, because not all triggering events are within the control of the Company. The financial liabilities are measured at the present value of the redemption amount.

The movements of the redemption liabilities during the Relevant Periods are as follows:

| | Year ended 31 December | | | Six months ended 30 June |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At the beginning of the year/period | 55,309 | 106,049 | — | — |
| Recognition of financial instruments issued to investors | 48,000 | 82,500 | — | — |
| Interest charges *(note 6(a))* | 2,740 | 3,048 | — | — |
| Termination of financial instruments issued to investors *(Note)* | — | (191,597) | — | — |
| At the end of the year/period | 106,049 | — | — | — |

*Note:* In December 2021, pursuant to the supplementary agreement signed by the Company and the investors with Preferred Rights, the investors' Preferred Rights were terminated. Hence, the redemption liabilities were derecognised and the carrying amount of the redemption liabilities was reclassified to equity thereafter.

**26 EQUITY-SETTLED SHARE-BASED TRANSACTION**

On 17 February 2023, Suzhou Backward Investment Partnership (Limited Partnership) ("Backward Partnership"), which is one of the Company's shareholders, entered into a capital injection agreement (the "agreement") with the Company's employee Mr. Shi Chao for his contribution to the Company and incentivising him for his future performance. Pursuant to the agreement, Mr. Shi Chao agreed to subscribe for the increased registered capital of RMB6,700 of Backward Partnership at a subscription price of RMB6,700 as limited partner, which represented 5.58% of Backward Partnership's equity, equivalent to indirect interest in approximately 300,000 shares of the Company. The subscription price was fully paid on 27 March 2023.

The Company recognised this transaction as equity–settled share–based payments with no vesting conditions in recognition of Mr. Shi Chao's contribution to the Company. The Company recognised a share–based compensation expense of RMB9,995,300, being the difference between the fair value of equity interest of the Company and the consideration received by Backward Partnership.

**27 CAPITAL, RESERVES AND DIVIDENDS**

**(a) Dividends**

No dividends were paid or declared by the Company during the Relevant Periods.

**(b) Paid-in capital**

| | **Total** |
|---|---|
| | *RMB'000* |
| **Balance at 1 January 2020** | 6,152 |
| Issuance of financial instruments to investors | 1,166 |
| Capital contributions by investors | 1,154 |
| **Balance at 31 December 2020** | 8,472 |
| Issuance of financial instruments to investors | 1,103 |
| Capital contributions by investors | 2,796 |
| Conversion into a joint stock company *(note 27(c))* | (12,371) |
| **Balance at 31 December 2021, 31 December 2022 and 30 June 2023** | — |

**(c) Share capital**

Issued and fully paid:

| | Numbers of ordinary shares | Share capital *RMB'000* | Share premium *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|
| **Issued and fully paid** | | | | |
| **At 1 January 2020, 31 December 2020 and 1 January 2021** | — | — | — | — |
| Issue of ordinary shares upon conversion into a joint stock company *(i)* | 12,371 | 12,371 | 67,439 | 79,810 |
| Issuance of financial instruments to investors | 495 | 495 | 39,505 | 40,000 |
| Recognition of financial instruments issued to investors as non-current liabilities | — | — | (44,000) | (44,000) |
| Share capital increased by share premium transfer *(ii)* | 32,134 | 32,134 | (32,134) | — |
| Termination of financial instruments issued to investors *(note 25)* | — | — | 191,597 | 191,597 |
| **At 31 December 2021, 31 December 2022 and 30 June 2023** | 45,000 | 45,000 | 222,407 | 267,407 |

(i) In November 2021, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company under the PRC GAAP as of the conversion base date were converted into 12,371,000 ordinary shares at RMB1.00 each. The excess of net assets converted over nominal value of the ordinary shares was credited to the Company's share premium.

(ii) In November 2021, the Company increased its share capital from 12,866,000 to 45,000,000 at RMB1.00 each, through the conversion of the Company's share premium (the "Capitalisation issue").

**(d) Nature and purpose of reserves**

***(i) Share premium***

Under PRC rules and regulations, share premium is non-distributable other than in liquidation and may be utilised for business expansion or converted into ordinary shares by the issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by the shareholders.

***(ii) Capital reserve***

Capital reserve comprises the following:

— the excess of the net contributions from the shareholders of the Company over the total paid-in capital issued; and

— the portion of the grant date fair value of shares granted to employees of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(o)(ii).

***(iii) PRC statutory reserve***

PRC statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the Company.

Appropriation to the PRC statutory reserve is at least 10% of the Company's net profit each year until the reserve balance reaches 50% of its registered capital. The PRC statutory reserves can be used to make good of previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the reserve balance after such conversion is not less than 25% of the entity's registered capital.

PRC statutory reserve is not distributable to shareholders.

**(e) Capital management**

The Company's primary objectives when managing capital are to safeguard the Company'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 Company 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.

**28 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS**

Exposure to credit, liquidity and interest rate arises in the normal course of the Company's business.

The Company's exposure to these risks and the financial risk management policies and practices used by the Company 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 Company. The Company's credit risk is primarily attributable to trade and other receivables and prepayments.

The Company's exposure to credit risk arising from cash and cash equivalents and pledged bank deposits is limited because the counterparties are state-owned banks or reputable commercial banks for which the Company considers to have low credit risk.

***Trade receivables***

The Company 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. Trade receivables are due within 30 days to 90 days from the date of billing. Normally, the Company does not obtain collateral from customers.

Significant concentrations of credit risk primarily arise when the Company has significant exposure to individual customers. The trade receivables from the Company's five largest customers at 31 December 2020, 2021 and 2022 and 30 June 2023 represented 100%, 100%, 100% and 94.84% of the total trade receivables respectively, while 39.02%, 99.96%, 89.17% and 90.83% of the total trade receivables were due from the largest single customer respectively.

The Company measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Company'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 Company's different customer bases.

The following table provides information about the Company's exposure to credit risk and ECLs for trade receivables:

| | As at 31 December 2020 | | |
|---|---|---|---|
| | **Expected loss rate** | **Gross carrying amount** | **Loss allowance** |
| | *%* | *RMB'000* | *RMB'000* |
| Within 1 year | 5 | 18,988 | 949 |
| Over 1 year but less than 2 years | 20 | — | — |
| Over 2 years but less than 3 years | 50 | — | — |
| Over 3 years but less than 5 years | 100 | — | — |
| | | 18,988 | 949 |

| | As at 31 December 2021 | | |
|---|---|---|---|
| | **Expected loss rate** | **Gross carrying amount** | **Loss allowance** |
| | *%* | *RMB'000* | *RMB'000* |
| Within 1 year | 5 | 29,294 | 1,465 |
| Over 1 year but less than 2 years | 20 | — | — |
| Over 2 years but less than 3 years | 50 | — | — |
| Over 3 years but less than 5 years | 100 | — | — |
| | | 29,294 | 1,465 |

| | As at 31 December 2022 | | |
|---|---|---|---|
| | **Expected loss rate** | **Gross carrying amount** | **Loss allowance** |
| | *%* | *RMB'000* | *RMB'000* |
| Within 1 year | 5 | 68,284 | 3,414 |
| Over 1 year but less than 2 years | 20 | — | — |
| Over 2 years but less than 3 years | 50 | — | — |
| Over 3 years but less than 5 years | 100 | — | — |
| | | 68,284 | 3,414 |

| | As at 30 June 2023 | | |
|---|---|---|---|
| | **Expected loss rate** | **Gross carrying amount** | **Loss allowance** |
| | *%* | *RMB'000* | *RMB'000* |
| Within 1 year | 5 | 47,341 | 2,367 |
| Over 1 year but less than 2 years | 20 | — | — |
| Over 2 years but less than 3 years | 50 | — | — |
| Over 3 years but less than 5 years | 100 | — | — |
| | | 47,341 | 2,367 |

Expected loss rates are based on actual loss experience over the past 12 months. 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 Company's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the Relevant Periods is as follows:

| | Year ended 31 December | | | Six months ended 30 June |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Balance at the beginning of the year/period | 913 | 949 | 1,465 | 3,414 |
| Impairment losses recognised/(reversed) | 36 | 516 | 1,949 | (1,047) |
| Balance at the end of the year/period | 949 | 1,465 | 3,414 | 2,367 |

***Prepayments and other receivables and deposits***

Credit risk in respect of prepayments and other receivables and deposits is limited since the balance mainly includes prepayments to reputable suppliers, value-added-tax recoverable, deposits to landlord, and debts due from related parties.

The Company measures loss allowances for prepayments and other receivables and deposits at an amount equal to 12-month ECLs unless there has been a significant increase in credit risk since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs. The Company assessed that there is no significant loss allowance recognised in accordance with HKFRS 9 for prepayments and other receivables and deposits as at 31 December 2020, 2021 and 2022 and 30 June 2023.

**(b) Liquidity risk**

The Company's policy is to regularly monitor liquidity requirements, and 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 each reporting period of the Company'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 end of each reporting period) and the earliest date the Company can be required to pay.

| | At 31 December 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Contractual 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** | **Balance sheet carrying amount** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Loans and borrowings | 20,358 | — | — | — | 20,358 | 20,029 |
| Trade and other payables | 11,500 | — | — | — | 11,500 | 11,500 |
| Lease liabilities | 269 | — | — | — | 269 | 267 |
| Financial instruments issued to investors | 106,049 | — | — | — | 106,049 | 106,049 |
| | 138,176 | — | — | — | 138,176 | 137,845 |

| | At 31 December 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Contractual 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 | Balance sheet carrying amount |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Loans and borrowings | 31,090 | — | — | — | 31,090 | 30,508 |
| Trade and other payables | 18,585 | — | — | — | 18,585 | 18,585 |
| Lease liabilities | 2,455 | 2,581 | 1,721 | — | 6,757 | 6,386 |
| | 52,130 | 2,581 | 1,721 | — | 56,432 | 55,479 |

| | At 31 December 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Contractual 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 | Balance sheet carrying amount |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Loans and borrowings | 98,222 | — | — | — | 98,222 | 95,512 |
| Trade and other payables | 96,049 | — | — | — | 96,049 | 96,049 |
| Lease liabilities | 3,817 | 2,457 | 553 | — | 6,827 | 6,570 |
| | 198,088 | 2,457 | 553 | — | 201,098 | 198,131 |

| | At 30 June 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Contractual 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 | Balance sheet carrying amount |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Loans and borrowings | 108,790 | — | — | — | 108,790 | 107,370 |
| Trade and other payables | 270,213 | — | — | — | 270,213 | 270,213 |
| Lease liabilities | 4,823 | 1,167 | 184 | — | 6,174 | 6,029 |
| | 383,826 | 1,167 | 184 | — | 385,177 | 383,612 |

**(c) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk arises primarily from cash at bank, pledged bank deposits and interest-bearing borrowings. The Company's interest-bearing financial instruments at variable rates as at 31 December 2020, 2021 and 2022 and 30 June 2023 are primarily the cash at bank, and the cash flow interest rate risk arising from the change of market interest rate on these balances is not considered significant.

The Company's interest rate profile as monitored by management is set out below.

The Company's interest-bearing borrowings, lease liabilities, pledged bank deposits and cash and cash equivalents and interest rates at the end of each reporting period are set out as follows:

| | At 31 December | | | | | | At 30 June | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2023 | |
| | Effective interest rate | *RMB'000* | Effective interest rate | *RMB'000* | Effective interest rate | *RMB'000* | Effective interest rate | *RMB'000* |
| **Fixed rate instruments** | | | | | | | | |
| Bank loans | 3.85%-5.22% | 20,029 | 3.9%-4.45% | 30,508 | 3%-3.8% | 95,512 | 3%-3.8% | 107,370 |
| Lease liabilities | 4.35% | 267 | 4.35% | 6,386 | 4.35% | 6,570 | 4.35% | 6,029 |
| | | 20,296 | | 36,894 | | 102,082 | | 113,399 |
| **Variable rate instruments** | | | | | | | | |
| Pledged bank deposits | 0.25%-1.3% | — | 0.25%-1.3% | — | 0.25%-1.3% | 21,151 | 0.3%-1.3% | 81,379 |
| Cash and cash equivalents | 0.01%-1.725% | 13,435 | 0.01%-1.725% | 146,778 | 0.01%-1.725% | 162,507 | 0%-1.7% | 207,427 |
| | | 13,435 | | 146,778 | | 183,658 | | 288,806 |

***(i) Sensitivity analysis***

At 31 December 2020, 2021 and 2022 and 30 June 2023, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Company's profit after tax and accumulated losses or retained profits as follows.

| | Increase/(decrease) in basis points | Increase/(decrease) in profit after tax for the year/period *RMB'000* | Increase/(decrease) in accumulated losses/retained profits for the year/period *RMB'000* |
|---|---|---|---|
| **At 31 December 2020** | | | |
| Basis points | 100 | 134 | (134) |
| Basis points | (100) | (134) | 134 |
| **At 31 December 2021** | | | |
| Basis points | 100 | 1,468 | 1,468 |
| Basis points | (100) | (1,468) | (1,468) |
| **At 31 December 2022** | | | |
| Basis points | 100 | 1,837 | 1,837 |
| Basis points | (100) | (1,837) | (1,837) |
| **At 30 June 2023** | | | |
| Basis points | 100 | 2,888 | 2,888 |
| Basis points | (100) | (2,888) | (2,888) |

**(d) Fair value measurement**

***(i) Financial assets and liabilities measured at fair value***

*Fair value hierarchy*

The following table presents the fair value of the Company's financial instruments measured at the end of each 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 31 December 2020, 2021 and 2022 and 30 June 2023, the Company has wealth management products amounting to RMB54,059,000, nil, nil and nil, respectively, which were categorised into fair value hierarchy level 2.

During the Relevant Periods, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Company's policy is to recognise transfers between levels of fair value hierarchy as at the end of each reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurement:

The fair value of the wealth management products is the estimated amount that the Company would receive to transfer the financial assets at the end of the reporting period, taking into account current interest rates published on the counterparty banks' websites.

***(ii) Fair value of financial assets and liabilities carried at other than fair value***

The carrying amounts of the Company's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2020, 2021 and 2022 and 30 June 2023.

**29 COMMITMENTS**

Capital commitments outstanding at 31 December 2020, 2021, 2022 and 30 June 2023 not provided for in the financial statements were as follows:

| | At 31 December | | | At 30 June |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Contracted for | 170 | 2,388 | 774 | 720 |

## 30 MATERIAL RELATED PARTY TRANSACTIONS

### (a) Key management personnel remuneration

Remuneration for key management personnel of the Company, 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:

| | At 31 December | | | At 30 June | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 | 2023 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | *(unaudited)* | |
| Salaries, allowance and benefits in kind | 678 | 2,240 | 2,632 | 1,317 | 1,325 |
| Discretionary bonuses | 268 | 578 | 1,345 | 256 | 796 |
| Contributions to retirement benefit schemes | 5 | 34 | 54 | 28 | 26 |
| | 951 | 2,852 | 4,031 | 1,601 | 2,147 |

Total remuneration is included in staff costs (see note 6(b)).

### (b) Related party transactions

During the Relevant Periods, the directors are of the view that transactions with the following companies and individuals are considered as related party transactions:

| Name of the related party | Relationship |
|---|---|
| Li Zhen 李真 | One of the controlling parties and executive director |
| Li Yi 李一 | One of the controlling parties and executive director |
| Zhou Feng 周鳳 | Key management personnel (till May 2021) |
| Zhou Taotao 周韜韜 | Key management personnel (since November 2021) |
| Suzhou Backward Electronic Co., Ltd. ("Backward Electronic") 蘇州貝克瓦特電子有限公司 *(i)* | One of the controlling parties and parent company |
| Suzhou Backward Investment Partnership (Limited Partnership) ("Backward Partnership") 蘇州貝克瓦特投資合夥企業(有限合夥) *(i)* | One of the controlling parties |
| Suzhou Rongxiang Beiying Venture Capital Partnership (limited Partnership) ("Rongxiang Venture") 蘇州融享貝嬴創業投資合夥企業(有限合夥) *(i)* | Significant influence over the Company |
| Jiangsu Sutong Huate Semiconductor Co., Ltd. ("Sutong Huate") 江蘇蘇通華特半導體股份有限公司 *(i)* | Controlled by Mr. Li Zhen (till May 2021) |
| Nantong Chongchuan District integrated circuit Technology Research Institute ("NanTong Chongchuan") 南通市崇川區集成電路工藝技術研究所 *(i)* | Controlled by Mr. Li Zhen |

| Name of the related party | Relationship |
|---|---|
| Hai An Huate Property Management Co., Ltd. ("HaiAn Huate") 海安華特物業管理有限公司 *(i)* | Controlled by Mr. Li Zhen (till July 2021) |
| Nanjing Qimei Xincheng Electronic Technology Co., Ltd. ("Nanjing Qimei") 南京齊美芯城電子科技有限公司 *(i)* | Controlled by Mr. Li Zhen (till August 2021) |
| Jiangsu Huate Integrated Circuit Co., Ltd. ("Jiangsu Huate") 江蘇華特集成電路股份有限公司 *(i)* | Entity significantly influenced by the controlling parties (till April 2021) |

*Notes:*

(i) The English translation of the Company names is for reference only. The official names of the companies established in the PRC are in Chinese.

(ii) Pursuant to the concert party agreement dated 31 March 2022, Mr. Li Zhen, Mr. Li Yi and Mr. Zhang Guangping, together with the Company's other shareholders controlled or jointly controlled by them, were acting in concert with each other in exercising their voting right in the Company. The controlling parties include Mr. Li Zhen, Mr. Li Yi, Mr. Zhang Guangping, Backward Electronic and Backward Partnership.

During the Relevant Periods, the Company entered into the following material related party transactions:

| | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* *(unaudited)* | *RMB'000* |
| Interest expenses of loans and borrowings from related parties | 229 | 1 | — | — | — |
| Sales of products | 9,897 | — | — | — | — |
| Rental expenses from a related party | 7 | — | — | — | — |
| Loans and borrowings from a related party | 500 | — | — | — | — |
| Repayment of loans and borrowings from a related party | 500 | — | — | — | — |
| Loans and borrowings to related parties | 1,406 | 100 | — | — | — |
| Repayment of loans and borrowings lent to related parties | 11,657 | 490 | 1,013 | 1,013 | — |

**(c) Related party balances**

The outstanding balances arising from the above transactions as at the end of each of the Relevant Periods are as follows:

| | At 31 December | | | At 30 June |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Amounts due from related parties (Non-trade in nature) | 1,163 | 571 | — | — |

**(d) Guarantees issued by related parties**

| | At 31 December | | | At 30 June |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Guarantees issued by related parties in respect of loans and borrowings borrowed by the Company | 20,000 | 10,500 | — | — |

## 31 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at 30 June 2023, the directors consider the immediate parent of the Company to be Backward Electronic, which is incorporated in the PRC and does not produce financial statements available for public use.

As at 30 June 2023, the directors consider the ultimate controlling parties to be Mr. Li Zhen, Mr. Li Yi, Mr. Zhang Guangping, Backward Electronic and Backward Partnership.

## 32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the six months ended 30 June 2023 and which have not been adopted in these financial statements. These developments include the followings:

| | **Effective for accounting periods beginning on or after** |
|---|---|
| Amendments to HKAS 1, *Classification of Liabilities as Current or Non-current* | 1 January 2024 |
| Amendments to HKAS 1, *Non-current Liabilities with Covenants* | 1 January 2024 |
| Amendments to HKAS 7, *Supplier Finance Arrangements* | 1 January 2024 |
| Amendments to HKAS 16, *Lease Liability in a Sale and Leaseback* | 1 January 2024 |
| Amendments to HKAS 10 and HKAS 28, *Sale or contribution of assets between an investor and its associate or joint venture* | To be determined |

The Company is in the process of making an assessment of what the impact of these developments is 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 financial statements.

**Subsequent event**

The Company does not have any material subsequent event after 30 June 2023.

**Subsequent financial statements**

No audited financial statements have been prepared by the Company in respect of any period subsequent to 30 June 2023.

*The following information does not form part of the Accountants' Report from KPMG, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the "Financial Information" section in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.*

## A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Company prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants is set out here to illustrate the effect of the Global Offering on the net tangible assets of the Company as at 30 June 2023 as if the Global Offering had taken place on 30 June 2023.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the net tangible assets of the Company had the Global Offering been completed as at 30 June 2023 or any future date.

| | Net tangible assets of the Company as at 30 June 2023(1) | Estimated net proceeds from the Global Offering(2 &4) | Unaudited pro forma adjusted net tangible assets of the Company | Unaudited pro forma adjusted net tangible assets of the Company per Share(3) | |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB* | *HK$(4)* |
| Based on an Offer Price of HK$27.47 per Offer Share | 451,295 | 320,322 | 771,617 | 12.86 | 14.12 |
| Based on an Offer Price of HK$38.45 per Offer Share | 451,295 | 462,763 | 914,058 | 15.23 | 16.73 |

*Notes:*

(1) The net tangible assets of the Company as at 30 June 2023 is calculated based on the total equity of the Company of RMB451,694,000 as at 30 June 2023, less the intangible assets of RMB399,000 as at 30 June 2023, extracted from the Accountants' Report set out in Appendix I to the Prospectus.

(2) The estimated net proceeds from the Global Offering are based on the expected issuance of 15,000,000 H Shares at the indicative Offer Prices of HK$27.47 and HK$38.45 per Offer Share, respectively, being the lower end price and higher end price of this stated Offer Price range, after deduction of estimated underwriting fee and other related listing expenses paid or payable by the Company (excluding the listing expenses charged to profit or loss during the Track Record Period of RMB785,000) and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted net tangible assets of the Company per Share are arrived at after the above adjustment and on the basis that 60,000,000 Shares are in issue immediately following the completion of the Global Offering and assuming that the Global Offering had been completed on 30 June 2023 without taking into account of the Shares which may be issued upon exercise of the Over-allotment Option.

(4) For illustrative purpose, the estimated net proceeds from the Global Offering are converted from Hong Kong dollar into Renminbi and the unaudited pro forma adjusted net tangible assets of the Company per Share is converted from the Renminbi into Hong Kong dollar at a rate of HK$1 = RMB0.91045, being the PBOC rate prevailing on the Latest Practicable Date. No representation is made that the Hong Kong Dollars amounts have been, could have been or may be converted into Renminbi, or vice versa at that rate.

(5) No adjustment has been made to reflect any trading result or other transactions of the Company entered into subsequent to 30 June 2023.

KPMG

## INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

**TO THE DIRECTORS OF BATELAB CO., LTD.**

We have completed our assurance engagement to report on the compilation of pro forma financial information of BaTeLab Co., Ltd. (the "Company") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 30 June 2023 and related notes as set out in Part A of Appendix II to the prospectus dated 18 December 2023 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Company's financial position as at 30 June 2023 as if the Global Offering had taken place at 30 June 2023. As part of this process, information about the Company's financial position as at 30 June 2023 has been extracted by the Directors from the Company's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

### Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

**Our Independence and Quality Management**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Management 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements", which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 30 June 2023 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Use of Proceeds" in the Prospectus.

**Opinion**

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Company, and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

*Certified Public Accountants*
Hong Kong
18 December 2023

This section does not address any aspect of PRC or Hong Kong taxation other than income tax, stamp duty and estate duty. Prospective investors are urged to consult their respective tax advisors regarding the PRC, Hong Kong and other taxation consequences arising from the ownership and disposal of H Shares.

## PRC TAXATION

### Taxation on Dividends

#### *Individual Investors*

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), which was last amended on August 31, 2018 and the Regulations on Implementation of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was last amended on December 18, 2018 (the "**IIT Law**"), dividends paid by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from a PRC enterprise is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by a relevant tax treaty. In addition, according to the Notice on Issues Concerning the Implementation of Differential Individual Income Tax Policies on 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 on September 7, 2015, where an individual acquires the stocks of a listed company from public offering of the company or from the stock market, if the stock holding period is more than 1 year, the income from dividends and bonuses shall be exempted from individual income tax; where an individual acquires the stocks of a listed company from public offering of the company or from the stock market, if the stock holding period is 1 month or less, the income from dividends and bonuses shall be included into the taxable incomes in full amount; if the stock holding period is more than 1 month and up to 1 year, 50% of the income from dividends and bonuses shall be temporarily included into the taxable incomes. The individual income tax rate on the aforesaid income is levied at a flat rate of 20%.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《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**"), which was signed on August 21, 2006, PRC Government may levy taxes on the dividends paid by a PRC company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the PRC company. If a Hong Kong resident directly holds 25% or more of the equity interest in a PRC company, then such tax shall not exceed 5% of the total dividends payable by the PRC company if the Hong Kong resident is the beneficial owner of the equity and certain other conditions are met. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《<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》), which came into effect on December 6, 2019, adds criteria for the entitlement to enjoy treaty benefits.

Although there may be other provisions under the Arrangement, the treaty benefits shall not be granted in the circumstance where relevant treaty benefits, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under the Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements shall also be subject to the requirements of PRC tax laws and regulations, such as the Notice of the STA on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81).

***Enterprise Investors***

In accordance with the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), which was promulgated by the NPC on March 16, 2007, came into effect on January 1, 2008 and was subsequently amended on February 24, 2017 and December 29, 2018, and the Implementation Provisions 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》), which was promulgated by the State Council on December 6, 2007, came into effect on January 1, 2008 and was amended in 2019 (the "**EIT Law**"), a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends and bonuses received from a PRC resident enterprise), if such non-resident enterprise does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income is not connected with such establishment or premise in the PRC. Such withholding tax for non-resident enterprises are deducted at source, where the payer of the income shall be the withholding agent, and is required to withhold the income tax from the payment or due payment every time it is paid or due.

The Circular of the STA on Issues Relating to the Withholding of Enterprise Income Tax on Dividends Paid by PRC Resident Enterprises to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《國家稅務總局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》) (Guo Shui Han [2008] No. 897), which was issued by the STA and implemented on November 6, 2008, further clarified that a PRC-resident enterprise must withhold corporate income tax at a rate flat of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares. In addition, the Response to Issues on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B-shares (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) (Guo Shui Han [2009] No. 394) which was issued by the STA and implemented on July 24, 2009, further provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further changed pursuant to the tax treaty or agreement that China has concluded with relevant jurisdictions, where applicable. Accordingly, dividends paid to non-PRC resident enterprise (including HKSCC Nominees) shall be subject to withholding enterprise income tax at a rate of 10%.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《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》), which was signed on August 21, 2006, the PRC Government may levy taxes on the dividends paid by a PRC company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the PRC company. If a Hong Kong resident directly holds 25% or more of the equity interest in a PRC company, then such tax shall not exceed 5% of the total dividends payable by the PRC company if the Hong Kong resident is the beneficial owner of the equity and certain other conditions are met. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《<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》), which came into effect on December 6, 2019, adds criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted for relevant gains in the circumstance where relevant treaty benefits, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under the Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements shall be subject to the requirements of PRC tax laws and regulations, such as the Notice of the STA on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81).

***Tax Treaties***

Non-resident investors residing in jurisdictions which have entered into treaties or arrangements for the avoidance of double taxation with the PRC might be entitled to a reduction of the PRC enterprise income tax imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties or Arrangements with a number of countries and regions including Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the PRC tax authorities for a refund of the enterprise income tax in excess of the agreed tax rate, and the refund application is subject to approval by the PRC tax authorities.

**Taxation on Share Transfer**

***Value-Added Tax and Local Surcharges***

Pursuant to the Notice on the Full Implementation of Pilot Program for Transition from Business Tax to VAT (《關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui [2016] No. 36) (the "**Circular 36**"), which was implemented on May 1, 2016 and amended on July 11, 2017, December 25, 2017 and March 20, 2019, respectively, entities and individuals engaged in sales of services within the PRC shall be subject to VAT and "sales of services within the PRC" refers to the situation where either the seller or the buyer of a taxable service is located within the PRC. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable income (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals are exempt from VAT upon transfer of financial products.

According to the provisions above, upon the sale or disposal of H shares, the holders are exempt from VAT in the PRC if they are non-resident individuals; in case the holders are non-resident enterprises, they may not be subject to the VAT in the PRC if the purchasers of the H shares are individuals or entities located outside of the PRC whereas the holders may be subject to the VAT in the PRC if the purchasers of the H shares are individuals or entities located in the PRC.

***Income Taxes***

*Individual investors*

According to the IIT Law, gains from the transfer of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%. According to the Circular of the MOF and STA on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《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》) (Cai Shui Zi [1998] No.61) issued by the MOF and STA on March 30, 1998, since January 1, 1997, gains of individuals from the transfer of shares of listed companies continue to be temporarily exempted from individual income tax.

However, on December 31, 2009, the MOF, the STA and CSRC jointly issued the Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation (《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》) (Cai Shui [2009] No. 167), which became effective on January 1, 2010, states that individuals' income from the transfer of listed shares obtained from the public offering and transfer of the stock market of the listed company 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 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》) (Cai Shui [2010] No. 70) jointly issued by the above three departments and came into effect 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-PRC 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 the Implementation Provisions of the Enterprise Income Tax Law of the PRC, a non-resident enterprise is generally subject to a 10% enterprise income tax 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 premises in the PRC but its PRC-sourced income is not connected in reality with such establishment or premise. Such withholding tax for non-resident enterprises are deducted at source, where the payer of the income shall be the withholding agent, and is required to withhold the income tax from the payment or due payment every time it is paid or due. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

***Stamp Duty***

Pursuant to the PRC Stamp Duty Law promulgated by the SCNPC on June 10, 2021 and came into effect on July 1, 2022 (the "Stamp Duty Law"), all entities and individuals engaged in securities transactions within the PRC are subject to stamp duty as stamp duty payers in accordance with the provisions of the Stamp Duty Law, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the transfer and disposal of H Shares by non-PRC investors outside the PRC.

***Estate duty***

According to PRC law, no estate duty is currently levied in the PRC.

### Major Taxes on the Company in the PRC

Please refer to the section headed "Regulatory Overview" of this Document.

## TAXATION IN HONG KONG

***Tax on Dividends***

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

***Capital Gains Tax and Profit Tax***

No tax is imposed in Hong Kong in respect of capital gains from the sale of H Shares effected on the Stock Exchange. However, trading gains from the sale of the H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes. Trading gains from sales of H Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

***Stamp Duty***

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of Hong Kong securities, including H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

***Estate Duty***

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

## FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The SAFE, with the authorization of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The Regulations of the PRC on the Management of Foreign Exchange (《中華人民共和國外匯管理條例》, the "**Regulations on the Management of Foreign Exchange**"), which was promulgated by the State Council on January 29, 1996 and effective on April 1, 1996, classifies all international payments and transfers into current items and capital items. Most of the current items are not subject to the approval of foreign exchange administrative authorities, while capital items are subject to the approval of foreign exchange administrative authorities. According to the Regulations on the Management of Foreign Exchange as amended on January 14, 1997 and August 5, 2008, the PRC will not impose any restriction on international current payments and transfers.

The Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》, the "**Settlement Regulations**"), which was promulgated by the PBOC on June 20, 1996 and effective on July 1, 1996, removes other restrictions on convertibility of foreign exchange under current items, while imposing existing restrictions on foreign exchange transactions under capital items.

According to the Announcement on Improving the Reform of the Renminbi Exchange Rate Formation Mechanism (《關於完善人民幣匯率形成機制改革的公告》) (PBOC Announcement [2005] No. 16), which was issued by the PBOC on July 21, 2005 and effective on the same date, the PRC began to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies from July 21, 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. The PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

On August 5, 2008, the State Council promulgated the revised Regulation on the Management of Foreign Exchange, which has made substantial changes to the foreign exchange supervision system of the PRC. First, it has adopted an approach of balancing the inflow and outflow of foreign exchange. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities; second, it has improved the RMB exchange rate formation mechanism based on market supply and demand; third, in the event that international balance of payment suffer or may suffer a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures against international balance of payment; fourth, it has enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to the SAFE to enhance its supervisory and administrative powers.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment from foreign exchange accounts opened at the designated foreign exchange banks, on the strength of valid transaction receipt or proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as our Company) may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange banks or effect exchange and payment at the designated foreign exchange banks.

On October 23, 2014, the State Council promulgated the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) (Guo Fa [2014] No. 50), which decided to cancel the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

On December 26, 2014, the SAFE promulgated and implemented the Notice of the SAFE on Issues Concerning the Foreign Exchange Administration of 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》) (Hui Fa [2014] No. 54), pursuant to which, a domestic company shall, within 15 business days from the date of the end of its overseas listing issuance, register the overseas listing with the Administration of Foreign Exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the PRC or deposited overseas, but the use of the proceeds shall be consistent with the contents as specified in the prospectus and other disclosure documents.

According to the Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (Hui Fa [2015] No. 13) promulgated by the SAFE on February 13, 2015 and took effect on June 1, 2015, two of the administrative examination and approval items, being the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment have been canceled, the foreign exchange registration under domestic direct investment and overseas direct investment shall be directly examined and handled by banks. The SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Administration of Foreign Exchange Settlement under 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》) (Hui Fa [2016] No. 16) issued by the SAFE and came into effect 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. The proportion of discretionary settlement of domestic institutions' foreign exchange receipts under the capital account is temporarily determined as 100%. The SAFE may, based on the international balance of payments, adjust the aforesaid proportion at appropriate time.

On January 26, 2017, the SAFE issued the Notice of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》) (Hui Fa [2017] No. 3) to further expand the scope of settlement for domestic foreign exchange loans, allow settlement for domestic foreign exchange loans with export background under goods trading; allow repatriation of funds under domestic guaranteed foreign loans for domestic utilization; allow settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones; and adopt the model of full-coverage RMB and foreign currency overseas lending management, where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in RMB and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner's equity in the audited financial statements of the preceding year.

On October 23, 2019, the SAFE issued the Circular of the State Administration of Foreign Exchange on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (Hui Fa [2019] No. 28), which stipulated that on the basis that investing foreign-funded enterprises may make domestic equity investments with their capital funds in accordance with laws and regulations, non-investing foreign-funded enterprises are permitted to legally make domestic equity investments with their capital funds under the premise that the existing Special Administrative Measures (Negative List) for the Access of Foreign Investment (《外商投資准入特別管理措施(負面清單)》) are not violated and domestic invested projects are true and compliant.

This appendix sets forth summaries of certain aspects of PRC laws and regulations which are relevant to the operations and business of the Company. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix III–Taxation and Foreign Exchange" to this document. This Appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain material differences between the PRC Company Law and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, certain requirements of the Listing Rules and additional provisions required by the Hong Kong Stock Exchange for inclusion in the articles of association of PRC issuers. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulatory provisions applicable to the Company. This summary is not intended to include all information that is important for potential investors. For discussion of laws and regulations governing the business of the Company, see "Regulatory Overview" of this document.

## PRC LAWS AND REGULATIONS

### The PRC Legal System

The PRC legal system is based on the Constitution of the PRC (the "**Constitution**") and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC Government is a signatory and other regulatory documents. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

Pursuant to the Constitution and the Legislation Law of the PRC (《中華人民共和國立法法》) (the "**Legislation Law**"), the NPC and SCNPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend the basic laws governing criminal and civil matters, State institutions and other matters. The SCNPC formulates and amends laws other than those required to be enacted by the NPC and to supplement and amend parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws. The people's congresses of the provinces, autonomous regions and municipalities and their standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people's congresses of cities with districts and their respective standing committees may formulate local regulations with respect to urban and rural construction and administration, ecological civilization construction, historical and cultural protection, grassroots governance and other aspects according to the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. If the law provides otherwise on the formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations of cities with districts 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 examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where, during the examination for approval of local regulations of cities divided into districts by the standing committees of the people's congresses of the provinces or autonomous regions, conflicts are identified with the rules and regulations of the people's governments of the provinces or autonomous regions concerned, a decision should be made by the standing committees of the people's congresses of provinces or autonomous regions to resolve the issue. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

The ministries, commissions of the State Council, the PBOC, the National Audit Office, institutions with administrative functions directly under the State Council, and other institutions stipulated by law may formulate rules and regulations within the power of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council. Matters governed by the departmental rules and regulations should be those for the enforcement of the laws and administrative regulations, decisions and rulings of the State Council. The people's governments of provinces, autonomous regions and municipalities directly under the central government and cities divided into districts and autonomous regions may formulate rules, in accordance with laws, administrative regulations and relevant local regulations of provinces, autonomous regions and municipalities directly under the central government.

Pursuant to the Resolution of the SCNPC Providing an Improved Interpretation of the Law (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, issues related to the further clarification or supplement of laws or decrees should be interpreted by the SCNPC or provided by with decrees, issues related to the application of laws or decrees in a court trial should be interpreted by the Supreme People's Court, issues related to the application of laws or decrees in a prosecution process should be interpreted by the Supreme People's Procuratorate, and the application of other laws and decrees in matters other than those involved in trial or prosecution process should be interpreted by the State Council and the competent authorities. The State Council and its ministries and commissions are also vested with the power to give interpretations of the administrative regulations and departmental rules which they have promulgated. At the regional level, the power to interpret regional laws and regulations is vested in the regional legislative and administrative authorities which promulgate such laws and regulations.

**The PRC Judicial System**

Under the Constitution, the Law of Organization of the People's Courts of the PRC (2018 revision) (《中華人民共和國人民法院組織法(2018修訂)》)and the Law of Organization of the People's Procuratorate of the PRC (2018 revision) (《中華人民共和國人民檢察院組織法(2018修訂)》), the people's courts of the PRC are classified into the Supreme People's Court, the local people's courts at various levels, and other special people's courts. The local people's courts at various levels are divided into three levels, namely, the primary people's courts, the intermediate people's courts and the higher people's courts. The primary people's courts may set up a number of people's tribunals based on the facts of the region, population and cases. The Supreme People's Court is the highest judicial authority. The Supreme People's Court shall supervise the judicial work of the local people's courts at all levels and special people's courts, and people's courts at higher levels shall supervise the judicial work of people's courts at lower levels. The Chinese People's Procuratorates are divided into the Supreme People's Procuratorate, local people's procuratorates at various levels, and specialized people's procuratorates such as the Military Procuratorate. The Supreme People's Procuratorate is the highest procuratorial organ. The Supreme People's Procuratorate directs the work of the local people's procuratorates and specialized people's procuratorates at all levels, and the people's procuratorates at higher levels direct the work of the people's procuratorates at lower levels.

The people's court takes the rule of the second instance as the final rule, that is, the judgments or rulings of the second instance of the people's court are final. The parties 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 the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's court are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court are final. The first judgments or rulings of the Supreme People's Court are also final. However, if the Supreme People's Court or a people's court at the next higher level discovers an error in the final and binding judgment or ruling which has taken effect in any people's court at a lower level, or the presiding judge of a people's court discovers an error in a final and binding judgment which has taken effect in the court over which he presides, a retrial of the case may be initiated according to the judicial supervision procedures.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (the "**PRC Civil Procedure Law**") adopted on April 9, 1991 and amended four times on October 28, 2007, August 31, 2012, June 27, 2017 and December 24, 2021 prescribes the conditions for instituting a civil action, the jurisdiction of the people's courts, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. Each party to a civil action conducted within the PRC must comply with the relevant provisions of the PRC Civil Procedure Law. A civil case is generally heard by the court located in the defendant's place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people's court having jurisdiction should be located at places directly connected with the disputes, such as the plaintiff's or the defendant's place of domicile, the places where the contract is executed or signed or the place where the object of the action is located. Meanwhile, such selection cannot violate the stipulations of hierarchical jurisdiction and exclusive jurisdiction in any case.

A foreign individual, a person without nationality, a foreign enterprise and organization is given the same litigation rights and obligations as a citizen, a legal person and other organization of the PRC when initiating actions or defending against litigation at the people's court. Should a foreign court limit the litigation rights of citizens, a legal person, and other organizations of the PRC, the PRC court may apply the same limitations to the civil litigation rights to citizens, enterprises and organizations of such foreign country. A foreign individual, a person without nationality, a foreign enterprise and organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at the people's court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of reciprocity, a people's court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. A people's court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or public interests of the PRC.

All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgement 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. If a party fails to satisfy within the stipulated period a judgement which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgement on the party.

Where a party applies for enforcement of a legally effective judgement or ruling made by a people's court, and the opposite party or his property is not within the territory of the PRC, the applicant may directly apply to a foreign court with jurisdiction for recognition and enforcement of the judgement or ruling, or the people's court may, in accordance with the provisions of international treaties to which the PRC is a signatory or in which the PRC is a participant or the principle of reciprocity, request recognition and enforcement by a foreign court. Similarly, where an effective judgment or ruling made by a foreign court needs to be recognized and enforced by the people's court of the PRC, unless the people's court considers that the recognition or enforcement of the judgment or ruling would violate the basic legal principles of the PRC, national sovereignty, national security or social and public interest, the parties involved may directly apply to an intermediate people's court of the PRC with jurisdiction for recognition and enforcement, or the foreign court may, in accordance with the provisions of international treaties entered into or acceded to by that country and the PRC or according to the principle of reciprocity, request the people's court to recognize and enforce it.

**The Company Law of the PRC, the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and the Guidelines for the Articles of Association of Listed Companies**

The PRC 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, and was successively amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018. The latest revised PRC Company Law was implemented on October 26, 2018.

On February 17, 2023, CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (the "**Overseas Listing Trial Measures**"), which came into effect on March 31,2023 and is applicable to direct and indirect overseas share subscription and listing of domestic companies, which also stipulates the filing administrative measures and regulatory requirements for the overseas securities offering and listing by domestic companies.

On January 5, 2022, the CSRC promulgated the latest amended Guidelines for the Articles of Association of Listed Companies (the "**Guidelines for the Articles of Association**"), pursuant to the Overseas Listing Trial Measures and its supporting guidelines, Guidelines for Application of Regulatory Rules––Overseas Listing Category No.1, domestic enterprises that are directly listed overseas shall formulate its articles of association with reference to the Guidelines for the Articles of Association and other relevant provisions of the CSRC on corporate governance to regulate corporate governance. Set out below is a summary of the main provisions of the PRC Company Law, the Overseas Listing Trial Measures and the Guidelines for the Articles of Association.

***General Provisions***

A "joint stock limited company" (hereinafter referred to as the "**company**") refers to a corporate legal person incorporated in China under the PRC Company Law with independent legal person properties and entitlements to such legal person properties. The liability of the company for its own debts is limited to all the properties it owns and the liability of its shareholders for the company is limited to the extent of the shares they subscribe for.

Companies engaged in business activities shall obey the relevant laws and administrative regulations, observe social and business ethics, and act in good faith, accept the supervision of the government and the public, and shoulder social responsibility. A company may invest in other limited liability companies and joint stock limited 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 and several liabilities associated with the debts of the invested enterprises.

***Incorporation***

A company may be incorporated by promotion or raising. A company shall be incorporated by two to 200 promoters, provided that at least more than half of the promoters must reside in the PRC. Companies established by promotion are companies of which the registered capital is the total share capital subscribed for by all the promoters registered with the company's registration authorities. No shares shall be raised from others before the shares subscribed for by the promoters are fully paid up. For companies established by subscription, the registered capital is the total paid-up share capital as registered with the company's registration authorities. If laws, administrative regulations and decisions of the State Council have separate provisions on paid-in registered capital and the minimum registered capital, the company should follow such provisions.

For companies incorporated by way of promotion, the promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provisions shall assume default liabilities in accordance with the covenants set out in the promoters' agreements. After the promoters have confirmed the capital contribution under the articles of association, a Board of Directors and a Supervisory Committee shall be elected and the Board of Directors shall apply for registration of incorporation by filing the articles of association with the company registration authority, and other documents as required by laws or administrative regulations.

Where companies are incorporated by raising, not less than 35% of their total number of shares must be subscribed for by the promoters, unless otherwise provided for by laws or administrative regulations. A prospectus shall be published and a subscription letter shall be prepared when the promoters offer shares to the public. The subscription letter shall be filled in by the subscriber with the number of shares to be subscribed, amount, address, and signed and sealed. The subscribers shall pay up monies for the shares they subscribe for. Where a promoter is offering shares to the public, such offer shall be underwritten by security companies established under PRC laws, and an underwriting agreement shall be concluded thereon. A promoter offering shares to the public shall also enter into agreements with banks in relation to the receipt of subscription monies. The receiving banks shall receive and keep in custody the subscription monies, issue receipts to subscribers who have paid the subscription monies and furnish evidence of receipt of those subscription monies to relevant authorities. After the subscription monies for the share issue have been paid in full, a capital verification institution established under PRC law must be engaged to conduct a capital verification and furnish a certificate thereof. The promoters shall convene an inauguration meeting within 30 days after the issued shares have been completely paid up. The inauguration meeting shall be formed by the promoters and subscribers. Where the shares issued remain undersubscribed by the cut-off date stipulated in the prospectus, or where the promoter fails to convene an inauguration meeting within 30 days after the subscription monies for the shares issued being fully paid up, the subscribers may demand that the promoters refund the subscription monies so paid together with the interest at bank rates of a deposit for the same period. Within 30 days of the conclusion of the inauguration meeting, the Board of Directors shall apply to the company registration authority for registration of the establishment of the company. A company is formally established and has the status of a legal person after approval of registration has been given by the company registration authority and a business license has been issued.

The promoters of a company shall: (1) individually and jointly be liable for the payment of all liabilities and expenses incurred in the incorporation process if the company cannot be incorporated; (2) individually and jointly be liable for the repayment of subscription monies to the subscribers together with interest at bank rates of a deposit for the same period if the company cannot be incorporated; and (3) be liable for compensation of damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company.

***Share Capital***

The promoters may make a capital contribution in currencies, or non-monetary assets such as in kind or intellectual property rights or land use rights which can be appraised with monetary value and transferred lawfully, except for assets that are prohibited from being contributed as capital by the laws or administrative regulations. Non-monetary property used for capital contributions shall be evaluated and verified, and shall not be overvalued or undervalued. Where laws or administrative regulations provide otherwise, those provisions shall prevail.

The issuance of shares shall be conducted in a fair and equitable manner, and each share of the same class shall enjoy the same rights. For shares issued at the same time and within the same class, the conditions and price per share must be the same; for the shares subscribed by an entity or an individual, the price per share paid must be the same. The share offering price may be equal to or in excess of the par value, but shall not be less than the par value.

Pursuant to the Overseas Listing Trial Measures, a domestic company that offers and lists securities on overseas markets may raise funds and pay dividends in a foreign currency or the RMB. Under specific circumstances such as equity incentives, issuance of securities to purchase assets, etc., domestic enterprises are allowed to issue securities to specific domestic objects when they directly issue and list overseas.

According to the provisions of the PRC Company Law, a company that issues registered shares shall establish a register of shareholders to record the following items: (1) the names or titles and domiciles of the shareholders; (2) the number of shares held by each shareholder; (3) the serial number of the shares held by each shareholder; and (4) the date on which each shareholder acquired the shares.

***Increase In Share Capital***

Pursuant to the PRC Company Law, an increase in the capital of a company by means of an issue of new shares must be approved by shareholders in a general meeting. In addition, the Securities Law of the PRC (the "**PRC Securities Law**") also stipulates the following conditions for the company's public offering of new shares: (1) have a sound organisational structure with satisfactory operating; (2) have the capability of sustainable operation; (3) have been issued with an unqualified opinion audit report by the auditor for the company's financial accounting documents in the latest three years; (4) the issuer and its controlling shareholder(s) and actual controlling party do not have criminal record during the past three years for corruption, bribery, encroachment of assets, misappropriation of assets or disruption of socialist market economy order; and (5) other conditions required by the securities administration department of the State Council as approved by the State Council. After the new shares issued by the company have been fully paid up, the change must be registered with the company registration authority and a public announcement shall be made.

***Reduction of share capital***

The Company shall reduce the registered capital in accordance with the following procedures as stipulated in the PRC Company Law: (1) the company shall prepare a balance sheet and an inventory of properties; (2) make a resolution at a shareholders' general meeting to reduce the registered capital; (3) the company shall notify its creditors within 10 days after making the resolution to reduce the registered capital and publish the relevant announcement in newspapers within 30 days; (4) a creditor may, within 30 days after receipt of the notification, or within 45 days after the date of announcement if he/she has not received the notification, have the right to request the company to repay its debts or provide relevant guarantees; and (5) the company must apply to the companies registration authority for a change in registration.

***Repurchase of shares***

Under the provisions of the PRC Company Law, a company shall not repurchase its own shares except in the following circumstances: (1) reduction of the registered capital of the company; (2) merger with another company that holds its shares; (3) use of its shares for carrying out an employee stock ownership plan or equity incentive plan; (4) request from shareholders who object to a resolution of a shareholders' general meeting on merger or division of the company to acquire their shares by the company; (5) use of shares for conversion of convertible corporate bonds issued by the listed company; and (6) it is necessary for a listed company to maintain its company value and protect its shareholders' equity. A resolution of a shareholders' general meeting is required for the repurchase of shares by a company under either of the circumstances stipulated in item (1) or item (2) above; for a company's repurchase of shares under any of the circumstances stipulated in item (3), item (5) or item (6) above, a resolution of a meeting of the Board of Directors shall be made by more than two-thirds of directors attending the meeting according to the provisions of the Company's Articles of Association or as authorized by the shareholders' general meeting.

The shares acquired by the company according to the above provisions under the circumstance stipulated in item (1) hereof a company shall be deregistered within 10 days from the date of acquisition of shares; the shares shall be transferred or deregistered within six months if the repurchase of shares is made under the circumstances stipulated in either item (2) or item (4); and the shares in the company held in total by the company after the repurchase of shares under any of the circumstances stipulated in item (3), item (5) or item (6) shall not exceed 10% of the Company's total issued shares, and shall be transferred or deregistered within three years.

A listed company acquires its own shares shall perform their obligation of information disclosure according to the provisions of the PRC Securities Law. A listed company acquires its own shares under any of the circumstances stipulated in item (3), item (5) and item (6) hereof, shall be carried out trading in public and centralized manner.

A company shall not accept its own shares as the subject matter of a mortgage.

***Transfer of shares***

Shares held by shareholders may be transferred legally. Under the PRC Company Law, a shareholder should effect a transfer of his shares on the stock exchange established in accordance with laws or by any other means as required by the State Council. The transfer of registered shares by a shareholder must be conducted by means of an endorsement or by other means stipulated by laws or by administrative regulations. Following the transfer of registered shares, the company shall enter the names and domiciles of the transferee into its share register. Change of the register of members described in the preceding paragraph shall not be registered within 20 days before the convening of a shareholders' general meeting or five days prior to the base date on which the company decides to distribute dividends. However, where there are separate provisions by law on the alternation of registration in the register of members of listed companies, those provisions shall prevail. The transfer of bearer share certificates shall become effective upon the delivery of the certificates to the transferee by the shareholder.

Pursuant to the PRC Company Law, shares held by promoters may not be transferred within one year of the establishment of the company. Shares of the company issued prior to the public issue of shares may not be transferred within one year of the date of the company's listing on the stock exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in it and any changes in such shareholdings. During their terms of office, they may transfer no more than 25% of the total number of shares they hold in the company every year. They shall not transfer the shares they hold within one year of the date of the company's listing on the stock exchange, nor within six months after they leave their positions in the company. The Articles of Association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management.

Pursuant to the Overseas Listing Trial Measures, for a domestic company directly offering and listing overseas, the shareholders of its unlisted domestic shares applying to convert its unlisted domestic shares into overseas listed shares and listed and traded on an overseas trading venue shall conform to relevant regulations promulgated by the CSRC, and appoint the domestic company to file with the CSRC.

***Shareholders***

Pursuant to the PRC Company Law and the Guidelines for Articles of Association, the rights of shareholders include the rights: (1) to be legally entitled to assets income, participate in significant decision-making and select management personnel; (2) to petition the people's court to revoke any resolution of a shareholders' meeting, a shareholders' general meeting or a meeting of the board of directors that has been convened or whose voting has been conducted in violation of the laws, administrative regulations or the articles of association of the company, or any resolution the contents of which is in violation of the laws, administrative regulations or the articles of association of the company, provided that such petition shall be submitted to the people's court within 60 days of the passing of such resolution; (3) to transfer his/her shares legally; (4) to attend or appoint a proxy to attend shareholders' general meetings and exercise the voting rights; (5) to inspect the articles of association of the company, share register, counterfoil of company debentures, the minutes of shareholders' general meetings, board resolutions, resolutions of the supervisory committee and the financial and accounting reports, and to make suggestions or inquiries in respect of the company's operations; (6) to receive dividends in respect of the number of shares held; (7) to participate in the distribution of residual properties of the company in proportion to their shareholdings upon the liquidation of the company; and (8) any other shareholders' rights provided for in laws, administrative regulations, other normative documents and the articles of association of the company.

The obligations of shareholders include the obligation to abide by the articles of association of the company, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company in respect of the shares taken up by them and any other shareholder obligation specified in the articles of association of the company.

Pursuant to the Overseas Listing Trial Measures, a domestic company offering and listing overseas shall file with the CSRC as per requirement of this Measures, submit relevant materials that contain a filing report and a legal opinion, and provide truthful, accurate and complete information on the shareholders, etc.

***Shareholders' General Meetings***

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law. The shareholders' general meeting may exercise its powers: (1) to decide on the company's operational policies and investment plans; (2) to elect or replace the directors and supervisors who are not representatives of the employees and to decide on the matters relating to the remuneration of directors and supervisors; (3) to consider and approve the reports of the board of directors; (4) to consider and approve the reports of the supervisory committee or the reports of the supervisors; (5) to consider and approve the company's annual financial budget proposals and final account proposals; (6) to consider and approve the company's profit distribution and loss recovery proposals; (7) to decide on any increase or reduction of the company's registered capital; (8) to decide on the issue of corporate bonds; (9) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form; (10) to amend the articles of association of the company; and (11) to exercise any other authority stipulated in the articles of association of the company.

Pursuant to the PRC Company Law and the Guidelines for Articles of Association, a shareholders' general meeting is required to be held once a year within six months after the end of the previous accounting year. An extraordinary general meeting is required to be held within two months upon the occurrence of any of the following: (1) the number of directors is less than the number required by the law or less than two-thirds of the number specified in the articles of association of the company; (2) the total outstanding losses of the company amounted to one-third of the company's total paid-in share capital; (3) shareholders individually or in aggregate holding 10% or more of the company's shares request to convene an extraordinary general meeting; (4) the board of directors deems necessary; (5) the supervisory committee so proposes; or (6) any other circumstances as provided for in the articles of associations of the company.

A shareholders' general meeting is convened by the board of directors and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or is not performing his or her duties, the meeting shall be presided over by the vice chairman. If the vice chairman is incapable of performing or is not performing his or her duties, a director jointly recommended by more than half of directors shall preside over the meeting. If the board of directors is unable to or fails to perform its duty of convening the shareholders' general meeting, the Supervisory Committee shall convene and preside over such meeting in a timely manner; if the Supervisory Committee fails to convene and preside over such meeting, shareholders who individually or jointly hold more than 10% of the company's shares for more than 90 consecutive days may convene and preside over such meeting on their own initiative.

In accordance with the PRC Company Law, a notice stating the time and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders 20 days before the meeting if the shareholders' general meeting is convened. Notice of the extraordinary general meeting shall be given to all shareholders 15 days before the meeting. For the issuance of bearer share certificates, the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting. Shareholders who individually or jointly hold more than three percent of the shares of the company may submit an interim proposal in writing to the board of directors ten days before the shareholders' general meeting is held. The board of directors shall notify other shareholders within two days upon receipt of the proposal, and submit the interim proposal to the general meeting for deliberation. The contents of the interim proposal shall fall within the scope of powers of the shareholders' general meeting, and the proposal shall provide clear agenda and specific matters on which resolutions are to be made. The shareholders' general meeting shall not make any resolution in respect of any matter not set out in the above-mentioned two types of notices. Holders of bearer share certificates who attend the shareholders' general meeting shall deposit their share certificates with the company five days before the meeting and till the conclusion of the meeting.

According to the PRC Company Law, shareholders present at shareholders' general meeting shall have one vote for each share they hold, save that the Company's shares held by the company are not entitled to any voting rights.

An accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting pursuant to the provisions of the articles of association of the company or a resolution of the shareholders' general meeting. Under the accumulative voting system, when the shareholders' general meeting elects directors or supervisors, each share has the same voting rights as the number of directors or supervisors to be elected, and the voting rights owned by shareholders can be used collectively.

Under the PRC Company Law, the passing of any resolution at the general meeting requires affirmative votes of shareholders representing more than half of the voting rights held by the shareholders who attend the general meeting except in cases of proposed amendments to a Articles of Association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights held by the shareholders who attend the general meeting. Where the PRC Company Law and the Articles of Association provide that the transfer or acquisition of significant assets or the provision of external guarantees by the Company and the other matters must be approved by way of resolution of the general meeting, the Board of Directors shall convene a shareholders' general meeting promptly to vote on such matters by shareholders' general meeting. A shareholder may entrust a proxy to attend shareholders' general meetings on his or her behalf, and the proxy so entrusted shall submit a power of attorney to the Company and exercise the voting rights within the scope of the authorization.

Minutes shall be prepared in respect of matters considered at the shareholders' general meeting and the chairperson and directors attending the meeting shall endorse such minutes by signature. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

***Board of Directors***

A company shall have a board, which shall consist of 5 to 19 members. Members of the Board of Directors may include staff representatives, who shall be democratically elected by the Company's staff at a staff representative assembly, general staff meeting or otherwise. The term of office of the directors shall be provided for by the Articles of Association, but each term of office shall not exceed three years. A director may seek reelection upon expiry of the said term. A director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations and the Articles of Association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the Board of Directors may exercise the following powers:

(1) to convene shareholders' general meetings and report on its work to the shareholders' general meetings;

(2) to implement the resolutions passed by the shareholders at the shareholders' general meetings;

(3) to decide on the Company's operational plans and investment proposals;

(4) to formulate proposal for the Company's annual financial budgets and final accounts;

(5) to formulate the Company's proposals for profit distribution and for recovery of losses;

(6) to formulate proposals for the increase or reduction of the Company's registered capital and the issue of corporate bonds;

(7) to formulate proposals for the merger, division, dissolution of the Company or change in the form of the Company;

(8) to decide on the setup of the Company's internal management organs;

(9) to decide on appointment or dismissal the manager of the Company and his/her remuneration matters, and as nominated by the manager, to decide on appointment or dismissal the Company's deputy general manager and financial officer and his/her remuneration matters;

(10) to formulate the Company's basic management system; and

(11) other authority stipulated in the Articles of Association.

Meetings of the Board of Directors shall be convened at least twice a year. Notice of meeting shall be given to all Directors and Supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than one-tenth of the voting rights, more than one-third of the Directors or the Supervisory Committee. The chairman shall convene the meeting within 10 days of receiving such proposal, and preside over the board meeting. The Board of Directors may otherwise determine the method of giving notice and notice period for convening an interim meeting of the board of directors. Meeting of the Board of Directors shall be held only if more than one half of the Directors are present. Resolutions of the Board of Directors shall be passed by more than one half of all Directors. The Board of Directors will vote on a one-person-one-vote basis. The Directors shall attend a board meeting in person. If a director is unable to attend for any reasons, he/she may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his/her behalf. The Board of Directors shall make minutes of the meeting's decisions on the matters discussed at the meeting, and the directors attending the meeting shall sign the minutes.

If a resolution of the Board of Directors violates any laws, administrative regulations or the Articles of Association or resolutions of the general meeting, and as a result of which the Company sustains serious losses, the directors participating in the resolution are liable to compensate the Company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director shall be relieved from that liability.

Under the PRC Company Law, the following person may not serve as a Director of the Company: (1) devoid of or with restricted civil conduct ability; (2) within five years after serving sentence for embezzlement, bribery, infringement or misappropriation of property, or for jeopardizing socialist market economic order, or within five years after serving sentence and being deprived of political rights for crime; (3) within three years after insolvency and liquidation of such Company or enterprise where the person acted as a director, factory manager or business manager and has been held accountable for the insolvency; (4) within three years after company or enterprise the person acted as legal representative is revoked business license and ordered to shut down for violating law on which the person is held accountable; and (5) liable to large amount of unliquidated mature debts.

If the election or appointment of a director violates the foregoing provisions, such election, appointment or engagement shall be invalid. If any of the foregoing circumstances occurs during the term of office of a director, the Company shall dismiss the duties of such director.

Under the PRC Company Law, the Board shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and review the implementation of board resolutions. The vice chairman shall assist the chairman to perform his/her duties. Where the chairman is incapable of performing or is not performing his/her duties, the duties shall be performed by the vice chairman. Where the vice chairman is incapable of performing or is not performing his/her duties, a director nominated by more than half of the directors shall perform his/her duties.

***Supervisory Committee***

The company shall have a Supervisory Committee composed of not less than three members. The Supervisory Committee shall consist of representatives of the shareholders and an appropriate proportion of representatives of the Company's staff, of which the proportion of representatives of the company's staff shall not be less than one-third, and the actual proportion shall be determined in the Articles of Association. Representatives of the Company's staff at the Supervisory Committee shall be democratically elected by the Company's staff at the staff representative assembly, general staff meeting or otherwise. The Supervisory Committee shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the Supervisory Committee shall be elected by more than half of all the supervisors. Directors and senior management shall not act concurrently as supervisors.

The chairman of the Supervisory Committee shall convene and preside over supervisory committee meetings. Where the chairman of the Supervisory Committee is incapable of performing or is not performing his/her duties, the vice chairman of the Supervisory Committee shall convene and preside over supervisory committee meetings. Where the vice chairman of the Supervisory Committee is incapable of performing or is not performing his/her duties, a supervisor elected by more than half of the supervisors shall convene and preside over supervisory committee meetings.

The supervisors serve three-year terms. A supervisor may serve consecutive terms if re-elected upon the expiration of his/her term. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the Articles of Association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The board of supervisors may exercise its powers:

(1) to review the company's financial position;

(2) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the Articles of Association or resolutions of the shareholders' general meetings;

(3) when the acts of a director or senior management are detrimental to the company's interests, to require the director and senior management to correct these relevant acts;

(4) to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board fails to perform the duty of convening and presiding over shareholders' general meetings under the PRC Company Law;

(5) to submit proposals to the shareholders' general meetings;

(6) to bring actions against directors and senior management pursuant to the relevant provisions of the PRC Company Law; and

(7) to exercise any other authority stipulated in the Articles of Association.

Supervisors may be present at board meetings and make inquiries or proposals in respect of the resolutions of the Board of Directors. The board of supervisors may investigate any irregularities identified in the operation of the company and, when necessary, may engage an accounting firm to assist its work at the cost of the company.

***Manager and Senior Management***

Pursuant to the relevant provisions of the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager, who is responsible to the board of directors, may exercise his/her functions and powers:

(1) to preside over the production and operation and administration of the company and arrange for the implementation of the resolutions of the board of directors;

(2) to arrange for the implementation of the company's annual operation plans and investment proposals;

(3) to formulate proposals for the establishment of the company's internal management organs;

(4) to formulate the fundamental management system of the company;

(5) to formulate the company's specific rules and regulations;

(6) to recommend the appointment or dismissal of any deputy manager and any financial officer of the company;

(7) to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the board of directors); and

(8) to exercise any other authority granted by the board of directors.

Other provisions in the Articles of Association on the manager's functions and powers shall also be complied with. The manager shall be present at meetings of the board of directors.

According to the relevant provisions of the PRC Company Law, senior management refers to the manager, deputy manager, financial officer, secretary to the board of directors of a listed company and other personnel as stipulated in the Articles of Association.

***Duties of Directors, Supervisors, General Manager and Other Senior Management***

Directors, supervisors and senior management are required under the PRC Company Law to comply with the relevant laws, administrative regulations and the articles of association, and carry out their duties of loyalty and diligence. Directors, supervisors and senior management are prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's property.

In the meantime, directors and senior management are prohibited from:

(1) misappropriating company funds;

(2) depositing company funds into accounts under their own names or the names of other individuals;

(3) loaning company funds to others or providing guarantees in favor of others supported by company's property in violation of the articles of association or without approval of the general meeting or the Board of Directors;

(4) entering into contracts or transactions with the company in violation of the articles of association or without approval of the general meeting of shareholders;

(5) using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating businesses similar to that of the company for their own benefit or on behalf of others without approval of the general meeting of shareholders;

(6) accept commissions from transactions between others and the company for their own benefit;

(7) unauthorized divulgence of confidential information of the company; and

(8) other acts in violation of their duty of loyalty to the company.

Income generated by directors or senior management in violation of aforementioned shall be returned to the company.

A director, supervisor or senior management who contravenes law, administrative regulation or articles of association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

Where a director, supervisor or senior management is required to attend a shareholders' general meeting, such director, supervisor or senior management shall attend the meeting and answer the inquiries from shareholders. Directors and senior management shall furnish with relevant facts and information to the Supervisory Committee without obstructing the exercise of functions and powers by the Supervisory Committee or supervisors.

Where the directors and senior management violate laws, administrative regulations or the articles of association in performance of duties to the company, thereby causing damages to the company, the shareholders individually or jointly holding more than 1% of the shares in the company for more than 180 consecutive days may request in writing the Supervisory Committee to initiate proceedings in the people's court. Where the supervisors violate the laws, administrative regulations or the articles of association in performance of duties resulting in any loss to the company, the aforementioned shareholder(s) may request in writing that the board of directors institute litigation at a people's court. Upon receipt of shareholders' written request stipulated in the preceding paragraph, if the Supervisory Committee or the board of directors refuses to file a lawsuit or does not file a lawsuit within 30 days from receipt of such request, or in the event of emergency where the interest of the company will suffer irreparable damages if lawsuit is not filed immediately, the shareholders stipulated in the preceding paragraph shall have the right to file a lawsuit directly with the people's court in their own name for the interest of the company. For other parties who infringe the lawful interests of the company resulting in loss to the company, the aforementioned shareholder(s) may institute litigation at a people's court in accordance with the procedure described above. Where any director or senior management violates the provisions of laws, administrative regulations or the Articles of Association, damaging interests of shareholders, the shareholders may file a lawsuit with the people's court.

The Overseas Listing Trial Measures stipulates that the filling materials for overseas listing of domestic enterprises shall be true, accurate and complete, and shall not contain false records, misleading statements or material omissions. Domestic enterprises and their controlling shareholders, de facto controllers, directors, supervisors and senior management shall fulfill their obligations of information disclosure in accordance with the law, be honest, trustworthy, diligent and responsible and ensure that the filling materials are true, accurate and complete.

***Finance and accounting***

According to the PRC Company Law, a company shall establish its own financial and accounting systems according to the laws, administrative regulations and the regulations of the financial departments of the State Council. A company shall prepare its financial reports at the end of each accounting year which shall be audited by accounting firm according to law. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial departments of the State Council. The company's financial and accounting reports shall be made available for shareholders' inspection at the company within 20 days before the convening of an annual general meeting. A joint stock limited company that makes public stock offerings shall announce its financial and accounting reports.

When distributing each year's profit after tax, the company shall set aside 10% of its profit after tax for the company's statutory common reserve fund. However, when the cumulative amount of the reserve fund has reached more than 50% of the PRC company's registered capital, it may no longer be allocated. When the company's statutory common reserve fund is not sufficient to make up for the company's losses for the previous years, the current year's profits shall first be used to make up the losses before any allocation is set aside for the statutory common reserve fund. After the company has made allocations to the statutory common reserve fund from its profit after tax, it may, upon passing a resolution at a shareholders' general meeting, make further allocations from its profit after tax to the discretionary common reserve fund. After the company has made up its losses and made allocations to its discretionary common reserve fund, the remaining profit after tax shall be distributed to shareholders in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the articles of association.

Profits distributed to shareholders by a resolution of a shareholder's general meeting or the board of directors before losses have been made up and allocations have been made to the statutory common reserve fund in violation of the requirements described above must be returned to the company. The company shall not be entitled to any distribution of profits in respect of its own shares held by it.

Proceeds from shares issued by a company at a price above their nominal value and other revenues required by the financial departments of the State Council to be stated as capital reserve shall be accounted for as the capital reserve fund of the company. The common reserve fund of a company shall be applied to make up the company's losses, expand its production and operations or convert it into an increase in its capital. The capital reserve fund, however, shall not be used to make up the company's losses. Upon the transfer of the statutory common reserve fund into capital, the balance of the fund shall not be less than 25% of the registered capital of the company before such transfer.

The company shall have no accounting books other than the statutory books. The company's assets shall not be deposited in any account opened under the name of an individual.

***Appointment and Dismissal of Auditors***

Pursuant to the PRC Company Law, the appointment or dismissal of an accounting firm responsible for the auditing of the company shall be determined by shareholders at a shareholders' general meeting or the board of directors in accordance with the articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting or the board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or misrepresentation of information.

The Overseas Listing Trial Measures require that securities companies and law firms should conduct adequate verification of the filing materials of overseas listed enterprises.

***Profit Distribution***

According to PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve fund is provided. At the same time, the Overseas Listing Trial Measures stipulate that domestic enterprises may raise funds and pay dividends in foreign currencies or RMB for overseas listings.

***Amendment to Articles of Association***

Pursuant to PRC Company Law, the resolution of a shareholders' general meeting regarding any amendment to a company's articles of association requires affirmative votes by at least two-thirds of the votes held by shareholders attending the meeting.

***Dissolution and Liquidation***

Pursuant to PRC Company Law, a company shall be dissolved for any of the following reasons:

(1) upon expiry of term of business stipulated in the Articles of Association or occurrence of other circumstances of dissolution stipulated in the Articles of Association;

(2) the shareholders' general meeting has resolved to dissolve the company;

(3) the company is dissolved by reason of its merger or division;

(4) the business license of the company is revoked or the company is ordered to close down or to be dissolved in accordance with the laws; or

(5) Where the company encounters serious difficulties in its operations or management that will lead to significant losses to the benefits of the shareholders if the company continues its existence and the situation cannot be resolved by other means, the company is dissolved by a people's court in response to the request of shareholders representing 10% or more of the voting rights of all shareholders of the company.

In the event of paragraph (1) above, the company may carry on its existence by amending its articles of association. The amendments to the articles of association in accordance with the provisions described above shall require the approval of more than two-thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved under the circumstances set forth in paragraph (1), (2), (4) or (5) above, it should establish a liquidation committee within 15 days of the date on which the dissolution matter occurs and commence the liquidation. The liquidation committee shall be composed of Directors or persons determined by a general meeting. If a liquidation committee is not established within the prescribed period, the company's creditors may file an application with a people's court to appoint relevant personnel to form a liquidation committee to conduct the liquidation. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee may exercise following powers during the liquidation:

(1) to verify the Company's property and to prepare a balance sheet and a property inventory;

(2) to inform creditors by notice or announcement;

(3) to deal with any outstanding business of the Company in relation to the liquidation;

(4) to pay all outstanding taxes and the taxes arising during the liquidation process;

(5) to settle claims and debts;

(6) to handle the company's remaining assets after its debts have been paid off; and

(7) to represent the company in civil lawsuits.

The liquidation committee shall notify the company's creditors within 10 days of its establishment, and publish an announcement in newspapers within 60 days.

A creditor shall lodge his claim with the liquidation committee within 30 days of receipt of the notification or within 45 days of the date of the announcement if he has not received any notification.

The creditors shall explain matters relating to their claims and provide evidential documents. The liquidation committee shall register the creditor's claims. In the claims declaration period, the liquidation committee shall not make repayment to the creditors.

Upon disposal of the company's property and preparation of the required balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit this plan to a shareholders' general meeting or a people's court for endorsement. The remaining part of the company's assets, after payment of liquidation expenses, employee wages, social insurance fees and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to shares held by them. The company shall continue its existence during the liquidation period, although it cannot conduct operating activities that are not related to the liquidation. The company's property shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

Upon liquidation of the company's property and preparation of the required balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient property to meet its liabilities, it must apply to a people's court for a declaration of bankruptcy in accordance with the laws. Following such declaration by the people's court, the liquidation committee shall hand over the administration of the liquidation to the people's court.

Upon completion of the liquidation of the company, the liquidation committee shall prepare a liquidation report and submit it to the shareholders' general meeting or a people's court for confirmation and the company registration authority to cancel the company's registration, and an announcement of its termination shall be published. Members of the liquidation committee are required to discharge their duties in good faith and perform their obligation in compliance with laws. Members of the liquidation committee shall be prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's property. Members of the liquidation committee are liable to indemnify the company and its creditors in respect of any loss arising from their willful or material default. Furthermore, where a company is declared bankrupt according to laws, bankruptcy liquidation shall be processed in accordance with the relevant laws on corporate bankruptcy.

***Overseas listing***

According to the Overseas Listing Trial Measures, the securities refer to stocks, depositary receipts, and corporate bonds that can be converted into stocks or other securities of an equity nature that are directly or indirectly offered and listed overseas by domestic companies. The direct overseas offering and listing of domestic companies refer to such overseas offering and listing of a joint stock limited company incorporated in the territory of PRC. The indirect overseas offering and listing of domestic companies refer to such overseas offering and listing made in the name of an offshore entity but based on the equity, assets, earnings, or other similar rights of a domestic company that operates its main business domestically.

The Overseas Listing Trial Measures also provide the conditions for overseas offering and listing. An overseas offering and listing are prohibited under any of the following circumstances:

(1) the listing and financing fall under specific prohibiting in the laws, administrative regulations, and relevant national provisions;

(2) the overseas offering and listing may constitute endangers to national security as reviewed and determined by competent authorities under the State Council in accordance with law;

(3) the domestic company and its controlling shareholder(s), actual controllers, have a criminal record in recent three years for corruption, bribery, encroachment of assets, misappropriation of assets, or disruption of socialist market economy order;

(4) the domestic company is under investigation according to law for suspected crimes or major violations of laws and regulations, but no clear conclusions have been reached;

(5) there are material ownership disputes over the equities held by the controlling shareholders or the shareholders whose actions are controlled by the controlling shareholders or actual controllers.

In addition, under the Overseas Listing Trial Measures, where a PRC domestic company submits an application for initial public offering to competent overseas regulators or overseas stock exchanges, such issuer must file with the CSRC within three business days after such application is submitted.

In the event of the occurrence of any of the following material events after the overseas offering and listing, the PRC domestic companies shall make a detailed report to the CSRC within three working days after the occurrence and public announcement of the relevant event:

(1) change in controlling rights;

(2) being subject to investigation, punishment, or other measures by overseas securities regulatory authorities or the relevant competent authorities;

(3) changing the listing status or transferring the listing board;

(4) voluntary or compulsory termination of a listing.

Pursuant to the Notice on Administrative Arrangements for Filing Concerning Overseas Issuance and Listings by Domestic Enterprises, which was promulgated by the CSRC on February 17, 2023 and came into effect on the same date, a domestic enterprise which has been issued and listed overseas before March 31, 2023 is defined as stock enterprise ("**stock enterprise**"). The stock enterprise shall not need to file immediately, but the enterprise shall file as required if it involves the file matters such as refinancing subsequently. For the purpose of the domestic enterprise that has been granted approval letter by the CSRC for the overseas public raised shares and listing (including issuance of additional shares) by a joint stock limited company, the domestic enterprise may continue to promote overseas issuing and listing upon the expiration of the validity of the approval letter. The domestic enterprise shall file as required if it has not completed overseas issuing and listing upon the expiration of the validity of the approval letter.

Pursuant to the Provisions on Strengthening Confidentiality and Archives Administration Concerning Overseas Securities Offerings and Listings by Domestic Enterprises, which was issued by the CSRC, MOF, the National Administration of State Secrets Protection and the National Archives Administration on February 24, 2023 and implemented since March 31, 2023, a domestic enterprise that provides or through its overseas listed entity, publicly discloses or provides to relevant individuals or entities including securities companies, securities service providers and overseas regulators, any document and materials that contain state secrets or working secrets of government agencies, shall first obtain approval from competent authorities according to law, and files with the secrecy administrative department at the same level. A domestic enterprise that provides accounting archives or copies of accounting archives to any entities including securities companies, securities service providers and overseas regulators and individuals shall fulfill due procedures in compliance with applicable national regulations.

***Loss of Share Certificates***

A shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After the people's court declares that such certificate(s) will no longer be valid, the shareholder may apply to the company for the issue of a replacement certificate(s).

***Merger and Division***

Pursuant to the PRC Company Law, a merger agreement shall be signed by merging companies and the involved companies shall prepare respective balance sheets and inventory of assets. The companies shall within 10 days of the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger in newspapers within 30 days. A creditor may, within 30 days of receipt of the notification, or within 45 days of the date of the announcement if he has not received the notification, request the company to settle any outstanding debts or provide relevant guarantees.

In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company. In case of a division, the company's assets shall be divided and a balance sheet and an inventory of assets shall be prepared. When a resolution regarding the company's division is approved, the company should notify all its creditors within 10 days of the date of passing such resolution and publicly announce the division in newspapers within 30 days. The liabilities of the company which have accrued prior to the division shall be jointly borne by the separated companies, unless otherwise stipulated in the agreement in writing entered into by the company with creditors in respect of the settlement of debts prior to division.

Changes in the business registration of the companies as a result of the merger or division shall be registered with the relevant administration authority for industry and commerce.

**The PRC Securities Laws, Regulations and Regulatory Regimes**

The PRC has promulgated a series of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and 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 CSRC. The CSRC is the regulatory executive body of the Securities Committee and is responsible for the drafting of regulatory provisions governing securities markets, supervising securities companies, regulating public offerings of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

On April 22, 1993, the State Council promulgated the Provisional Regulations Concerning the Issue and Trading of Shares (《股票發行與交易管理暫行條例》) governing the application and approval procedures for public offerings of shares, issuance of and trading in shares, the acquisition of listed companies, deposit, clearing, and transfer of shares, the disclosure of information, investigation, penalties and dispute resolutions with respect to a listed company.

The PRC Securities Law took effect on July 1, 1999, and was revised as of August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014, and December 28, 2019, respectively. The latest revised PRC Securities Law took effect on March 1, 2020. The PRC Securities Law is the first national securities law in the PRC, comprehensively regulating activities in the PRC securities market. It is divided into 14 chapters and 226 articles, including the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies, and the responsibilities of the securities registration and settlement institutions and securities regulatory authorities. Article 224 of the PRC Securities Law provides that domestic enterprises issuing shares overseas directly or indirectly or listing their shares overseas shall comply with the relevant provisions of the State Council. Currently, the issue and trading of foreign-issued securities (including shares) are principally governed by the regulations and rules promulgated by the State Council and CSRC.

**Arbitration and Enforcement of Arbitral Awards**

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "**PRC Arbitration Law**") was enacted by the SCNPC on August 31, 1994, which became effective on September 1, 1995, and was amended on August 27, 2009, and September 1, 2017. The PRC Arbitration Law is applicable to, among other matters, economic disputes involving foreign parties where all parties had entered into a written agreement to resolve disputes by arbitration before an arbitration committee constituted in accordance with the PRC Arbitration Law. The PRC Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the parties have agreed to settle disputes by means of arbitration, a people's court will refuse to handle a legal proceeding initiated by one of the parties at such people's court unless the arbitration agreement is invalid.

Under the PRC Arbitration Law and PRC Civil Procedure Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If any party fails to comply with the arbitral award, the other party to the award may apply to a people's court for its enforcement. 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, the making of an award on matters beyond the scope of the arbitration agreement, or the jurisdiction of the arbitration commission).

Any party seeking to enforce an award of a foreign affairs arbitral body of the PRC against a party or whose property is not located within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the award. Likewise, an arbitral award made by a foreign arbitral body may be recognized and enforced by a PRC court in accordance with the principle of reciprocity or any international treaties concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**") adopted on June 10, 1958, pursuant to a resolution passed by the SCNPC on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties thereto subject to their rights to refuse recognition and enforcement under certain circumstances, including where the recognition and enforcement of the arbitral award is against the public policy of that state. At the time of the PRC's accession to the Convention, the SCNPC declared that (1) the PRC would only apply the Convention to the recognition and enforcement of arbitral awards made in the territories of other parties based on the principle of reciprocity; and (2) the New York Convention will only be applied to disputes deemed under PRC laws to be arising from contractual or non-contractual mercantile legal relations.

An agreement has been reached between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People's Court of the PRC adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland and Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on February 1, 2000. The Supreme People's Court of China issued the Supplementary Arrangements on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《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》) on November 26, 2020, which went into effect on November 27, 2020. The arrangements reflect the spirit of the New York Convention. Pursuant to the arrangements, awards made by PRC arbitral authorities acknowledged by Hong Kong arbitration rules can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in mainland China. Where a court of the mainland China finds that enforcement in the mainland China of the ruling made by the Hong Kong arbitral authority will violate public interests of the mainland China, execution of the ruling may be ignored.

**Shanghai-Hong Kong Stock Connect**

On April 10, 2014, CSRC and Hong Kong Securities and Futures Commission (hereinafter referred to as "**HKSFC**") issued the Joint Announcement of CSRC and HKSFC – Principles that Should be Followed when the Pilot Program that Links the Stock Markets in Shanghai and Hong Kong is Expected to be Implemented and approved in principle the launch of the pilot program that links the stock markets in Shanghai and Hong Kong (hereinafter referred to as "**Shanghai-Hong Kong Stock Connect**") by the Shanghai Stock Exchange (hereinafter referred to as "**SSE**"), the Stock Exchange, CSDC and HKSCC. Shanghai-Hong Kong Stock Connect comprises the two portions of Northbound Trading Link and Southbound Trading Link. Southbound Trading Link refers to the entrustment of China securities houses by China investors to trade stocks listed on the Stock Exchange within a stipulated range via filing by the securities trading service company established by the SSE with the Stock Exchange. During the initial period of the pilot program, the stocks of Southbound Trading Link consist of constituent stocks of the Stock Exchange Hang Seng Composite Large Cap Index and the Hang Seng Composite MidCap Index as well as stocks of A+H stock companies concurrently listed on the Stock Exchange and the SSE. The total limit of Southbound Trading Link is RMB250 billion and the daily limit is RMB10.5 billion. During the initial period of the pilot program, it is required by HKSFC that China investors participating in Southbound Trading Link are only limited to institutional investors and individual investors with a securities account and capital account balance of not less than RMB500,000 in total. On November 10, 2014, CSRC and HKSFC issued a Joint Announcement, approving the official launch of Shanghai-Hong Kong Stock Connect by SSE, the Stock Exchange, CSDC and HKSCC. Pursuant to the Joint Announcement, trading of stocks under Shanghai-Hong Kong Stock Connect will commence on November 17, 2014. On September 30, 2016, CSRC issued the Filing Provision on the Placement of Shares by Hong Kong Listed Companies with Domestic Original Shareholders under Southbound Trading Link which came into effect on the same day. The act of the placement of shares by Hong Kong listed companies with domestic original shareholders under Southbound Trading Link shall be filed with CSRC. Hong Kong listed companies shall file the application materials and approved documents with CSRC after obtaining approval from the Stock Exchange for their share placement applications. CSRC will carry out supervision based on the approved opinion and conclusion of the Hong Kong side.

## SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND THE PRC COMPANY LAW

The Hong Kong laws applicable to a company incorporated in Hong Kong are based on the Companies Ordinance and the Companies (Winding up and Miscellaneous Provisions) Ordinance and are supplemented by common law and the rules of equity that apply to Hong Kong. As a joint stock limited company established in the PRC that is seeking an initial listing of shares on the Stock Exchange, we are governed by the Company Law and all other rules and regulations promulgated pursuant to the Company Law.

Set out below is a summary of certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the Company Law applicable to a joint stock limited company incorporated and existing in accordance with the Company Law. This summary is, however, not intended to be an exhaustive comparison.

### Corporate Existence

Under the Hong Kong laws, a company with share capital shall be incorporated by the Registrar of Companies in Hong Kong which issues a certificate of incorporation to the company upon its incorporation, and the company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

According to the Company Law, a joint stock limited company may be incorporated by promotion or public subscription. The minimum registered capital of a joint stock limited company is not required, unless otherwise provided by laws, administrative regulations and the decisions of the State Council, for the paid-up registered capital and the minimum registered capital of a joint stock limited company.

Hong Kong laws do not prescribe any minimum registered capital requirements for a Hong Kong company.

**Share Capital**

The Company Law does not provide for authorized share capital. The share capital of a company incorporated in Hong Kong would be its issued share capital. The full proceeds of a share issue will be credited to share capital and becomes the company's share capital. The directors of a company incorporated in Hong Kong may, with the prior approval of the shareholders if required, issue new shares of the company.

Under the Securities Law, an application for listing shall comply with the listing rules of the stock exchange. Hong Kong laws do not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

According to the Company Law, shareholders may provide capital contribution in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and assets verification must be carried out to ensure no overvaluation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong laws.

**Restrictions on Shareholding and Transfer of Shares**

Under the PRC law, the Unlisted Domestic Shares, which are denominated and subscribed for in Renminbi, can only be subscribed for and traded by PRC investors, qualified overseas institutional investors or qualified overseas strategic investors. Overseas listed shares, which are denominated in Renminbi and subscribed for in a foreign currency, may only be subscribed for, and traded by, investors from countries and regions outside the PRC or other qualified PRC institutional investors. If the H Shares are eligible securities under the Southbound Trading Link, they are also available for subscription and trading by domestic investors in the PRC pursuant to the rules and restrictions of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

According to the Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in a joint stock limited company held by its directors, supervisors and senior management transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The Articles of Association of a Company may set other restrictive requirements on the transfer of a company's shares held by, its directors, supervisors and senior management of the company. There are no such restrictions on shareholdings and transfers of shares under Hong Kong laws apart from the six-month lockup on the company's issue of shares and the 12-month lockup on controlling shareholders' disposal of shares, as illustrated by the undertakings given by the Company and our Single Largest Group of Shareholders to the Stock Exchange.

**Notice of General Meeting**

According to the Company Law, notice of annual general meeting must be given not less than 20 days before the meeting, while notice of an extraordinary general meeting must be given not less than 15 days before the meeting. If a company has bearer shares, a public announcement of a general meeting must be made at least 30 days prior to the meeting.

For a limited company incorporated in Hong Kong, the notice period for an annual general meeting is at least 21 days and in any other case, at least 14 days for a limited company and at least 7 days for an unlimited company.

**Quorum for General Meetings**

The Company Law does not specify any quorum requirement for a general meeting.

Under the Hong Kong laws, the quorum for a general meeting is two members unless the articles of association of the company otherwise provide. For a single member company, one member is a quorum.

**Voting at General Meetings**

According to the Company Law, the passing of any resolution requires more than half of the votes held by the shareholders present in person or by proxy. Amendments to the articles of association, change of corporate form, increase or decrease of registered capital and merger, division or dissolution must be approved by shareholders or proxies representing more than two-thirds of the voting rights being present in shareholders' general meeting.

Under the Hong Kong laws, (1) an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a shareholders' general meeting and (2) a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a shareholders' general meeting.

**Variation of Class Rights**

The Company Law has no special provision relating to variation of class rights. However, the Company Law states that the State Council can promulgate regulations relating to other kinds of shares.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (1) with the passing of a special resolution by the shareholders of the relevant class at a separate meeting sanctioning the variation; (2) with the consent in writing of shareholders of at least three-fourths of the total voting rights of shareholders of the relevant class or (3) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

**Directors, Senior Management and Supervisors**

The Company Law, unlike the Companies Ordinance, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval.

**Supervisory Committee**

According to the Company Law, a joint stock limited company's directors and senior management are subject to the supervision of a supervisory committee. There is no mandatory requirement for the establishment of a supervisory committee for a company incorporated in Hong Kong.

**Derivative Action by Minority Shareholders**

Hong Kong laws permit minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name.

According to the Company Law, if the directors and senior management of a joint stock limited company violate laws, administrative regulations or its articles of association, resulting in losses to the company, shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the supervisory committee to initiate proceedings in the people's court. If the supervisors violate the relevant provisions of the Company Law, the above shareholders may request in writing the board of directors to initiate litigation at the people's court. Upon receipt of such written request from the shareholders, if the supervisory committee or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the people's court in their own name.

**Protection of Minorities**

Under the Hong Kong laws, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong.

The Company Law provides that any shareholders holding 10% or more of the voting rights of all issued shares of a company may request a People's Court to dissolve the company to the extent that the operation or management of the company experiences any serious difficulties and the company continues to suffer serious losses and no other alternatives can resolve.

**Financial Disclosure**

According to the Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders' general meeting. In addition, a joint stock limited company of which the public offering Shares are offered must publish its financial report. The Hong Kong laws require a company incorporated in Hong Kong to send to every shareholder a copy of its financial report, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting.

According to the Company Law, a company shall at the end of each accounting year prepare a financial report which shall be audited by the accounting firm in accordance with the laws.

**Information on Directors and Shareholders**

The Company Law gives shareholders the right to inspect the articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable fee) certain information on shareholders and on directors similar to that available to shareholders of Hong Kong companies under the Hong Kong laws.

**Receiving Agents**

According to the Hong Kong laws, dividends once declared by the Board will become debts payable to shareholders. Under the Hong Kong laws, the limitation period for an action to demand repayment of a debt is six years, whereas the Civil Code of the PRC (《中華人民共和國民法典》) provides that the limitation period for an action to be taken is three years.

**Corporate Reorganization**

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Section 674 of the Companies Ordinance, which requires the sanction of the court. In addition, subject to the shareholders' approval, an intra-group wholly-owned subsidiary company may also be amalgamated horizontally or vertically under the Companies Ordinance.

According to the Company Law, the merger, demerger, dissolution or change to the forms of a joint stock limited company has to be approved by shareholders at general meeting.

**Statutory Deductions**

According to the Company Law, a company shall draw 10% of the profits as its statutory common reserve fund before it distributes any profit after tax. When the aggregate amount of the company's statutory common reserve fund reaches 50% of the company's registered capital, the company may no longer make allocations to the statutory common reserve fund. After a company has made an allocation to its statutory common reserve fund from its profit after tax, it may make an allocation to its discretionary common reserve fund from its profit after tax upon a resolution approved at the shareholders' general meeting. There are no such requirements under Hong Kong laws.

**Remedies of Company**

According to the Company Law, if a director, supervisor or senior management in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or senior management should be responsible to the company for such damages.

The Listing Rules require listed companies' articles of association to provide for remedies of the company similar to those available under Hong Kong laws (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

**Dividend**

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder.

Under Hong Kong laws, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is three years. The company shall not exercise its powers to forfeit any unclaimed dividend after the expiry of the applicable limitation period.

**Fiduciary Duties**

In Hong Kong, there is the common law concept of the fiduciary duty of directors, including the duty not to act in conflict with the company's interests.

Under the Company Law, directors, supervisors, managers and other senior management personnel of a company have the duty of loyalty and diligence to the company. Such persons shall abide by the articles of association of the company, perform their duties honestly and diligently, safeguard the interests of the company, and shall not use their position and authority in the company for their personal gain.

**Closure of Register of Members**

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by the Company Law, share transfers shall not be registered within 20 days before the date of a general meeting or within five days before the base date set for the purpose of distribution of dividends.

This appendix contains a summary of the main provisions of the Articles of Association considered and approved at the general meeting of the Company on May 15, 2023, which will take effect from the date of Listing of H shares on the Stock Exchange. The main purpose of this appendix is to give potential investors an overview of the Articles of Association, and it may not contain all the information that is important for potential investors.

The full Chinese text of the Articles of Association is available for inspection as mentioned in "Appendix VII—Documents Delivered to the Registrar of Companies and Documents on Display".

## SHARES

### Shares and Registered Capital

The Company shall have ordinary shares. The shares of the Company shall take the form of share certificates. All the shares issued by the Company are denominated in RMB, with a nominal value of RMB1 per share.

The shares of the Company shall be issued in a transparent, fair and equal manner, and shall rank *pari passu* with the shares of the same class.

For shares issued at the same time and within the same class, the conditions and price per share must be the same; for the shares subscribed by an entity or an individual, the price per share paid must be the same.

### Increase and Decrease of Shares

***Increase of capital***

The Company may, upon resolution by the shareholders' general meeting, adopt the following methods to increase its capital in accordance with its business and development needs and pursuant to the provisions of laws and regulations:

(I) public offering of shares;

(II) non-public offering of shares;

(III) distribution of bonus shares to existing shareholders;

(IV) conversion of the common reserve fund to additional share capital;

(V) other means as permitted by laws, administrative regulations and approved by the securities regulatory authorities of the place where the Company's shares are listed, HKEX and CSRC.

***Capital reduction***

The Company may decrease its registered capital in accordance with the Articles of Association. If the Company reduces its registered capital, such reduction shall be made in accordance with the procedures stipulated in the PRC Company Law, the regulatory rules of the securities regulatory authorities of the place where the Company's shares are listed and other related regulations and the Articles of Association.

When reducing its registered capital, the Company must prepare a balance sheet and a property inventory.

The Company shall notify its creditors within ten days from the date of the resolution on the registered capital reduction and shall publish an announcement on the newspaper(s) within 30 days. A creditor has the right, within 30 days from the receipt of such notice; or, for creditors who do not receive the notice, within 45 days from the date of the announcement, to request the Company to pay its debts or to provide corresponding guarantee for such debts.

The registered capital of the Company after its reduction shall not be less than the statutory minimum amount. In addition, if the Company increases or reduces registered capital, it shall complete the registration for changes with the company registration authorities pursuant to the laws.

**Buy-back of Share**

The Company may, in accordance with the provisions of the laws, administrative regulations, departmental rules and the Articles of Association, repurchase the shares of the Company in the following circumstances:

(I) cancellation of shares to reduce the registered capital of the Company;

(II) merging with other companies holding the shares of the Company;

(III) the shares are to be used for employee stock ownership plan or equity incentives;

(IV) any shareholder opposes a resolution on the merger or division of the Company adopted at a general meeting and requests the Company to purchase his or her shares;

(V) the shares are to be used to convert corporate bonds issued by the Company that can be converted to shares;

(VI) it is necessary for the Company to maintain corporate value and shareholders' interests;

(VII) other circumstances in which the shares of the Company can be acquired pursuant to the laws, administrative regulations, departmental rules, regulatory documents, and relevant regulations of the place where the Company's shares are listed.

Except for the circumstances set out above, the Company shall not acquire the Shares of the Company.

The Company's acquisition of the shares of the Company can be made by public and centralized transaction, or other methods recognized by laws, administrative regulations and relevant regulatory authorities. Where the Company acquires its own shares due to the circumstances stipulated in item (III), (V) or (VI) above, it should be made by public and centralized transaction.

The Company's acquisition of the shares of the Company due to the circumstances stipulated in items (I) and (II) above shall be subject to a resolution of the general meeting. The Company's acquisition of the shares of the Company due to the circumstances stipulated in items (III), (V) and (VI) above may, pursuant to the Articles of Association or the authorization of the general meeting, be subject to a resolution of a Board meeting at which more than two-thirds of Directors are present.

Under the circumstance stipulated in item (I), the shares of the Company so acquired shall be canceled within ten days from the date of acquisition; under the circumstances stipulated in either item (II) or item (IV) above, the shares of the Company so acquired shall be transferred or canceled within six months; under the circumstances stipulated in item (III), (V) or (VI), the total shares of the Company held by the Company shall not exceed 10% of the Company's total outstanding Shares, and shall be transferred or canceled within three years.

If it is otherwise provided in the regulatory rules of the securities regulatory authority of the place where the Company's Shares are listed regarding the relevant matters of the repurchase of the Shares, the latter shall prevail.

**Financial Assistance for the Purchase of the Shares of the Company**

The Company or its subsidiaries (including the Company's affiliated enterprises) shall not provide any financial assistance, in the form of gift, advance, guarantee, compensation or loans, to any person that purchases or plans to purchase the shares of the Company.

**Share Transfer and Pledge**

Shares issued prior to the public offering of shares by the Company shall not be transferred within one year from the day on which the shares of the Company are listed and traded on the stock exchange.

The Directors, Supervisors and senior management personnel of the Company shall report to the Company their shareholdings in the Company and changes thereof and shall not transfer more than 25% of the total shares of the same class held by them in the Company per annum during their terms of office; the shares they hold in the Company shall not be transferred within one year from the date on which the shares of the Company are listed and traded. The shares they held in the Company also cannot be transferred within half a year after such persons have left office.

The Company does not accept its own shares as the collateral of pledge.

If it is otherwise provided in the regulatory rules of the securities regulatory authority of the place where the Company's Shares are listed regarding the relevant matters of the limitation of H shares transfer, the latter shall prevail.

## SHAREHOLDERS AND GENERAL MEETINGS

### Shareholders

#### *Register of Members*

The Company shall make a register of members in accordance with evidentiary documents provided by the securities registration authorities, and such register of members shall be the sufficient evidence substantiating that the shareholders hold the shares of the Company. Shareholders enjoy rights and undertake obligations according to the class and percentage of shares they hold. Holders of the same class shall enjoy the same rights and bear the same obligations.

The Company shall make available a copy of the full register of members at a specified address in Hong Kong for inspection by members, provided that the Company may be permitted to close the register on terms equivalent to section 632 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

#### *Rights and Obligations of Shareholders*

The shareholders of the Company shall enjoy the following rights:

(I) obtaining dividends and any other form of profit distribution based on the number of shares held by them;

(II) requiring, convening, chairing, attending or appointing a proxy to attend a shareholders' general meeting pursuant to the law and exercising the corresponding rights to speak and vote;

(III) supervising the Company's operations, proposing recommendations or raising questions;

(IV) transferring, donating or pledging shares held by them pursuant to laws, administrative regulations and the regulatory rules of the securities regulatory authority of the place where the Company's shares are listed and the Articles of Association;

(V) inspecting the Articles of Association, share register, counterfoil of corporate bonds, meeting minutes of a general meeting of shareholders, resolutions of the Board meetings, resolutions of the meetings of the supervisory committee and financial and accounting reports;

(VI) upon termination or liquidation of the Company, to participate in the distribution of the remaining property of the Company in proportion to the quantity of shares held by them;

(VII) a shareholder who objects to the resolution on merger or division of the Company passed by a shareholders' general meeting may request the Company to acquire his/her/its shares;

(VIII) any other rights stipulated by laws, administrative regulations, departmental rules, the regulatory rules of securities regulatory authority of the place where the Company's shares are listed or the Articles of Association.

The shareholders of the Company shall assume the following obligations:

(I) complying with laws, administrative regulations and the Articles of Association;

(II) paying capital contribution as per the shares subscribed for and the method of subscription;

(III) not to withdraw the investment, except for circumstances stipulated by laws and regulations;

(IV) not to abuse the shareholders' rights to impair the interest of the Company or other shareholders, not to abuse the legal person's independent status of the Company and the shareholders' limited liability to impair the interest of creditors of the Company.

Shareholders of the Company shall be liable for making compensation for any loss suffered by the Company or other shareholders arising from their abuse of shareholders' rights in accordance with law.

Shareholders of the Company who abuse the independent legal person status of the Company and the shareholders' limited liability to evade debts and seriously impair the interest of creditors of the Company shall be jointly and severally liable for the debts of the Company;

(V) other obligations for the shareholders prescribed by laws, administrative regulations and the requirements of the Articles of Association of the Company.

### *Restriction on Rights of the Controlling Shareholders*

The controlling shareholder(s) or the de facto controller(s) of the Company shall not impair the interests of the Company by making use of their connected relationship. They shall be liable for damages if, as a result of violating the regulation, they cause the Company to sustain a loss.

The controlling shareholder and the de facto controllers of the Company shall bear the fiduciary duty toward the Company and public shareholders. The controlling shareholder shall exercise his or her rights as an investor in strict compliance with relevant laws. It may not use such means as profit distribution, asset restructuring, external investment, capital occupation, loan guarantee, etc., to damage the legitimate rights and interests of the Company and public shareholders, as well as not to make use of its controlling status to damage the interests of the Company and public shareholders.

## GENERAL MEETINGS

### *General Provisions on General Meetings*

The general meeting shall be the authority of power of the Company and shall exercise the following functions and powers according to laws:

(I) to determine the Company's operating principles and investment plans;

(II) to elect and replace directors and supervisors who are not employee representatives, and to decide on the remuneration matters of the relevant directors and supervisors;

(III) to consider and approve the reports of the Board of Directors;

(IV) to consider and approve the reports of the Supervisory Committee;

(V) to consider and approve the Company's annual financial budgets and final accounts;

(VI) to consider and approve the Company's profit distribution plans and loss recovery plans;

(VII) to pass resolutions on increase or reduction of registered capital of the Company;

(VIII) to pass resolutions on the issuance of the Company's bond;

(IX) to pass resolutions on merger, division, dissolution and liquidation or change in corporate form of the Company;

(X) to amend the Articles of Association;

(XI) to pass resolutions on the engagement, dismissal, or discontinuation of the appointment of the accounting firm by the Company;

(XII) to consider and approve the external guarantees that require approval by the general meetings under the Articles of Association;

(XIII) to consider matters regarding the purchase and/or sale of material assets by the Company that within one year exceed 30% of the latest audited total assets of the Company;

(XIV) to consider and approve matters relating to changes in the use of raised funds;

(XV) to consider equity incentive plans and the employee stock ownership plans;

(XVI) to consider any other matter to be decided on by the general meeting as stipulated by laws, administrative regulations, departmental rules, and the regulatory rules of the securities regulatory authority of the place where the Company's shares are listed or the Articles of Association.

The above-mentioned functions and powers of the general meeting shall not be delegated through authorization to the Board or any other body or individual.

The general meetings shall be divided 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.

An extraordinary general meeting shall be convened within two months from the date of occurrence of any of the following events:

(I) when the number of directors is less than the number provided for in the PRC Company Law or less than two-thirds of the number specified in the Articles of Association;

(II) the unrecovered losses of the Company amount to one-third of the total amount of its paid-up share capital;

(III) when Shareholders who severally or jointly hold more than 10% of the Company's Shares request to do so;

(IV) the Board deems it necessary to convene the meeting;

(V) the Supervisory Committee proposes to convene the meeting;

(VI) other circumstances stipulated by laws, administrative regulations, departmental rules, listing rules of the place where the Company's shares are listed, or the Articles of Association.

In the case of (III) above, the number of shares held shall be calculated based on shares of the Company held by shareholders at the date on which the shareholders submit the written request.

***Convening of General Meetings***

A general meeting shall be convened by the Board of Directors or any other convener pursuant to laws.

Independent non-executive directors are entitled to propose to the Board of Directors to convene an extraordinary general meeting, and such proposals shall be made in writing to the Board of Directors. Where independent non-executive directors propose to convene an extraordinary general meeting, the Board of Directors shall, pursuant to the provisions of laws, administrative regulations, departmental rules, normative documents, and the Articles of Association, issue a written reply on whether to approve the convening of the extraordinary general meeting within 10 days upon the receipt of the proposal.

The Supervisory Committee is entitled to propose to the Board of Directors to convene an extraordinary general meeting, and such proposals shall be made in writing to the Board of Directors. The Board of Directors shall, pursuant to the provisions of laws, administrative regulations, and the Articles of Association, issue a written reply on whether or not to approve the convening of the extraordinary general meeting within 10 days upon the receipt of the proposal.

Shareholder(s) severally or jointly holding more than 10% of the shares of the Company is/are entitled to request the Board of Directors to convene an extraordinary general meeting, and such request shall be made in writing to the Board of Directors. The Board of Directors shall, pursuant to the provisions of laws, administrative regulations, and the Articles of Association, issue a written reply on whether or not to approve the convening of the extraordinary general meeting within 10 days upon the receipt of the request.

***Proposal and Notification of General Meeting***

When the Company convenes a general meeting, the Board of Directors, the Supervisory Committee, and shareholders severally or jointly holding more than 3% of the shares of the Company shall be entitled to put forward proposals to the Company.

The shareholders severally or jointly holding more than 3% of the shares of the Company may raise interim proposals and submit them in writing to the convener 10 days prior to the convening of the general meeting. The convener shall, within 2 days after the receipt of such proposals, issue a supplemental notice of the general meeting and announce the contents of the interim proposals. If it is otherwise provided in the laws, administrative regulations and regulatory rules of the securities regulatory authority of the place where the Company's Shares are listed, the latter shall prevail.

Except as prescribed in the preceding paragraph, the convener, after issuing the notice and announcement of the general meeting, shall neither revise the proposals stated in the notice of general meetings nor add new proposals. The notice of general meetings shall be given in writing.

Where the notice of the general meetings does not set out clear issues and specific matters on which resolutions are to be made, or the content of the proposal does not fall within the scope of powers of the general meeting or meet the relevant provisions of laws, administrative regulations and the Articles of Association, the general meetings shall not conduct a vote or make any resolution.

***Notification of Shareholders' General Meeting***

The convener shall inform each shareholder of the annual general meeting in form of announcement 21 days before the meeting and shall inform each shareholder of the extraordinary general meeting in form of announcement 15 days or 10 business days (based on a relatively long period of time) before the meeting. If the laws, regulations, and securities regulatory authority of the place where Company's shares are listed have regulations otherwise, such regulations shall prevail.

When calculating the starting date, the date of the meeting shall be excluded, but the date of the announcement set out in the convening notice of the meeting shall be included.

The notice of the general meeting shall be in writing and include the following contents:

(I) the time, venue, and duration of the meeting;

(II) the matters and proposals to be discussed at the meeting;

(III) a prominent statement stating that all Shareholders entitled to attend the Shareholders' general meetings and appoint proxy by written to attend and vote on his/her behalf, and such proxy need not be a Shareholder of the Company;

(IV) the record date of Shareholders entitled to attend the Shareholders' general meeting;

(V) the name and phone number of the contact person in connection with the meeting.

Notices or supplementary notices of Shareholders' general meetings shall adequately and completely disclose all the specific contents of all proposals. Where the opinions of an independent non-executive director are required on the matters to be discussed, such opinions and reasons thereof shall be disclosed when the notices or supplementary notices of Shareholders' general meetings are issued.

***Holding of Shareholders' general meetings***

All Shareholders in the register as at the record date or their proxies shall have the right to attend the Shareholders' general meeting and exercise voting rights pursuant to relevant laws, regulations and the Articles of Association.

Shareholders may attend the Shareholders' general meeting in person or appoint a proxy to attend the meeting and exercise their voting rights on their behalf, and such proxy need not be a Shareholder of the Company.

Individual Shareholders attending the meeting in person shall present their personal identity cards or other valid documents or certificates for identification and stock account card. Proxies attending the meeting shall present their valid personal identity cards and the authorization letters from the Shareholders.

Legal person Shareholders shall be represented by their legal representatives or proxies entrusted by their legal representatives to attend the meeting. Legal representatives attending the meeting shall present their personal identity cards and valid documents that can prove its identity as the legal representative. Proxies authorized to attend the meeting shall present their personal identity cards and the written authorization letters legally issued by the legal representatives of legal person Shareholders. If legal person Shareholders have appointed a proxy to attend any meeting, it shall be deemed to have personally attended the meeting.

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.

A Shareholders' general meeting shall be chaired by the chairman of the Board of Directors. In the event that the chairman of the Board of Directors is unable to or fails to perform his duties, a director jointly elected by more than half of the directors shall chair the meeting.

A Shareholders' general meeting convened by the Supervisory Committee on its own initiative shall be chaired by the chairman of the Supervisory Committee. In the event that the chairman of the Supervisory Committee is unable to or fails to perform his duties, a supervisor jointly elected by more than half of the supervisors of the Company shall chair the meeting.

A Shareholders' general meeting convened by Shareholders on their own initiative shall be presided over by the representative nominated by the convener.

If the presider of the Shareholders' general meeting breaches the procedural rules, which makes it unable to proceed the Shareholders' general meeting, subject to consents of more than half of Shareholders with voting rights attending the Shareholders' general meeting, the Shareholders' general meeting may nominate a person to act as the presider of the meeting and such meeting may continue.

***Voting and Resolutions at Shareholders' General Meeting***

Resolutions of a Shareholders' general meeting shall be classified as ordinary resolutions and special resolutions.

Ordinary resolutions shall be passed by votes representing more than half of the voting rights held by the Shareholders (including proxies) attending the Shareholders' general meeting.

Special resolutions shall be passed by votes representing more than two-thirds of the voting rights held by the Shareholders (including proxies) attending the Shareholders' general meeting.

The following matters shall be approved by ordinary resolutions at a Shareholders' general meeting:

(I) work reports of the Board of Directors and the Supervisory Committee;

(II) profit distribution plans and loss recovery plans formulated by the Board of Directors;

(III) appointment and dismissal of members of the Board of Directors and the Supervisory Committee, and their remunerations and the method of payment;

(IV) the annual financial budgets and final accounts of the Company;

(V) the annual report of the Company;

(VI) matters other than those which are required by the laws, administrative regulations or our Articles of Association to be approved by a special resolution.

The following matters shall be approved by special resolutions at a Shareholders' general meeting:

(I) the increase or decrease in registered capital of the Company;

(II) the division, split, merger, dissolution and liquidation of the Company;

(III) the amendment to the Articles of Association;

(IV) the amount of purchase or disposal of material assets or providing guarantee within one year, which exceeds 30% of the latest audited total assets of the Company;

(V) any equity incentive plans;

(VI) any matters required by the laws, administrative regulations, regulatory rules of HKEX and the securities regulatory authority of the place where the Company's Shares are listed or the Articles of Association; any matters considered to have a substantial impact on the Company and to require approval by a special resolution by the Shareholders' general meeting in an ordinary resolution.

Shareholders (including proxies) shall exercise voting rights based on the number of shares with voting rights represented by them, and each share shall have one vote.

No voting rights shall attach to the shares held by the Company, and such shares shall not be counted among the total number of voting shares present at a Shareholders' general meeting.

The connected/related shareholders shall not participate in voting, with its number of shares with voting rights represented by them not to be counted in the total number of valid votes, when the Shareholders' general meeting is reviewing the relevant connected/related transaction if required by applicable laws, regulation, normative documents or the Hong Kong Listing Rules; the announcement of the resolution of the Shareholders' general meeting shall fully disclose the votes of the non-connected/non-related Shareholders.

## DIRECTORS AND BOARD OF DIRECTORS

### Directors

Subject to compliance with the relevant provisions of laws and administrative regulations, directors shall be elected or replaced at the Shareholders' general meeting, the Shareholders' general meetings may remove any director whose tenure has not expired by ordinary resolutions (without prejudice to any claim which might be put forward in accordance with any contract). And directors may be removed before the expiry of the term at the Shareholders' general meeting.

Directors serve for a term of three years and shall be subject to re-election upon expiry. The term of a director shall start from the date on which the said director assumes office to the expiry of the current Board. If the term of office of a director expires but reelection is not made responsively, the said director shall continue performing its duties as director pursuant to relevant laws, administrative regulations, departmental rules and the Articles of Association until a newly elected director is on duty.

Without violating the relevant laws, regulations and regulatory rules of the securities regulatory authority of the place where the Company's shares are listed, if the Board of Directors appoint a new director to fill a casual vacancy on the Board of Directors, such appointed director shall hold office until the first annual general meeting after his or her appointment and the said director shall be qualified for re-election and renewal thereat.

The general manager or any other senior management members may hold the position of director concurrently, provided that the total number of directors who hold the position of general manager or any other senior management members concurrently and directors who are employee representatives shall not exceed half of the total number of directors of the Company.

Directors have a series of loyal and diligent obligations towards the Company.

**Board of Directors**

***General Rules of the Board of Directors***

The Company shall set up a Board of Directors which shall be accountable to the general meetings. The Board of Directors consists of nine to ten Directors, four of which are Independent Non-executive Directors. The number of Independent Non-executive Directors shall be not less than one-third of the total number of the Board of Directors at any time.

The Board of Directors shall exercise the following functions and powers:

(I) convening the general meeting and submitting work reports to the general meeting;

(II) implementing resolutions of the shareholders' general meeting;

(III) to decide on the business plans and investment plans of the Company;

(IV) formulating the Company's annual financial budgets and final accounts;

(V) formulating the Company's profit distribution plan and plan for covering losses;

(VI) formulating the Company's plans for increase or reduction of registered capital, issuance of bonds or other securities, and listing plan;

(VII) drafting plans for the Company's major acquisition, purchase of the Company's Shares or merger, division, dissolution, and change in the corporate form of the Company in circumstances where the Company's shares can be purchased as stipulated in the Articles of Association;

(VIII) determining, within the scope of the authorization granted by the general meeting, the Company's external investments, acquisition and sale of assets, mortgage of assets, external guarantees, entrusted wealth management, related transactions and external donation, etc.;

(IX) resolving on the establishment of the Company's internal management bodies;

(X) determining the appointment or dismissal of the general manager of the Company, the secretary to the Board of Directors of the Company and other senior management, and determining their emoluments, rewards and penalties; determining the appointment or dismissal of senior management including deputy general manager and person-in-charge of finance of the Company based on the nominations of the general manager, and determining their emoluments, rewards and penalties;

(XI) formulating the Company's basic management rules;

(XII) formulating plans for amendment of the Articles of Association;

(XIII) managing information disclosure by the Company;

(XIV) proposing the engagement or change of the accounting firms auditing for the Company to the general meeting;

(XV) listening to work reports submitted by the general manager of the Company and reviewing his/her work;

(XVI) passing resolutions concerning the acquisition of the Company's shares under the circumstances as stipulated in the Articles of Association;

(XVII) other functions and powers accorded by laws, administrative regulations, departmental rules, and the relevant regulatory rules of the securities regulatory authority of the place where the Company's shares are listed or the Articles of Association and granted by the general meeting.

Meetings of the Board of Directors shall only be held if more than one-half of the directors are present. Resolutions of the Board of Directors require the approval of more than half of all directors. Resolutions of the Board shall be passed on a "one person, one vote" basis.

If any director is connected/related with the enterprises that are involved in the matters to be resolved at the Board meetings, such director shall not exercise his/her voting rights for such matters, nor shall he/she exercise voting rights on behalf of other directors. Such Board meetings may only be held in the presence of more than one-half of the non-connected/non-related directors, and the resolutions made at such Board meetings shall be passed by more than one-half of the non-connected/non-related directors. If the number of non-connected/non-related directors present at such meetings is less than three, the matter shall be submitted to the general meeting for consideration.

***Special Committees under the Board***

The Board of Directors of the Company shall establish special committees, including the audit committee, the nomination committee, and the remuneration and evaluation committee, and the strategy committee as necessary. The special committees shall be accountable to the Board of Directors and perform their duties in accordance with the Articles of Association and the authorization of the Board of Directors. The proposals of the committees shall be submitted to the Board of Directors for approval. All members of the special committees shall be directors, among which audit committee shall only be non-executive directors and consist of at least three members. The majority of its members shall be independent non-executive directors, at least one of whom shall be an independent non-executive director with the appropriate professional qualifications as provided for in the Hong Kong Listing Rules or the appropriate accounting or relevant financial management expertise, and its convener, or chairman, shall be an independent non-executive director. The majority of the members of the remuneration and evaluation committee must be independent non-executive directors and its convener, or chairman, must be an independent non-executive director. The convener, or chairman, of the nomination committee must be the chairman of the Board or an independent non-executive director, and the majority of the members also must be independent non-executive directors. In accordance with its requirements, the Board may also set up other committees and reshuffle existing committees. The Board of Directors is responsible for formulating the rules of the special committees to regulate their operation.

**General Manager and Other Senior Management Personnel**

The Company shall have one general manager and one deputy general manager to be appointed or dismissed by the Board of Directors.

The Company's general manager, deputy general manager, chief financial officer, and the secretary to the Board of Directors shall be the Company's senior management personnel.

The general manager shall be accountable to the Board of Directors and shall exercise the following functions and powers:

(I) presiding over the production and operation management of the Company, organizing the implementation of the resolutions of the Board of Directors, and reporting to the Board of Directors on his/her work;

(II) organizing the implementation of the Company's annual business plans and investment plans;

(III) formulating plans for the establishment of the Company's internal management bodies;

(IV) formulating basic management rules of the Company;

(V) formulating the Company's specific rules and regulations;

(VI) proposing appointment or dismissal of the Company's deputy general manager and person-in-charge of finance to the Board of Directors;

(VII) determining the appointment or dismissal of management personnel (other than those required to be appointed or dismissed by the Board of Directors);

(VIII) other functions and powers conferred by the Articles of Association or the Board of Directors.

The general manager shall attend meetings of the Board of Directors.

The Company shall have the secretary to the Board who shall be responsible for the matters relating to preparations for general meetings and Board meetings, keeping of documentation and managing shareholders' data, handling information disclosure of the Company.

The secretary to the Board shall comply with laws, administrative regulations, departmental rules, the regulatory rules of the securities regulatory authority of the place where the Company's shares are listed and the Articles of Association.

## SUPERVISORY COMMITTEE

### Supervisors

The term of office of a supervisor shall be three years, and he/she may serve consecutive terms if re-elected upon the expiration of his/her term of office.

Any directors, general manager and other senior management personnel shall not act concurrently as supervisors.

**Supervisors Committee**

The Company shall have a Supervisory Committee. The Supervisory Committee shall comprise 3 supervisors and shall have a chairman of the Supervisory Committee. The chairman of the Supervisory Committee shall be elected by more than half of the supervisors. The chairman of the Supervisory Committee shall convene and preside over Supervisory Committee meetings; where the chairman of the Supervisory Committee cannot or does not fulfil the duty thereof, more than half of the Supervisors may jointly elect a Supervisor to convene and preside over Supervisory Committee meetings.

The Supervisory Committee shall include shareholder representatives and an appropriate percentage of employee representatives, and the ratio of employee representatives shall not be less than one-third. Employee representatives of the Supervisory Committee shall be democratically elected by the Company's employee at the employee representative assembly, general employee meeting or otherwise.

The Supervisory Committee exercises the following functions and powers:

(I) reviewing and giving written comments to regular reports of the Company prepared by the Board of Directors;

(II) inspecting the financial position of the Company;

(III) supervising performance of duties of the Company by directors and senior management personnel, and proposing the termination of appointment of directors and senior management personnel who have violated laws, administrative regulations, the Articles of Association or resolutions of the shareholders' general meeting;

(IV) requiring the directors and senior management personnel to restore damages they have caused to the interests of the Company;

(V) proposing the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the Board of Directors fails to perform the duty of convening and presiding over shareholders' general meetings under the PRC Company Law;

(VI) making proposals to the shareholders' general meeting;

(VII) bringing actions against directors and senior management personnel pursuant to the relevant provisions of the PRC Company Law;

(VIII) conducting investigation when noticed unusual operation condition of the Company, and if necessary, engaging professional organs such as accounting firm and law firm for assistance, fee of which shall be undertaken by the Company;

(IX) other functions and powers accorded by laws, administrative regulations, departmental rules, the regulatory rules of the securities regulatory authority of the place where the Company's shares are listed and the Articles of Association or granted by the shareholders' general meetings.

Meetings of the Supervisory Committee shall be convened at least every six months. Supervisors may propose the convening of extraordinary meetings of the Supervisory Committee.

Resolutions of the Supervisory Committee shall be passed by more than half of the supervisors.

## FINANCIAL ACCOUNTING SYSTEM, PROFIT DISTRIBUTION AND AUDIT

### Financial Accounting System and Profit Distribution

The Company shall formulate its financial accounting system pursuant to the provisions of laws, administrative regulations, departmental rules and the relevant State authorities.

The Company shall publish its financial report under the international accounting standards or the accounting standards of the overseas place where the Company's shares are listed twice each financial year, including the interim financial report within 3 months after the end of the first six months of each financial year and the annual financial report within 4 months after the end of each financial year. If it is otherwise provided in the regulatory rules of the securities regulatory authority of the place where the Company's Shares are listed, the latter shall prevail.

When distributing the profit after tax for a year, the Company shall set aside 10% of its profit after tax for the statutory common reserve fund. The Company shall no longer be required to make allocations to its statutory common reserve fund once the aggregate amount of such reserve reaches at least 50% of its registered capital. If the Company's statutory common reserve fund is insufficient to make up losses from previous years, the Company shall use its profits from the current year to make up such losses before making the allocation to its statutory common reserve fund in accordance with the preceding paragraph.

After making the allocation from its profit after tax to its statutory common reserve fund, the Company may also, subject to a resolution of the Shareholders' general meeting, make an allocation from its profit after tax to the discretionary common reserve fund.

After the Company has made up its losses and made allocations to its common reserve fund, the remaining profit after tax shall be distributed in proportion to the number of shares held by the Shareholders, except for those which are not distributed in a proportionate manner as provided by the Articles of Association. Where the Shareholders' general meeting violates the provisions of the preceding paragraph in distributing profits to Shareholders prior to the Company's making up for the losses and withdrawing statutory common reserve fund, the Shareholders shall return the profits which are distributed in violation of the provisions to the Company.

The shares of the Company held by the Company are not entitled to profit distribution.

**Audit**

The Company shall implement internal audit system and employ full-time audit personnel to carry out internal audit and supervision on the Company's financial revenue and expenditure and economic activities.

The Company shall appoint an independent accounting firm that complies with the provisions of the PRC Securities Law to audit its accounting statements, verify its net assets and provide other relevant advisory services, and the term of appointment of the accounting firm is 1 year and can be renewed.

The appointment of the accounting firm of the Company shall be determined by the Shareholders' general meeting, and the Board shall not appoint an accounting firm before the decision of the Shareholders' general meeting. The audit fees of the accounting firm shall be determined by the Shareholders' general meeting.

**Notices and Announcements**

A notice of the Company shall be sent by the following means:

(I) by announcement;

(II) by personal delivery;

(III) by express delivery;

(IV) by e-mail;

(V) by fax;

(VI) by posting on the websites designated by the Company and the Hong Kong Stock Exchange, subject to laws, administrative regulations and listing rules of the stock exchange where the Company's shares are listed;

(VII) other forms stipulated or approved by laws, administrative regulations or other normative documents, the relevant regulatory authority of the place where the Company's shares are listed, or the Articles of Association of the Company.

**DISSOLUTION AND LIQUIDATION OF THE COMPANY**

The Company dissolves for the following reasons:

(I) dissolved matters stipulated in the Articles of Association of the Company;

(II) the general meeting has resolved on dissolution of the Company;

(III) merger or division of the Company entails dissolution;

(IV) the business license of the Company is revoked or the Company is ordered to close down or to be dissolved in accordance with the laws;

(V) If the Company gets into serious trouble in operations and management and continuation may incur material losses of the interests of the shareholders, and no solution can be found through other channel, the Company is dissolved by a people's court in response to the request of the shareholders holding more than 10% of the voting rights of all shareholders of the Company.

Where the Company is dissolved under the circumstances set forth in items (I), (II), (IV) or (V) above, it should establish a liquidation committee to start liquidation within 15 days of the date on which the dissolution matters occur. The liquidation committee shall comprise members determined by the Directors or the general meeting. If the Company fails to set up the liquidation committee within the period, the creditors may apply to the people's court for appointment of relevant persons to form a liquidation committee and carry out liquidation.

The liquidation committee shall notify all creditors within 10 days after its establishment and shall make announcements in newspapers within 60 days. The creditors shall declare their rights to the liquidation committee within 30 days after receipt of the notice or within 45 days after announcement if the creditors haven't received the notice.

During the period of the claim, the creditor shall explain all matters relevant to the creditor's rights he/she has claimed and provide relevant evidential documents. The liquidation committee shall register the creditor's rights.

In the creditor's rights declaration period, the liquidation committee shall not make repayment to the creditors.

Upon disposal of the Company's property and preparation of the balance sheet and property inventory, the liquidation committee shall draw up a liquidation plan and submit this plan to a general meeting or a people's court for endorsement.

The Company's property shall be used respectively for payment of liquidation expenses, employees' wages, social security expenditures, statutory compensations, tax in arrears and the Company's debts; the residual property thereafter shall be distributed in accordance with the shareholding percentages of the shareholders.

During the liquidation, the Company shall continue to exist, but may not engage in any business activities unrelated to the liquidation.

The Company's property shall not be distributed to shareholders before making repayment pursuant to the provisions of the preceding sentence.

Upon liquidation of the Company's property and preparation of the balance sheet and property inventory, if the liquidation committee becomes aware that the Company does not have sufficient property to pay off its liabilities, it must apply to a People's Court for a declaration of bankruptcy in accordance with the laws.

After the People's Court has ruled to declare the Company bankrupt, the liquidation committee shall turn 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 it to the general meeting or a People's Court for confirmation, and the company registration authority to cancel the Company's registration, and an announcement of its termination shall be published.

**AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

Under any of the following circumstances, the Company shall amend the Articles of Association:

(I) anything, as contained in the Articles of Association, is inconsistent with the amended laws and administrative regulations after the PRC Company Law or the relevant laws and administrative regulations are revised;

(II) the Company's situation has changed and is inconsistent with that set forth under the Articles of Association;

(III) the general meeting has decided on making amendments to the Articles of Association.

Where any amendment to the Articles of Association resolved by the general meeting is subject to review and approval of competent authorities, the amendment shall be submitted to the competent authorities for approval; where company registration matters are involved, change registration formalities shall be filed pursuant to the law.

## A. FURTHER INFORMATION ABOUT OUR COMPANY

### 1. Establishment of our Company

Our Company was established as a limited liability company in the PRC on November 12, 2010 and was converted to a joint stock limited liability company under the PRC Company Law with effect from November 15, 2021. Our Company has established a place of business in Hong Kong at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong, and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on July 6, 2023. Mr. Cheung Kai Cheong Willie (張啟昌) has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. His address for acceptance of service of process is 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong.

As we are established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in the section headed "Summary of Articles of Association" in Appendix V to this prospectus. A summary of certain relevant aspects of the laws and regulations of the PRC is set out in the section headed "Summary of Principal Legal and Regulatory Provisions" in Appendix IV to this prospectus.

### 2. Changes in the Share Capital of our Company

As of the date of our establishment, our registered capital was RMB1,300,000 which was fully paid up on November 12, 2010.

The following sets out the changes in the share capital of our Company during the two years immediately preceding the date of this prospectus:

On June 10, 2021, our registered capital was increased from RMB11,386,700 to RMB12,371,100.

On November 15, 2021, our Company was converted into a joint stock company with limited liability under the PRC Company Law. Upon completion of such conversion, the share capital of our Company was RMB12,371,100 divided into 12,371,100 Shares with a nominal value of RMB1.00 each.

On December 7, 2021, our share capital was increased from RMB12,371,100 to RMB12,865,944.

On December 23, 2021, our share capital was increased from RMB12,865,944 to RMB45,000,000.

Assuming the Over-allotment Option is not exercised, upon completion of the Global Offering, our share capital will be increased to RMB60,000,000 divided into 45,000,000 Unlisted Domestic Shares and 15,000,000 H Shares fully paid up or credited as fully paid up, representing approximately 75% and 25% of our share capital, respectively. Save as aforesaid, there has been no alteration in our share capital since our establishment.

### 3. Restriction of share repurchase

For details of the restrictions on the share repurchase by our Company, please refer to the section headed "Summary of Articles of Association" in Appendix V to this prospectus.

### 4. Resolutions of our Shareholders passed on May 15, 2023

At the extraordinary general meeting of our Company held on May 15, 2023, among other things, the following resolutions were passed by our Shareholders:

(a) the issue of our H Shares with a nominal value of RMB1.00 each and such H Shares to be listed on the Stock Exchange;

(b) subject to the completion of the Global Offering, the Articles of Association has been approved and adopted, which shall only become effective on the Listing Date, and our Board has been authorized to amend the Articles of Association in accordance with any comments from the Stock Exchange and the relevant PRC regulatory authorities; and

(c) authorizing our Board to handle all relevant matters relating to, among other things, the implementation of issue of H Shares and the Listing.

### 5. Conversion into a joint stock company

Our Company was converted into a joint stock company with limited liability under the PRC Company Law in preparation of our Listing. For details, please see "History, Development and Corporate Structure – Corporate Development – Our Company – Conversion into a joint stock limited liability company" in this prospectus. As confirmed by our PRC Legal Advisors, such conversion and all the equity transfers and capital increases as described in the section headed "History, Development and Corporate Structure" have obtained all necessary approvals from competent authorities or made all necessary registration or filings with the relevant local branch of SAMR in material aspects.

### 6. Our Subsidiary

Our Company has not had any subsidiary since the commencement of the Track Record Period and up to the Latest Practicable Date.

## B. FURTHER INFORMATION ABOUT OUR BUSINESS

### 1. Summary of material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus that are or may be material:

(a) a supplemental agreement (補充協議) dated December 22, 2021 entered into among (1) Suzhou New District Venture Technology Investment Management Co., Ltd. (蘇州高新區創業科技投資管理有限公司), (2) Shenzhen Zhongke Quantum Investment Partnership (Limited Partnership) (深圳中科量子投資合夥企業(有限合夥)), (3) Beijing Taiyou Venture Capital Partnership (Limited Partnership) (北京泰有創業投資合夥企業(有限合夥)), (4) Nantong Zhouzhou Investment Center (Limited Partnership) (南通周宙投資中心(有限合夥)), (5) Zhuhai Guangfa Xinde Environmental Industry Investment Fund Partnership (Limited Partnership) (珠海廣發信德環保產業投資基金合夥企業(有限合夥)), (6) Suzhou Hejiuxin Venture Capital Partnership (Limited Partnership) (蘇州合久鑫創業投資合夥企業(有限合夥)), (7) Hangzhou Taizhiyou Venture Capital Partnership (Limited Partnership) (杭州泰之有創業投資合夥企業(有限合夥)), (8) Xinyu Taiyi Investment Management Center (Limited Partnership) (新余泰益投資管理中心(有限合夥)), (9) Suzhou Heyuanxin Venture Capital Partnership (Limited Partnership) (蘇州合遠芯創業投資合夥企業(有限合夥)), (10) Jiangsu Jiequan Yuanhe Puhua Equity Investment Partnership (Limited Partnership) (江蘇疌泉元禾璞華股權投資合夥企業(有限合夥)), (11) Zhuhai Guangfa Xinde Intelligent Innovation and Upgrade Equity Investment Fund (Limited Partnership) (珠海廣發信德智能創新升級股權投資基金(有限合夥)), (12) Jiangsu Minyi Intelligent Manufacturing Industry Fund (Limited Partnership) (江蘇敏一智能製造產業基金(有限合夥)), (13) Shanghai Yucheng Enterprise Management Consulting Partnership (Limited Partnership) (上海嶼丞企業管理諮詢合夥企業(有限合夥)), (14) Suzhou Huiyi Ruijin Venture Capital Partnership (Limited Partnership) (蘇州匯毅瑞錦創業投資合夥企業(有限合夥)), (15) Jiangsu Huate Integrated Circuit Co., Ltd. (江蘇華特集成電路股份有限公司), (16) Tibet Taisheng Information Technology Partnership (Limited Partnership) (西藏泰升信息科技合夥企業(有限合夥)), (17) Tianjin Huahui Taiyou Electronic Information Investment Partnership (Limited Partnership) (天津華慧泰有電子信息投資合夥企業(有限合夥)), (18) Nanjing Turing Phase I Venture Capital Partnership (Limited Partnership) (南京圖靈一期創業投資合夥企業(有限合夥)), (19) Runke (Shanghai) Equity Investment Fund Partnership (Limited Partnership) (潤科(上海)股權投資基金合夥企業(有限合夥)), (20) Suzhou Rongxiang Beiying Venture Capital Partnership (Limited Partnership) (蘇州融享貝贏創業投資合夥企業(有限合夥)), (21) Anji Chenfeng Enterprise Management Partnership (Limited Partnership) (安吉辰豐企業管理合夥企業(有限合夥)), (22) Tsinghua University Education Foundation (清華大學教育基金會), (23) Xinyu Jimu Ruiyuan Investment Consulting Center (Limited Partnership) (新余極目睿遠投資諮詢中心(有限合夥)), (24) Pingtan Fengyuan Juxin Equity Investment Partnership (Limited Partnership)

(平潭馮源聚芯股權投資合夥企業(有限合夥)), (25) BaTeLab Co., Ltd. (蘇州貝克微電子股份有限公司), (26) Mr. Li Zhen (李真), (27) Mr. Li Yi (李一), (28) Suzhou Backward Electronic Co., Ltd. (蘇州貝克瓦特電子有限公司), and (29) Suzhou Backward Investment Partnership (Limited Partnership) (蘇州貝克瓦特投資合夥企業(有限合夥)), pursuant to which the special rights granted to certain of the Pre-IPO Investors in relation to their respective investments in BaTeLab Co., Ltd. (蘇州貝克微電子股份有限公司) were terminated with immediate effect;

(b) an equity transfer agreement (股份轉讓協議) dated June 20, 2023 entered into between Suzhou Backward Electronic Co., Ltd. (蘇州貝克瓦特電子有限公司) and BYD Company Limited (比亞迪股份有限公司), pursuant to which Suzhou Backward Electronic Co., Ltd. (蘇州貝克瓦特電子有限公司) agreed to transfer its 4.81% equity interest in BaTeLab Co., Ltd. (蘇州貝克微電子股份有限公司) to BYD Company Limited (比亞迪股份有限公司) at a consideration of RMB50,000,000;

(c) an equity transfer agreement (股份轉讓協議) dated June 20, 2023 entered into between Suzhou Backward Electronic Co., Ltd. (蘇州貝克瓦特電子有限公司) and Shenzhen Chuangqi Kaiying Venture Capital Partnership (Limited Partnership) (深圳市創啟開盈創業投資合夥企業(有限合夥)), pursuant to which Suzhou Backward Electronic Co., Ltd. (蘇州貝克瓦特電子有限公司) agreed to transfer its 0.02% equity interest in BaTeLab Co., Ltd. (蘇州貝克微電子股份有限公司) to Shenzhen Chuangqi Kaiying Venture Capital Partnership (Limited Partnership) (深圳市創啟開盈創業投資合夥企業(有限合夥)) at a consideration of RMB250,000;

(d) an equity transfer agreement (股份轉讓協議) dated July 21, 2023 entered into between Pingtan Fengyuan Juxin Equity Investment Partnership (Limited Partnership) (平潭馮源聚芯股權投資合夥企業(有限合夥)) and Suzhou Backward Electronic Co., Ltd. (蘇州貝克瓦特電子有限公司), pursuant to which Pingtan Fengyuan Juxin Equity Investment Partnership (Limited Partnership) (平潭馮源聚芯股權投資合夥企業(有限合夥)) agreed to transfer its 1.9231% equity interest in BaTeLab Co., Ltd. (蘇州貝克微電子股份有限公司) to Suzhou Backward Electronic Co., Ltd. (蘇州貝克瓦特電子有限公司) at a consideration of RMB28,851,902.56;

(e) the Deed of Non-competition;

(f) the Deed of Indemnity; and

(g) the Hong Kong Underwriting Agreement.

## 2. Intellectual property rights of our Company

### *(a) Trademarks*

As of the Latest Practicable Date, our Company was the registered proprietor of the following trademarks which, in the opinion of our Directors, are material to our business:

| No. | Trademark | Class | Registered owner | Place of registration | Registration number | Registration date | Expiry date |
|---|---|---|---|---|---|---|---|
| 1. | 貝克微 贝克微 | 9, 35, 42 | Our Company | Hong Kong | 306196302 | March 17, 2023 | March 16, 2033 |
| 2. | BaTelab | 9, 35, 42 | Our Company | Hong Kong | 306196311 | March 17, 2023 | March 16, 2033 |
| 3. | BaTelab β | 9, 35, 42 | Our Company | Hong Kong | 306196320 | March 17, 2023 | March 16, 2033 |
| 4. | | 12 | Our Company | PRC | 10974863 | September 14, 2013 | September 13, 2033 |
| 5. | | 09 | Our Company | PRC | 10974539 | September 14, 2013 | September 13, 2033 |
| 6. | | 09 | Our Company | PRC | 8900455 | December 14, 2011 | December 13, 2031 |
| 7. | Backward Technology | 09 | Our Company | PRC | 8900429 | January 14, 2012 | January 13, 2032 |
| 8. | 贝克瓦特 | 09 | Our Company | PRC | 8900374 | December 14, 2013 | December 13, 2033 |
| 9. | Backward TECHNOLOGY β | 09 | Our Company | PRC | 8900475 | January 14, 2012 | January 13, 2032 |
| 10. | Batelab | 09 | Our Company | PRC | 8900406 | December 14, 2011 | December 13, 2031 |

### *(b) Domain name*

As of the Latest Practicable Date, we have registered the following domain name which, in the opinion of our Directors, is material to our business:

| No. | Domain name | Registrant | Registration date | Expiry date |
|---|---|---|---|---|
| 1. | **www.batelab.com** | our Company | November 21, 2008 | November 21, 2027 |

*(c) Patents*

As of the Latest Practicable Date, we have registered the following patents which, in the opinion of our Directors, are material to our business:

| No. | Title of patent | Type | Registration owner | Patent number | Application date | Registration date |
|---|---|---|---|---|---|---|
| 1. | A charging circuit capable of short-circuit protection and automatic restart (一種可實現短路保護及自動重啟的充電電路) | Invention | Our Company | 202110755941.6 | July 5, 2021 | September 10, 2021 |
| 2. | A high-precision and low-temperature-drift circuit structure (一種高精度低溫漂的電路結構) | Invention | Our Company | 202111636265.7 | December 30, 2021 | April 29, 2022 |
| 3. | A current detection circuit with controllable current detection (一種檢測電流可控的電流檢測電路) | Invention | Our Company | 202210154303.3 | February 21, 2022 | June 28, 2022 |
| 4. | A circuit capable of reducing operating voltage (一種可降低工作電壓的電路) | Invention | Our Company | 202210228463.8 | March 10, 2022 | June 28, 2022 |
| 5. | An auxiliary chip design method for reducing simulation time (一種減少仿真時間的輔助芯片設計方法) | Invention | Our Company | 202110157291.5 | February 5, 2021 | May 18, 2021 |
| 6. | A chip design method for automatically adding environmental stability system (一種自動添加環境穩定系統的芯片設計方法) | Invention | Our Company | 202110748503.7 | July 2, 2021 | September 17, 2021 |
| 7. | An artificial intelligence implementation method and system for circuit design (用於電路設計的人工智能實現方法及系統) | Invention | Our Company | 202110781715.5 | July 12, 2021 | September 17, 2021 |

| No. | Title of patent | Type | Registration owner | Patent number | Application date | Registration date |
|---|---|---|---|---|---|---|
| 8. | A machine learning-based circuit design system and method (一種基於機器學習的電路設計系統及方法) | Invention | Our Company | 202110810656.X | July 19, 2021 | November 9, 2021 |
| 9. | A visualized computer-aided chip design and simulation verification method and system (一種可視化計算機輔助芯片設計和仿真驗證方法及系統) | Invention | Our Company | 202111065759.4 | September 13, 2021 | November 23, 2021 |
| 10. | An auxiliary circuit for integrated circuit chips and its design method (一種集成電路芯片的輔助電路及其設計方法) | Invention | Our Company | 202110410530.3 | April 16, 2021 | December 28, 2021 |
| 11. | A simulation request processing method, device, electronic device, and readable storage medium (一種仿真請求處理方法、裝置、電子設備及可讀存儲介質) | Invention | Our Company | 202110744040.7 | July 1, 2021 | February 22, 2022 |
| 12. | A single-layer polycrystalline embedded non-volatile storage unit, storage array, and its operating method (單層多晶嵌入式非揮發存儲單元、存儲陣列及其工作方法) | Invention | Our Company and Tsinghua University | 202111462132.2 | December 3, 2021 | March 1, 2022 |
| 13. | A high-precision semiconductor chip tuning test method (一種高精度的半導體芯片修調測試方法) | Invention | Our Company | 202210000452.4 | January 4, 2022 | April 29, 2022 |

| No. | Title of patent | Type | Registration owner | Patent number | Application date | Registration date |
|---|---|---|---|---|---|---|
| 14. | A power supply circuit for saving chip layout area (一種用於節約芯片版圖面積的供電電路) | Invention | Our Company | 202210708576.8 | June 22, 2022 | October 4, 2022 |
| 15. | An efficient integrated circuit chip tuning test circuit and testing method (一種高效的集成電路芯片修調測試電路及測試方法) | Invention | Our Company | 202210738551.2 | June 28, 2022 | October 4, 2022 |
| 16. | A high-precision overcurrent detection circuit (一種高精度過電流檢測電路) | Invention | Our Company | 202210379145.1 | April 12, 2022 | May 16, 2023 |
| 17. | A switch tube on-state speed control circuit (一種開關管導通速度控制電路) | Invention | Our Company | 202310233301.8 | March 13, 2023 | May 23, 2023 |
| 18. | Circuit design method and implementation system based on artificial intelligence (基於人工智能的電路設計方法與實現系統) | Invention | Our Company | 7353699 | September 2, 2021 | September 22, 2023 |

As of the Latest Practicable Date, we have applied for the registration of the following patents which, in the opinion of our Directors, may be material to our business:

| No. | Title of patent | Type | Applicant | Place of application | Application number | Application date |
|---|---|---|---|---|---|---|
| 1. | A single-layer polycrystalline silicon memory and its operation method (一種單層多晶硅存儲器及其操作方法) | Invention | Our Company and Tsinghua University | Hong Kong | 42023071167.3 | January 9, 2023 |
| 2. | Circuit design method and implementation system based on artificial intelligence (基於人工智能的電路設計方法與實現系統) | Invention | Our Company | the United States | 17950164 | September 2, 2021 |

| No. | Title of patent | Type | Applicant | Place of application | Application number | Application date |
|---|---|---|---|---|---|---|
| 3. | High-efficiency and high-precision chip circuit simulation verification method, system, device, and storage medium (高效率、高精準度的芯片電路仿真驗證方法、系統、裝置和存儲介質) | Invention | Our Company | the United States | 18080403 | June 1, 2022 |
| 4. | High-efficiency and high-precision chip circuit simulation verification method, system, device, and storage medium (高效率、高精準度的芯片電路仿真驗證方法、系統、裝置和存儲介質) | Invention | Our Company | Japan | 2022-576196 | June 1, 2022 |
| 5. | An efficient circuit simulation method, device, equipment, and storage medium (一種高效的電路仿真方法、裝置、設備及存儲介質) | Invention | Our Company | the United States | 18027358 | June 1, 2022 |
| 6. | An efficient circuit simulation method, device, equipment, and storage medium (一種高效的電路仿真方法、裝置、設備及存儲介質) | Invention | Our Company | Japan | 2023-520274 | June 1, 2022 |

*(d) Copyrights*

As of the Latest Practicable Date, we have registered the following copyrights in the PRC which, in the opinion of our Directors, are material to our business:

| No. | Copyright | Type | Copyright owner | Registration number | Registration date |
|---|---|---|---|---|---|
| 1. | Backward Layout Editing Tool Software 1.0 (貝克瓦特版圖編輯工具軟件1.0) | Software Copyright (軟件著作權) | Our Company | 2013SR162694 | December 31, 2013 |
| 2. | BT2747 Test Program V1.0 (BT2747測試程序V1.0) | Software Copyright (軟件著作權) | Our Company | 2017SR408803 | July 28, 2017 |
| 3. | Sorting Machine Mainboard Source Program V1.0 (分選機主板源程序V1.0) | Software Copyright (軟件著作權) | Our Company | 2017SR403679 | July 27, 2017 |
| 4. | Integrated Circuit Principle Design Model Optimization Program V3.0 (集成電路原理設計模型優化程序V3.0) | Software Copyright (軟件著作權) | Our Company | 2021SR0820739 | June 2, 2021 |
| 5. | Integrated Circuit Sorting Machine Main Control Board Software V3.0 (集成電路分選機主控板軟件V3.0) | Software Copyright (軟件著作權) | Our Company | 2021SR0953351 | June 28, 2021 |
| 6. | Integrated Circuit Layout Editing Tool Software BTLE V3.0 (集成電路版圖編輯工具軟件BTLE V3.0) | Software Copyright (軟件著作權) | Our Company | 2021SR0840384 | June 4, 2021 |
| 7. | BT2747 Chip Test Program V3.0 (BT2747芯片測試程序V3.0) | Software Copyright (軟件著作權) | Our Company | 2021SR0951145 | June 25, 2021 |
| 8. | EDA Software Chip Stereoscopic Modeling Viewing Software 1.0 (EDA軟件芯片立體建模查看軟件1.0) | Software Copyright (軟件著作權) | Our Company | 2022SR0556065 | May 5, 2022 |
| 9. | Automatically Adding Environment Stability System Design Software 1.0 (自動添加環境穩定系統的設計軟件1.0) | Software Copyright (軟件著作權) | Our Company | 2022SR0556066 | May 5, 2022 |

| No. | Copyright | Type | Copyright owner | Registration number | Registration date |
|---|---|---|---|---|---|
| 10. | Accelerated Simulation Software for Large-Scale Integrated Circuit Transient Analysis 1.0 (用於大規模集成電路瞬態分析的加速仿真軟件1.0) | Software Copyright (軟件著作權) | Our Company | 2022SR0556067 | May 5, 2022 |
| 11. | Software for Adjusting Simulation Priority Sequence 1.0 (調整仿真優先級順序的軟件1.0) | Software Copyright (軟件著作權) | Our Company | 2022SR0556068 | May 5, 2022 |
| 12. | Tool Software for Efficiently Shortening Simulation Time in Integrated Circuit Design 1.0 (可高效縮短集成電路設計中仿真時間的工具軟件1.0) | Software Copyright (軟件著作權) | Our Company | 2022SR1026896 | August 5, 2022 |
| 13. | Tool Software for Graphical Secondary Development in Chip Layout Design 1.0 (在芯片版圖設計中進行圖形化二次開發的工具軟件1.0) | Software Copyright (軟件著作權) | Our Company | 2022SR1026972 | August 5, 2022 |
| 14. | Automated Integrated Circuit Parallel Simulation Tool Software 1.0 (自動化集成電路中可進行並行仿真的工具軟件1.0) | Software Copyright (軟件著作權) | Our Company | 2022SR1026968 | August 5, 2022 |

## C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

### 1. Disclosure of interests

#### *(a) Interests and short positions of the Directors, Supervisors and the chief executive of our Company in the registered capital of our Company*

Immediately following the completion of the Global Offering assuming that the Over-Allotment Option is not exercised, the interests or short positions of the Directors, Supervisors or chief executive of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required 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 were taken or deemed to have under such provisions of the SFO) or which will be required, under Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"), to be notified to our Company and the Stock Exchange once the H Shares are listed will be as follows:

*Interest in Shares of our Company*

| Name of Director | Nature of interest | Number of Shares(2) | Immediately following the completion of the Global Offering: Approximately percentage of shareholding in the relevant type of Shares | Immediately following the completion of the Global Offering: Approximate percentage of shareholding in the total share capital(1) |
|---|---|---|---|---|
| Mr. Li Zhen | Beneficial owner | 1,049,632 (L) | 2.33% | 1.75% |
| | Interest in controlled corporation(3) | 14,134,213 (L) | 31.41% | 23.56% |
| | Interest held jointly with other persons(4) | 252,800 (L) | 0.56% | 0.42% |
| Mr. Zhang Guangping | Interest held jointly with other persons(4) | 15,436,645 (L) | 34.30% | 25.73% |
| Mr. Li Yi | Beneficial owner | 252,800 (L) | 0.56% | 0.42% |
| | Interest held jointly with other persons(4) | 15,183,845 (L) | 33.74% | 25.31% |
| Mr. Kong Jianhua | Interest held in controlled corporation(5) | 2,846,352 (L) | 6.33% | 4.74% |

*Notes:*

(1) The calculation is based on the total number of 60,000,000 Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

(2) The letter "L" denotes the person's long position in our Shares.

(3) The general partner of Backward Partnership is Backward Electronic, which is in turn owned as to 53.50% by Mr. Li Zhen. By virtue of the SFO, Mr. Li Zhen is deemed to be interested in the Shares held by each of Backward Electronic and Backward Partnership.

(4) Pursuant to the Concert Party Agreement, Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi agreed and confirmed, among others, that from the date when they became direct and/or indirect Shareholders of our Company to such date when all of them cease to be directly or indirectly interested in our Company, they had been and would continue to be acting in concert. Pursuant to the Concert Party Agreement, the Concert Parties had consulted and would consult with each other and reach a unanimous consensus among themselves before the decision, implementation and agreement on material operation and development affairs and/or all voting at Board and Shareholders' meetings. In the event that they are unable to reach consensus on any matter presented, it shall be resolved by a simple majority vote, with each Concert Party entitled to one vote. For details of the Concert Party Agreement, please see the section headed "History, Development and Corporate Structure". By virtue of the SFO, each of Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi together with their respective investment holding companies (being Backward Electronic and Backward Partnership) are deemed to be interested in the Shares held by each other.

(5) The general partner of Rongxiang Venture was Suzhou Hi-tech Venture Capital Group Rongxiang Investment Management Co., Ltd. (蘇州高新創業投資集團融享投資管理有限公司), which was ultimately controlled by Mr. Kong Jianhua, one of our non-executive Directors. By virtue of the SFO, Mr. Kong Jianhua is deemed to be interested in the Shares held by Rongxiang Venture.

### *(b) Substantial Shareholders*

*Interests of the substantial Shareholders in the Shares*

Save as disclosed in the section headed "Substantial Shareholders" in this prospectus, our Directors are not aware of any person who will, immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised), have or be deemed or taken to have interests and/or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company.

## 2. Further Information about our Directors and Supervisors

### *(a) Particulars of Directors' and Supervisors' service contracts and appointment letters*

Each of the Directors and Supervisors has entered into a service contract or letter of appointment with our Company. The principal particulars of these service contracts and letters of appointment comprise (a) the term of the service; (b) termination provisions; and (c) a dispute resolution provision. The service contracts and letters of appointment 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 the Directors or Supervisors has or is proposed to have a service contract with our Company (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation)).

### *(b) Others*

(i) None of the Directors, Supervisors, or any past Directors of our Company has been paid any sum of money for the three years ended December 31, 2020, 2021, 2022 and the six months ended June 30, 2023 (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a director of our Company or of any other office in connection with the management of the affairs of our Company.

(ii) There has been no arrangement under which a Director or Supervisor has waived or agreed to waive any remuneration or benefits in kind for the three years ended December 31, 2020, 2021, 2022 and the six months ended June 30, 2023.

(iii) None of the Directors or Supervisors has been or is interested in the promotion of, or in the property proposed to be acquired by, our Company, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him/her to become, or to qualify him/her as, a Director or a Supervisor, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

### 3. Agency fees or commissions received

Save as disclosed in this section, none of our Directors, Supervisors or any of the persons whose names are listed under "Underwriting – Underwriting Arrangements and Expenses – Commissions and Expenses" in this prospectus were granted any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of our Company within the two years immediately preceding the date of this prospectus.

### 4. Directors' and Supervisors' remuneration

For the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, the aggregate remuneration (including Directors' fees, salaries, allowances, benefits in kind, discretionary bonuses and retirement scheme contributions) recorded for our Directors and Supervisors were approximately RMB0.95 million, RMB2.85 million, RMB4.03 million and RMB2.15 million, respectively. For details, please refer to note 8 of the Accountants' Report set out in Appendix I to this prospectus.

Under the arrangement currently in force, the aggregate remuneration (including salaries, allowances, benefits in kind, discretionary bonuses, retirement scheme contributions, share-based payments and performance related bonuses) of our Directors and Supervisors for the year ending December 31, 2023 is estimated to be no more than RMB5.38 million.

### 5. Disclaimers

(a) save as disclosed in this section, none of our Directors, Supervisors or chief executive of our Company has any interest or short position in our shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV 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 to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once our H Shares are listed on the Stock Exchange;

(b) none of our Directors or Supervisors nor any of the experts referred to under "– D. Other Information – 7. Qualifications and consents of experts" in this appendix has any direct or indirect interest in the promotion of our Company, or in any assets which within the two years immediately preceding the date of this prospectus, have been acquired or disposed of by or leased to our Company, or are proposed to be acquired or disposed of by or leased to our Company;

(c) none of our Directors or Supervisors nor any of the experts referred to under "– D. Other Information – 7. Qualifications and consents of experts" in this appendix, is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Company taken as a whole;

(d) save as disclosed in this section, none of our Directors or Supervisors has any existing or proposed service contracts with our Company (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

(e) save as disclosed in "Substantial Shareholders" and "– C. Further Information about Our Directors, Supervisors and Substantial Shareholders – 1. Disclosure of interests" above, none of our Directors or Supervisors knows of any person (not being a Director, Supervisor or chief executive of our Company) who will, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised, have an interest or short position in our Shares or underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the issued voting shares of our Company; and

(f) so far as is known to our Directors as of the Latest Practicable Date, none of our Directors, Supervisors or their respective close associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in any of our top five suppliers; and none of the Directors is interested in any business (other than the business of our Company) which competes or is likely to compete, directly or indirectly, with our business.

## D. OTHER INFORMATION

### 1. Tax and Indemnities

Our Single Largest Group of Shareholders have entered into the Deed of Indemnity with and in favour of our Company to provide indemnities on a joint and several basis in respect of, among other matters, taxation or taxation claims resulting from income, profits or gains earned, accrued or received, any late charges and penalties incurred as a result of tax filing matters which our Company may be subject to and payable on or before the Listing Date, save, among others, (a) to the extent that specific provision or reserve has been made for such liability in the audited combined financial statements of our Company as set out in Appendix I to this prospectus; (b) to the extent that such liability would not have arisen but for any act or omission of, or delay by, our Company after the Listing Date; and (c) to the extent such loss arises or is incurred only as a result of a retrospective change in law or regulations or the interpretation or practice thereof by any relevant authority coming into force after the Listing Date.

### 2. Estate duty

As advised by our PRC Legal Advisors, the PRC currently does not impose any estate duty.

### 3. Litigation

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any litigation, arbitration or administrative proceedings which could have a material adverse impact on our business, financial condition or results of operations. As of the Latest Practicable Date, we were not aware of any pending or threatened litigation, arbitration or administrative proceedings against us which may have a material and adverse impact on our business, financial condition or results of operations.

### 4. Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor will receive a fee of US$750,000 for acting as the sponsor for the Listing.

### 5. Preliminary expenses

As of the Latest Practicable Date, our Company had not incurred any preliminary expenses for purpose of the Listing Rules.

### 6. Promoters

The promoters of our Company are Mr. Li Zhen, Mr. Li Yi, Backward Electronic, Backward Partnership, Rongxiang Venture, Yuanhe Puhua, Runke Investment, Guangfa Intelligent, Suzhou Technology Investment, Zhongke Quantum, Minyi Intelligent, Shanghai Yucheng, Nantong Zhouzhou, Taiyou Venture, Anji Chenfeng, Guangfa Environmental, Huiyi Ruijin, Hejiuxin, Heyuanxin, Jiangsu Huate, Nanjing Turing, Tsinghua Foundation, Taizhiyou, Xinyu Taiyi, Taisheng Technology, Huahui Taiyou and Xinyu Jimu.

Save as disclosed in the section headed "History, Development and Corporate Structure", within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

### 7. Qualifications and consents of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

| Name | Qualification |
|---|---|
| China International Capital Corporation Hong Kong Securities Limited | Licensed corporation under the SFO permitted to conduct 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) of the regulated activities as defined under the SFO |
| KPMG | Certified Public Accountants, and Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance |
| King & Wood Mallesons | Legal advisors to our Company as to PRC law |
| Frost & Sullivan | Industry consultant |
| Jacobson Burton Kelley PLLC | Legal advisors to our Company as to U.S. foreign investment, export controls, sanctions, and import laws |

Each of the experts named above has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included in this prospectus the form and context in which it is respectively included.

### 8. Interests of experts in our Company

Except as disclosed in this prospectus and save for its obligations under the Underwriting Agreements, none of the persons named in "– D. Other Information – 7. Qualifications and consents of experts" above is interested beneficially or otherwise in any Shares or shares of our Company or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in our Company.

### 9. Taxation of holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty. The current rate chargeable on each of the seller and purchaser is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred. For further information in relation to taxation, see "Taxation and Foreign Exchange" in Appendix III to this prospectus.

### 10. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, 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 so far as applicable.

### 11. Miscellaneous

(a) Within the two years immediately preceding the date of this prospectus:

(i) save as disclosed in "History, Development and Corporate Structure" in this prospectus, no share or loan capital of our Company has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;

(iii) save as disclosed in "Underwriting – Underwriting Arrangements and Expenses – Commissions and Expenses" in this prospectus, no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company; and

(iv) save as disclosed in "Underwriting – Underwriting Arrangements and Expenses – Commissions and Expenses" in this prospectus, no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company.

(b) Our Directors confirm that:

(i) there has been no material adverse change in the financial or trading position or prospects of our Company since June 30, 2023 (being the date to which the latest audited consolidated financial statements of our Company were prepared); and

(ii) there has not been any interruption in the business of our Company which may have or has had a significant effect on the financial position of our Company in the 12 months preceding the date of this prospectus;

(c) There are no founder, management or deferred shares nor any debentures in our Company;

(d) All necessary arrangements have been made to enable our H Shares to be admitted into CCASS for clearing and settlement;

(e) Our Company presently is not listed on any stock exchange or traded on any trading system;

(f) Our Company has no outstanding convertible debt securities or debentures;

(g) There is no arrangement under which future dividends are waived or agreed to be waived;

(h) None of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(i) Our Company is not a sino-foreign equity joint venture or which operates as or under a cooperative or contractual joint venture; and

(j) We currently do not intend to apply for the status of sino-foreign investment joint stock limited company and do not expect to be subject to the PRC Foreign Investment Law.

**12. Bilingual prospectus**

The English and Chinese language versions of this prospectus 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). In case of any discrepancies between the English language version and Chinese language version of this prospectus, the English language version shall prevail.

## A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, among others:

(a) the written consents referred to in the section headed "Statutory and General Information – D. Other Information – 7. Qualifications and consents of experts" in Appendix VI to this prospectus; and

(b) a copy of each of the material contracts referred to in the section headed "Statutory and General Information – B. Further Information About Our Business – 1. Summary of Material Contracts" in Appendix VI to this prospectus.

## B. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (**www.hkexnews.hk**) and our Company (**www.batelab.com**) up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles of Association of our Company;

(b) the Accountants' Report for the three years ended December 31, 2020, 2021, 2022 and the six months ended June 30, 2023 prepared by KPMG, the text of which is set out in Appendix I to this prospectus;

(c) the report from KPMG in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;

(d) the audited consolidated financial statements of our Company for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023;

(e) the material contracts referred to in the section headed "Statutory and General Information – B. Further Information about Our Business – 1. Summary of Material Contracts" in Appendix VI to this prospectus;

(f) the service contracts and appointment letters referred to in the section headed "Statutory and General Information – C. Further Information about Our Directors, Supervisors and Substantial Shareholders – 2. Further Information about Our Directors and Supervisors – (a) Particulars of Directors' and Supervisors' Service Contracts and Appointment Letters" in Appendix VI to this prospectus;

(g) the legal opinion issued by King & Wood Mallesons, our PRC Legal Advisors, in respect of our Company's business operations and property interests in the PRC;

(h) the written consents referred to in the section headed "Statutory and General Information – D. Other Information – 7. Qualifications and consents of experts" in Appendix VI to this prospectus;

(i) the PRC Company Law, the PRC Securities Law, the Overseas Listing Trial Measures together with their unofficial English translation;

(j) the Industry Report issued by Frost & Sullivan; and

(k) the Memorandum issued by Jacobson Burton Kelley PLLC, the legal advisors to our Company as to U.S. foreign investment, export controls, sanctions, and import laws.

BaTelab