

FINANCIAL INFORMATION

The following discussion and analysis should be read in conjunction with our financial information included in the Accountants’ Report in Appendix I to this document, 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 document, 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 a leading provider of analog IC patterned wafers 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 simple 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 300 diversified industrial grade analog IC patterned wafer products across seven 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 segment and the signal chain segment 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%. 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%. During the same periods, we maintained high gross profit margin at 54.9%, 56.4% and 56.5%, 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%.

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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 and 157 analog IC patterned wafer products in 2020, 2021 and 2022, respectively. As of the Latest Practicable Date, we successfully taped out more than 300 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 high-end 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. During the Track Record Period, our gross profit margin increased from 54.9% in 2020 to 56.4% in 2021, and remained stable at 56.5% in 2022. 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 leading 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, we incurred R&D expenses of RMB28.4 million, RMB47.6 million and RMB84.9 million, respectively. Going forward, we will continue to invest resources in R&D to support the long-term growth of our business.

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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 December 31, 2022, our R&D team comprises 65 members, who on average are only 28 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. 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 distributor, Arrow, and a local patterned wafer 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, our sales generated from direct customers 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 direct sales and marketing. In the future, we will continue to deepen our relationship with existing distributors and direct customers, and expand sales channels to attract new customers in key targeted industries.

Relationship with our major suppliers

We operate on 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.” 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.

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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 document.

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”).

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

We have identified various accounting policies that are significant 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 document.

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 document.

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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.

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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.

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 during the Track Record Period:

	Year ended December 31,					
	2020		2021		2022	
	<i>RMB'000</i>	<i>% of Revenue</i>	<i>RMB'000</i>	<i>% of Revenue</i>	<i>RMB'000</i>	<i>% of Revenue</i>
Revenue	88,720	100.0	212,711	100.0	352,510	100.0
Cost of sales	(39,971)	(45.1)	(92,711)	(43.6)	(153,186)	(43.5)
Gross profit	48,749	54.9	120,000	56.4	199,324	56.5
Other income and net gain	1,965	2.2	4,087	1.9	9,791	2.8
Distribution costs	(791)	(0.9)	(1,772)	(0.8)	(3,580)	(1.0)
Administrative expenses	(3,505)	(4.0)	(13,860)	(6.5)	(22,181)	(6.3)
R&D expenses	(28,405)	(32.0)	(47,609)	(22.4)	(84,879)	(24.1)
Profit from operations	18,013	20.3	60,846	28.6	98,475	27.9
Finance costs	(4,018)	(4.5)	(3,877)	(1.8)	(1,651)	(0.5)
Profit before taxation	13,995	15.8	56,969	26.8	96,824	27.5
Income tax	–	–	–	–	(1,562)	(0.4)
Profit for the year	<u>13,995</u>	<u>15.8</u>	<u>56,969</u>	<u>26.8</u>	<u>95,262</u>	<u>27.0</u>
Other comprehensive income for the year, net of nil tax	–	–	–	–	–	–
Total comprehensive income for the year	<u>13,995</u>	<u>15.8</u>	<u>56,969</u>	<u>26.8</u>	<u>95,262</u>	<u>27.0</u>
Earnings per share						
Basic and diluted (RMB cents)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

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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, during the Track Record Period:

	Year ended December 31,					
	2020		2021		2022	
	<i>RMB'000</i>	<i>% of Revenue</i>	<i>RMB'000</i>	<i>% of Revenue</i>	<i>RMB'000</i>	<i>% of Revenue</i>
Sales of power						
management products	87,075	98.1	192,899	90.7	294,797	83.6
– Switching regulators	28,453	32.7	99,445	46.8	149,500	42.4
– Multi-channel ICs and PMICs	44,362	50.9	79,832	37.5	109,794	31.1
– Others ⁽¹⁾	14,260	14.5	13,622	6.4	35,503	10.1
Sales of signal chain						
products	1,645	1.9	19,812	9.3	57,713	16.4
– Linear products	1,645	1.9	19,812	9.3	57,713	16.4
Total	88,720	100.0	212,711	100.0	352,510	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. Revenue generated from sales of power management products accounted for 98.1%, 90.7% and 83.6%, respectively, of our revenue in 2020, 2021 and 2022.

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. Revenue generated from sales of signal chain products accounted for 1.9%, 9.3% and 16.4%, respectively, of our revenue in 2020, 2021 and 2022.

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We base our pricing strategies for patterned wafer products according to a range of factors, including R&D costs, production costs, industries in which the downstream customers engage, use scenarios and market sizes. We also take into consideration prices of domestic and international competitive products. 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 unit selling price of power management products and signal chain products had fluctuated during the Track Record Period primarily due to our product mix change.

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, during the Track Record Period:

	Year ended December 31,					
	2020		2021		2022	
	<i>RMB'000</i>	<i>% of Revenue</i>	<i>RMB'000</i>	<i>% of Revenue</i>	<i>RMB'000</i>	<i>% of Revenue</i>
Sales to distributors	84,422	95.2	192,197	90.4	282,679	80.2
Direct sales	4,298	4.8	20,514	9.6	69,831	19.8
Total	88,720	100.0	212,711	100.0	352,510	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 portion 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 customers.

Cost of Sales

Our cost of sales of power management products and signal chain products consists primarily of material costs. As we operate on a “fables” 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.

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The following table sets forth a breakdown of cost of sales by business line during the Track Record Period:

	Year ended December 31,					
	2020		2021		2022	
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>
Sales of power						
management products	39,818	99.6	86,439	93.2	131,129	85.6
Sales of signal chain						
products	153	0.4	6,272	6.8	22,057	14.4
Total	39,971	100.0	92,711	100.0	153,186	100.0

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 during the Track Record Period:

	Year ended December 31,					
	2020		2021		2022	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Sales of power						
management products	47,257	54.3	106,460	55.2	163,668	55.5
Sales of signal chain						
products	1,492	90.7	13,540	68.3	35,656	61.8
Total	48,749	54.9	120,000	56.4	199,324	56.5

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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. The gross profit margin of our products varies due to different technical specifications, functions, pricing strategy, market supply and demand.

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.

Other Income and Net Gain

Other income and net gain primarily consist of (i) R&D service income; (ii) net realized and unrealized gains on financial assets measured at fair value through profit or loss (“FVTPL”), representing gains from wealth management products; (iii) rental income from lease of our testing equipment; (iv) government grants; and (v) interest income from bank deposits, part of which were pledged for the issuance of bank acceptance bills.

Our R&D service income mainly consist of income derived from an entrusted R&D agreement, in which we provided R&D services. 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.

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The following table sets forth a breakdown of our other income and net gain during the Track Record Period:

	Year ended December 31,					
	2020		2021		2022	
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>
R&D service income	–	–	609	14.9	6,184	63.2
Net realized and unrealized gains on financial assets measured at FVTPL	417	21.2	1,195	29.2	1,730	17.7
Rental income	–	–	–	–	710	7.3
Government grants	1,194	60.8	2,194	53.7	672	6.9
Interest income	289	14.7	166	4.1	495	5.1
Net loss on disposal of property, plant and equipment	–	–	(37)	(0.9)	–	–
Others	65	3.3	(40)	(1.0)	–	–
Total	1,965	100.0	4,087	100.0	9,791	100.0

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, our distributions costs only accounted for 0.9%, 0.8% and 1.0% 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 during the Track Record Period:

	Year ended December 31,					
	2020		2021		2022	
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>
Employee benefits expenses	625	79.0	1,428	80.6	2,891	80.8
Travel and entertainment expenses	166	21.0	338	19.1	676	18.9
Others	–	–	6	0.3	13	0.3
Total	791	100.0	1,772	100.0	3,580	100.0

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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 arising from the engagement of professional service providers for potential A-share listing in the PRC; (iii) depreciation and amortization; (iv) travel and entertainment expenses; (v) impairment loss; and (vi) 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 during the Track Record Period:

	Year ended December 31,					
	2020		2021		2022	
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>
Employee benefits expenses	2,402	68.5	7,099	51.2	11,460	51.7
Consultation and agency fees	386	11.0	2,540	18.3	2,960	13.3
Depreciation and Amortization	337	9.6	1,681	12.1	2,548	11.5
Travel and entertainment expenses	294	8.4	863	6.2	1,765	8.0
Impairment loss	(317)	(9.0)	678	4.9	1,528	6.9
Office expenses	565	16.1	795	5.7	1,298	5.9
Others ⁽¹⁾	(162)	(4.6)	204	1.5	622	2.8
Total	3,505	100.0	13,860	100.0	22,181	100.0

Note:

(1) Others mainly include patent annual fee.

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R&D Expenses

Our R&D expenses primarily consist of (i) material costs for R&D projects; and (ii) 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 during the Track Record Period:

	Year ended December 31,					
	2020		2021		2022	
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>
Material costs	15,180	53.4	31,212	65.6	61,171	72.1
Employee benefits expenses	10,771	37.9	13,279	27.9	17,831	21.0
Depreciation cost	1,002	3.5	1,001	2.1	868	1.0
Others ⁽¹⁾	1,452	5.1	2,117	4.4	5,009	5.9
Total	28,405	100.0	47,609	100.0	84,879	100.0

Note:

(1) Others mainly include testing fees for R&D projects, IP application, registration and agency fees.

Our R&D expenses increased during the Track Record Period. As of December 31, 2020, 2021 and 2022, the number of our R&D personnel was 57, 62 and 65, respectively. In 2020, 2021 and 2022, we had 32, 46 and 53 R&D projects, respectively, which were carried out by our R&D team to develop new products.

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. We entered into an agreement with our investors to terminate the financial instruments issued to investors in December 2021. The following table sets forth a breakdown of the components of our finance costs during the Track Record Period:

	Year ended December 31,					
	2020		2021		2022	
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>
Interest on						
– loans and borrowings	1,263	31.4	650	16.8	1,403	85.0
– lease liabilities	15	0.4	179	4.6	248	15.0
– 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

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Income Tax

Our income tax expense was nil, nil and RMB1.6 million in 2020, 2021 and 2022, 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 12, 2020 and is subject to income tax rate at 15% for a three-year period from 2020 to 2022. We will renew the high-technology enterprise certificate in June 2023. 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, which means if we have taxable income in 2023, we can enjoy the exemption from EIT in 2023 and 2024 and a preferential income tax rate of 12.5% from 2025 to 2027.

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 December 31, 2022, and such enterprises are allowed to deduct the full amount of equipment and appliances newly purchased during the period from October 1, 2022 to December 31, 2022 from the taxable income, according to 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

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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

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.

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 unit selling price from RMB5.6 in 2021 to RMB4.0 in 2022.

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 unit 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.

Our cost of sales related to sales of power management products increased by 51.7% from RMB86.4 million in 2021 to RMB131.1 million in 2022, and our cost of sales related to sales of signal chain products increased by 251.7% from RMB6.3 million in 2021 to RMB22.1 million in 2022, primarily due to an increase in procurement of raw materials.

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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.

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 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 (i) an increase in the number of headcount of our sales and marketing staff, including a sales director and other sales and marketing staff; and (ii) an increase in average compensation paid to our sales staff due to our business expansion. 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 number of headcount of our business operations and administration staff to support our business growth and an increase in average compensation paid to our business operations and administration staff; (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

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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 the number of headcount of our R&D staff and an increase in average compensation paid to our R&D staff; 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.

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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 unit selling price increased from RMB5.1 in 2020 to RMB5.6 in 2021.

Our revenue generated from sales of signal chain products increased by 1104.4% 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 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 unit 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.

Our cost of sales related to sales of power management products increased by 117.1% from RMB39.8 million in 2020 to RMB86.4 million in 2021, and our cost of sales related to sales of signal chain products increased from RMB0.2 million in 2020 to RMB6.3 million in 2021, primarily due to an increase in procurement of raw materials.

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.

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.

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 product mix.

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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 (i) an increase in the number of headcount of our sales and marketing staff; and (ii) an increase in average compensation paid to our sales staff due to our business expansion. 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 number of headcount of our business operations and administration staff to support our business growth and an increase in average compensation paid to our business operations and administration staff; (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. 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 average compensation paid to R&D staff.

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.

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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 [REDACTED] from the [REDACTED], 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,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash (used in)/generated from operating activities	(41,493)	8,805	(31,416)
Net cash (used in)/generated from investing activities	(48,886)	19,602	(15,480)
Net cash generated from financing activities	91,065	104,936	62,625
Net increase in cash and cash equivalents	686	133,343	15,729
Cash and cash equivalents at January 1	12,749	13,435	146,778
Cash and cash equivalents at December 31	13,435	146,778	162,507

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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 procurement volume 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; (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; (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 pledge 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.

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.

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Net Cash Generated from 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.

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
	2020	2021	2022	April 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2023
				<i>RMB'000</i>
				<i>(Unaudited)</i>
Current assets				
Inventories	44,429	56,474	76,316	94,971
Trade and other receivables	20,972	31,749	67,097	78,552
Prepayments	32,228	75,915	202,845	286,476
Pledged bank deposits	–	–	21,151	63,300
Cash and cash equivalents	13,435	146,778	162,507	133,674
Financial assets at FVTPL	54,059	–	–	30,126
	<u>165,123</u>	<u>310,916</u>	<u>529,916</u>	<u>687,099</u>
Current liabilities				
Loans and borrowings	20,029	30,508	95,512	100,414
Trade and other payables	11,500	18,585	96,049	215,461
Lease liabilities	267	2,229	3,627	4,249
	<u>31,796</u>	<u>51,322</u>	<u>195,188</u>	<u>320,124</u>
Net current assets	<u>133,327</u>	<u>259,594</u>	<u>334,728</u>	<u>366,975</u>

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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 RMB367.0 million as of April 30, 2023, primarily due to (i) an increase in prepayments of RMB83.6 million for the purchase of raw materials; (ii) an increase in pledged bank deposits of RMB42.1 million as a guarantee to issue bank acceptance bills; (iii) an increase in financial assets at FVTPL of RMB30.1 million due to our increased investment in wealth management products. This was partially offset by an increase in trade and other payables of RMB119.4 million, including primarily bills payable.

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. The following table sets forth the net carrying amount of our property, plant and equipment as of the dates indicated:

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Equipment and machinery	1,265	1,288	7,733
Passenger vehicles	–	998	735
Office equipment and furniture	155	313	350
Construction in progress	–	4,759	50,275
Leasehold improvements	–	–	160
	<u> </u>	<u> </u>	<u> </u>
Total	<u> 1,420</u>	<u> 7,358</u>	<u> 59,253</u>

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; and (ii) additions of passenger vehicles of RMB1.1 million.

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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, which we purchased for conducting R&D activities; and (ii) additions of equipment and machinery of RMB7.2 million, partially offset by the depreciation of RMB0.8 million charged for 2022.

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.

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, primarily due to the delivery of equipment in 2022.

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 testing 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 to RMB76.3 million as of December 31, 2022, primarily due to the inventories held in stock based on our customers' needs, which was in line with our business growth.

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The following table sets forth our inventories as of the dates indicated:

	As of December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Raw materials	26,744	30,242	64,598
Finished goods	17,685	26,232	11,718
Total	44,429	56,474	76,316

The following table sets forth the number of our inventory turnover days for the periods indicated:

	Year ended December 31,		
	2020	2021	2022
Inventory turnover days ⁽¹⁾	261.9	198.6	158.2

Note:

- (1) Inventory turnover days was calculated based on the average of opening and closing inventory balance for the relevant year, divided by the cost of sales for the relevant year, and multiplied by number of days within the relevant year, being 365 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.

As of April 30, 2023, RMB57.7 million, or 73.8% of our inventories as of December 31, 2022 had been subsequently consumed or sold.

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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,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due from third parties			
– Trade receivables, net of loss allowance	18,039	27,829	64,870
– Other receivables and deposits, net of loss allowance	1,770	3,349	2,227
	19,809	31,178	67,097
Amounts due from related parties			
– Other receivables and deposits, net of loss allowance	1,163	571	–
	20,972	31,749	67,097
Trade and other receivables	20,972	31,749	67,097

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 other receivables and deposits increased from RMB1.8 million as of December 31, 2020 to RMB3.3 million as of December 31, 2021, and decreased from RMB3.3 million as of December 31, 2021 to RMB2.2 million as of December 31, 2022, due to changes in VAT recoverable.

The following table sets forth an aging analysis of our trade receivables at the end of each year of the Track Record Period, based on the invoice dates and net of loss allowance:

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one month	15,039	11,378	14,643
One to two months	3,000	16,166	8,756
Two to three months	–	274	10,757
Over three months	–	11	30,714
	18,039	27,829	64,870
Total	18,039	27,829	64,870

FINANCIAL INFORMATION

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 which 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. In 2020, 2021 and 2022, our loss allowance was RMB0.9 million, RMB1.5 million and RMB3.4 million, respectively. Our Directors consider sufficient provision for impairment of trade receivables had been made.

The table below sets forth the turnover days of our trade receivables for the years indicated:

	Year ended December 31,		
	2020	2021	2022
Trade receivables turnover days ⁽¹⁾	72.8	39.4	48.0

Note:

- (1) Trade receivables turnover days for a year equals the average opening and closing trade receivables balance divided by revenue for the relevant year and multiplied by the number of days in the relevant year, being 365 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.

As of April 30, 2023, RMB66.2 million or 96.9% of our trade receivables as of December 31, 2022 had been subsequently settled.

Prepayments

Our prepayments primarily consist of prepayment for the purchase of raw materials. The following table sets forth our prepayments as of the dates indicated:

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Purchase of raw materials	32,051	75,851	202,735
Others	177	64	110
Total	32,228	75,915	202,845

FINANCIAL INFORMATION

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.

As of April 30, 2023, RMB91.2 million or 45.0% of our prepayments as of December 31, 2022 had been subsequently settled.

Financial Assets at FVTPL

Our financial assets at FVTPL represent our investment in wealth management products offered by reputable commercial banks in the PRC during the Track Record Period. We believe we can make better use of our idle funds and increase our revenue by making appropriate investments in short-term wealth management products, under the premise of not interfering with our normal business activities or capital expenditures. As of December 31, 2020, 2021 and 2022, we had financial assets at FVTPL of RMB54.1 million, nil and nil, respectively.

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 27(d) to the Accountants’ Report set out in Appendix I to this document.

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 equipment for R&D. The following table sets forth our trade and other payables, as of the dates indicated:

	As of December 31,		
	2020	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Amounts due to third parties			
Trade payables	847	2,086	1,724
Bills payable	–	–	67,119
	<u>847</u>	<u>2,086</u>	<u>68,843</u>
Contract liabilities	332	6,487	10,629
Other payables and accruals	10,321	10,012	16,577
	<u>11,500</u>	<u>18,585</u>	<u>96,049</u>

FINANCIAL INFORMATION

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. We only require customers to make advance payment when they request for our products to be delivered on an urgent basis. As of April 30, 2023, RMB10.6 million, or 100.0%, of our contract liabilities as of December 31, 2022 was recognized as revenue.

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.

The following table sets forth the aging analysis of our trade payables and bills payable based on the invoice dates at the end of each year of the Track Record Period:

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within three months	847	2,086	24,074
Three to six months	–	–	39,965
Six to 12 months	–	–	4,804
	_____	_____	_____
Total	847	2,086	68,843
	<u> </u>	<u> </u>	<u> </u>

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, reflecting the expansion of our business operations. Our trade payables and bills payable increased from RMB2.1 million as of December 31, 2021 to RMB68.8 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. Our trade payables and bills payable aged three to six months and six to 12 months increased as of December 31, 2022 compared to the amount as of December 31, 2021 due to the same reason.

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The following table sets forth our average trade payables turnover days for the years indicated:

	Year ended December 31,		
	2020	2021	2022
Trade payables turnover days ⁽¹⁾	12.0	5.8	4.5

Note:

- (1) Trade payables turnover days for a year equals the average of opening and closing trade payables balance divided by cost of sales for the relevant year and multiplied by the number of days in the relevant year, being 365 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. 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 April 30, 2023, RMB1.7 million, or 100.0%, of our trade payables as of December 31, 2022, 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 capital for cash upon specified events, including a resignation of the founders (the “**Preferred Rights**”). 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 by our investors with Preferred Rights and us, the investors’ Preferred Rights were terminated. Hence, the redemption liabilities were derecognized and the carrying amount of the redemption liabilities were 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
	2020	2021	2022	April 30,
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	2023
				<i>RMB’000</i>
				<i>(Unaudited)</i>
Loans and borrowings	20,029	30,508	95,512	100,414
Lease liabilities	267	6,386	6,570	6,119
Total indebtedness	20,296	36,894	102,082	106,533

FINANCIAL INFORMATION

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
	2020	2021	2022	April 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2023
				<i>RMB'000</i>
				<i>(Unaudited)</i>
Bank loans, within 1 year or on demand	20,029	30,508	95,512	100,414
Represented by:				
– guaranteed	20,029	10,500	–	–
– unsecured and unguaranteed	–	20,008	95,512	100,414
	20,029	30,508	95,512	100,414

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, primarily due to increasing financing activities as a result of our business expansion, which was used to support our working capital.

The effective interest rates of our bank loans ranged from 3.0% to 5.2% per annum in 2020, 2021 and 2022. We consider these interest rates to be within the range of market interest rates.

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.

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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
	2020	2021	2022	April 30, 2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current	267	2,229	3,627	4,249
Non-current	—	4,157	2,943	1,870
	<u>267</u>	<u>6,386</u>	<u>6,570</u>	<u>6,119</u>
Total	<u>267</u>	<u>6,386</u>	<u>6,570</u>	<u>6,119</u>

As of December 31, 2020, 2021 and 2022, our lease liabilities were RMB0.3 million, RMB6.4 million and RMB6.6 million, respectively. These lease liabilities primarily related to lease contracts of our R&D and office premises.

CONTINGENT LIABILITIES

We did not have any contingent liabilities as of December 31, 2020, 2021 and 2022, respectively. As of April 30, 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 April 30, 2023 and up to the Latest Practicable Date.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios during the Track Record Period:

	As of and for the year ended		
	December 31,		
	2020	2021	2022
Gross profit margin	54.9%	56.4%	56.5%
Current ratio	5.2	6.1	2.7
Quick ratio	3.8	5.0	2.3
Gearing ratio	59.2%	10.1%	24.1%
Return on equity	70.0%	34.1%	27.4%
Return on total assets	12.0%	21.6%	20.0%

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Gross Profit Margin

Gross profit margin is calculated by the gross profit divided by the revenue for the respective year 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 end. Our quick ratio is calculated by our current assets less inventories divided by our current liabilities as of the year 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, including (i) an increase in trade and other payables of RMB77.5 million; and (ii) an increase in loans and borrowings of RMB65.0 million, which was partially offset by an increase in prepayment of RMB127.0 million.

Gearing Ratio

The calculation of gearing ratio is based on our loans and borrowings divided by total equity for the respective year 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.

Return on Equity

Return on equity is calculated by the profit for the year divided by the average of opening and closing total equity for the respective year and multiplied by 100%.

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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 Total Assets

Return on total assets is calculated based on profit divided by the average of opening and closing total assets for the respective year and multiplied by 100%.

Our return on total 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 total 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. Our capital expenditures amounted to RMB5.8 million, RMB35.9 million and RMB18.7 million in 2020, 2021 and 2022, 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 [REDACTED] from the [REDACTED].

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 and RMB0.8 million as of December 31, 2020, 2021 and 2022, 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 lent to related parties and the repayment of loans and borrowings; and (ii) sales of products to a company in 2020. 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, amounts due from related parties was RMB1.2 million, RMB0.6 million and nil, respectively. For detail of our related party transactions, see note 29 to the Accountants’ Report in Appendix I to this document.

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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% and 89.17% of the total trade receivables were due from the largest single customer as of December 31, 2020, 2021 and 2022, 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 27(a) to the Accountants' Report included in Appendix I to this document.

For prepayments and other receivables and deposits, credit risk is limited since the balance mainly includes prepayments to reputable suppliers, value-added-tax 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.

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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 27(b) to the Accountants’ Report included in Appendix I to this document.

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 at December 31, 2020, 2021 and 2022 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.

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WORKING CAPITAL SUFFICIENCY

Our Directors are of the opinion that, taking into account the estimated net [REDACTED] from the [REDACTED] 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 document.

DISTRIBUTABLE RESERVES

As of December 31, 2022, our Company had retained profits of RMB128.3 million under PRC GAAP. The retained profits are reserves available for distribution to our Shareholders.

[REDACTED] EXPENSES

Based on the mid-point [REDACTED] of HK\$[REDACTED] per Share, the total estimated [REDACTED] expenses in relation to the [REDACTED] are RMB[REDACTED] million (HK\$[REDACTED] million), assuming the [REDACTED] is not exercised, which constitute approximately [REDACTED]% of the gross [REDACTED]. Our total [REDACTED] expenses consist of (i) [REDACTED]-related expenses of RMB[REDACTED] million (HK\$[REDACTED] million); and (ii) non-[REDACTED]-related expenses of RMB[REDACTED] million (HK\$[REDACTED] million), including (a) fees payable to our legal advisors and Reporting Accountants of RMB[REDACTED] million (HK\$[REDACTED] million) and (b) other fees and expenses, including sponsors fees and the fees of other professional parties, of RMB[REDACTED] million (HK\$[REDACTED] million). During the Track Record Period, we did not incur [REDACTED] expenses. Subsequent to the Track Record Period, we expect to incur [REDACTED] expenses of RMB[REDACTED] million (HK\$[REDACTED] million) prior to and upon completion of the [REDACTED], of which RMB[REDACTED] million (HK\$[REDACTED] million) is expected to be recognized as expenses in our statements of profit or loss, and RMB[REDACTED] million (HK\$[REDACTED] million) is expected to be accounted for as a deduction from equity upon the [REDACTED]. The [REDACTED] 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 below to illustrate the effect of the [REDACTED] on the net tangible assets of the Company as of December 31, 2022 as if the [REDACTED] had taken place on December 31, 2022.

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 [REDACTED] been completed as of December 31, 2022 or any future date.

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Net tangible assets of the Company as of December 31, 2022 ⁽¹⁾ RMB'000	Estimated net [REDACTED] from the [REDACTED] ^(2 & 4) RMB'000	Unaudited pro forma adjusted net tangible assets of the Company RMB'000	Unaudited pro forma adjusted net tangible assets of the Company per Share ⁽³⁾ RMB HK\$ ⁽⁴⁾		
Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED]	395,581	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED]	395,581	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

- (1) The net tangible assets of the Company as of December 31, 2022 is calculated based on the audited total equity of the Company of RMB395,835,000 as of December 31, 2022, less the intangible assets of RMB254,000 as of December 31, 2022, extracted from the Accountants' Report set out in Appendix I to the document.
- (2) The estimated net [REDACTED] from the [REDACTED] are based on the expected [REDACTED] of [REDACTED] H Shares and the indicative [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED], respectively, being the lower end price and higher end price of the stated [REDACTED] range, after deduction of estimated [REDACTED] fee and other related [REDACTED] expenses payable by the Company (nil [REDACTED] expenses have been accounted for prior to December 31, 2022), respectively, and does not take into account of any Shares which may be issued upon the exercise of the [REDACTED].
- (3) The unaudited pro forma adjusted net tangible assets of the Company per Share is arrived at after the above adjustment and on the basis that [REDACTED] Shares in issue immediately following the completion of the [REDACTED] and assuming that the [REDACTED] had been completed on December 31, 2022 without taking into account of the Shares which may be issued upon exercise of the [REDACTED].
- (4) For illustrative purpose, the estimated net [REDACTED] from the [REDACTED] 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 = RMB0.91175, 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 December 31, 2022.

FINANCIAL INFORMATION

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this document, there had been no material adverse change in our financial or trading position or prospects since December 31, 2022, being the end date of our latest audited financial statements, and there had been no event since December 31, 2022 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.