The following is the text of a report set out on pages I-1 to I-[●], received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF 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-[●], which comprises the statements of financial position of the Company as at 31 December 2020, 2021 and 2022 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 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-[4] to I-[●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [*date*] (the "Document") in connection with the [**REDACTED**] of 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 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.

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 26(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

[*Date*]

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

		Year ended 31 December		
	Note	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
Revenue	*4*	88,720	212,711	352,510
Cost of sales		(39,971)	(92,711)	(153,186)
Gross profit		48,749	120,000	199,324
Other income and net gain	*5*	1,965	4,087	9,791
Distribution costs		(791)	(1,772)	(3,580)
Administrative expenses		(3,505)	(13,860)	(22,181)
Research and development expenses		(28,405)	(47,609)	(84,879)
Profit from operations		18,013	60,846	98,475
Finance costs	*6(a)*	(4,018)	(3,877)	(1,651)
Profit before taxation	*6*	13,995	56,969	96,824
Income tax	*7(a)*	–	–	(1,562)
Profit for the year		13,995	56,969	95,262
Other comprehensive income for the year, net of nil tax		–	–	–
Total comprehensive income for the year		13,995	56,969	95,262
Earnings per share				
Basic and diluted (RMB cents)	*10*	N/A	N/A	N/A

STATEMENTS OF FINANCIAL POSITION

	Note	At 31 December 2020 RMB'000	2021 RMB'000	2022 RMB'000
Non-current assets				
Property, plant and equipment	*11*	1,420	7,358	59,253
Right-of-use assets	*12*	224	4,774	3,445
Intangible assets	*13*	—	284	254
Other non-current assets	*15*	4,885	32,720	2,660
		6,529	45,136	65,612
Current assets				
Inventories	*16*	44,429	56,474	76,316
Trade and other receivables	*17*	20,972	31,749	67,097
Prepayments	*18*	32,228	75,915	202,845
Pledged bank deposits	*19*	—	—	21,151
Cash and cash equivalents	*20*	13,435	146,778	162,507
Financial assets at fair value through profit or loss ("FVTPL")	*14*	54,059	—	—
		165,123	310,916	529,916
Current liabilities				
Loans and borrowings	*21*	20,029	30,508	95,512
Trade and other payables	*22*	11,500	18,585	96,049
Lease liabilities	*23*	267	2,229	3,627
		31,796	51,322	195,188
Net current assets		133,327	259,594	334,728
Total assets less current liabilities		139,856	304,730	400,340
Non-current liabilities				
Lease liabilities	*23*	—	4,157	2,943
Deferred tax liabilities	*24(a)*	—	—	1,562
Financial instruments issued to investors	*25*	106,049	—	—
		106,049	4,157	4,505
NET ASSETS		33,807	300,573	395,835
EQUITY				
Paid-in capital	*26(b)*	8,472	—	—
Share capital	*26(c)*	—	45,000	45,000
Reserves	*26(d)*	25,335	255,573	350,835
TOTAL EQUITY		33,807	300,573	395,835

STATEMENTS OF CHANGES IN EQUITY

		Attributable to equity shareholders of the Company						
	Note	**Paid-in capital** *RMB'000* *(note 26(b))*	**Capital reserve** *RMB'000* *(note 26(d)(ii))*	**Share capital** *RMB'000* *(note 26(c))*	**Share premium** *RMB'000* *(note 26(d)(i))*	**PRC statutory reserves** *RMB'000* *(note 26(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	*25,26(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	*26(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	*25,26(b)*	2,796	22,404	—	—	—	—	25,200
Issuance of financial instruments to investors	*26(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	*26(c)*	(12,371)	(89,958)	12,371	67,439	—	22,519	—
Share capital increased by share premium transfer	*26(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)	—
Balance at 31 December 2022		—	—	45,000	222,407	14,257	114,171	395,835

STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December 2020 *RMB'000*	2021 *RMB'000*	2022 *RMB'000*
Operating activities:				
Profit before taxation		13,995	56,969	96,824
Adjustments for:				
– Depreciation of property, plant and equipment	*6(c)*	571	684	1,149
– Depreciation of right-of-use assets	*6(c)*	768	1,983	2,241
– Amortisation of intangible assets	*6(c)*	—	15	30
– Net loss on disposal of property, plant and equipment	*5*	—	37	—
– Finance costs	*6(a)*	4,018	3,877	1,651
– Interest income	*5*	(289)	(166)	(495)
– Net realised and unrealised gains on financial assets measured at fair value through profit or loss	*5*	(417)	(1,195)	(1,730)
– COVID-19-related rent concessions received	*12*	(198)	—	—
Changes in working capital:				
Increase in inventories		(31,506)	(12,045)	(19,842)
Increase in trade and other receivables		(854)	(8,846)	(37,866)
Increase in prepayments		(28,628)	(43,687)	(126,930)
Increase in pledged bank deposits		—	—	(21,151)
Increase in trade and other payables		1,047	11,179	74,703
Net cash (used in)/generated from operating activities		(41,493)	8,805	(31,416)
Investing activities:				
Payment for the purchase of property, plant and equipment		(5,784)	(35,918)	(18,718)
Payment for purchase of intangible assets		—	(299)	—
Interest received		289	166	495
Payments for acquisition of financial assets measured at fair value through profit or loss		(117,525)	(51,010)	(462,700)
Proceeds from disposal of financial assets measured at fair value through profit or loss		63,883	106,264	464,430
Loans and borrowings to related parties	*29(b)*	(1,406)	(100)	—
Repayments of loans and borrowings to related parties	*29(b)*	11,657	490	1,013
Other cash flows arising from investing activities		—	9	—
Net cash (used in)/generated from investing activities		(48,886)	19,602	(15,480)

		Year ended 31 December		
	Note	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
Financing activities:				
Capital element of lease rentals paid	*20(b)*	(579)	(414)	(728)
Interest element of lease rentals paid	*20(b)*	(15)	(179)	(248)
Proceeds from loans and borrowings	*20(b)*	20,000	30,480	153,747
Repayment of loans and borrowings	*20(b)*	(21,630)	(20,000)	(88,814)
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)
Loans and borrowing from a related party	*29(b)*	500	—	—
Repayment of loans and borrowing from a related party	*29(b)*	(500)	—	—
Other cash flows arising from financing activities		5,000	—	—
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 1 January	*20(a)*	12,749	13,435	146,778
Cash and cash equivalents at 31 December	*20(a)*	13,435	146,778	162,507

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 significant 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 accounting period ended 31 December 2022. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning 1 January 2023 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.

2 SIGNIFICANT 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 27(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	the unexpired lease term of 3 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) 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 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, 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		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*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
— Sales of power management products	87,075	192,899	294,797
	88,720	212,711	352,510

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		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Customer A	47,995	116,393	156,094
Customer B	26,245	75,804	126,585
Customer C	9,897	N/A*	39,849

* Less than 10% of the Company's revenue in the respective year.

5 OTHER INCOME AND NET GAIN

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Interest income	289	166	495
Net loss on disposal of property, plant and equipment	—	(37)	—
Net realised and unrealised gains on financial assets measured at fair value through profit or loss	417	1,195	1,730
Government grants *(Note)*	1,194	2,194	672
Rental income	—	—	710
Research and development service income	—	609	6,184
Others	65	(40)	—
	1,965	4,087	9,791

Note: Government grants primarily comprise subsidies received from the government for the encouragement of research and development projects.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Note	Year ended 31 December 2020 *RMB'000*	2021 *RMB'000*	2022 *RMB'000*
(a) Finance costs:				
Interest on				
– loans and borrowings		1,263	650	1,403
– lease liabilities		15	179	248
– financial instruments issued to investors	*25*	2,740	3,048	—
Total interest expense		4,018	3,877	1,651
(b) Staff costs:				
Salaries, wages and other benefits		13,876	21,094	32,444
Contributions to defined contribution retirement plans	*(i)*	38	608	903
		13,914	21,702	33,347

(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 2020 *RMB'000*	2021 *RMB'000*	2022 *RMB'000*
Cost of inventories	*16(b)*	54,080	122,710	213,004
Depreciation:				
– owned property, plant and equipment	*11*	571	684	1,149
– right-of-use assets	*12*	768	1,983	2,241
Research and development expenses *(i)*		28,405	47,609	84,879
Amortisation of intangible assets	*13*	—	15	30
Auditors' remuneration		32	23	42

(i) During the years ended 31 December 2020, 2021 and 2022, research and development expenses include staff costs and depreciation expenses of RMB11,773,000, RMB14,280,000 and RMB18,699,000, 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		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Current tax:			
Provision for PRC income tax for the year	—	—	—
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		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	13,995	56,969	96,824
Notional tax on profit before taxation, calculated at the rates applicable in the PRC *(i)*	3,499	14,242	24,206
Effect of preferential tax rate *(ii)*	(1,400)	(5,188)	(10,506)
Effect of additional deduction on research and development expenses *(iii)*	(3,118)	(4,940)	(10,173)
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
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 entity will renew the high-technology enterprise certificate in June 2023.]

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"). The Company did not have any taxable income for the Relevant Periods.

(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 income tax law and its relevant regulations. Effective from 1 October 2022 to 31 December 2022, 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

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

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
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

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

Notes:

(a) Chen Datong was appointed as a director of the Company in November 2020 and resigned in December 2022.

(b) Ma Guolin was appointed as a director of the Company in January 2020 and resigned in November 2020.

(c) Zhou Feng was appointed as a supervisor of the Company in January 2020 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 January 2020.

(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 November 2021.

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, three, three and two individuals' emoluments are disclosed in note 8 and the emoluments in respect of the remaining two, two and three individuals during the Relevant Periods are as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowance and benefits in kind	1,186	1,938	2,960
Discretionary bonuses	1,059	114	1,666
Retirement scheme contributions	1	8	24
	2,246	2,060	4,650

The emoluments of the individuals who are not director and with the highest emoluments are within the following bands:

	Year ended 31 December		
	2020	**2021**	**2022**
	Number of individuals	*Number of individuals*	*Number of individuals*
HK$			
1 — 1,000,000	1	1	—
1,000,001 — 1,500,000	—	—	1
1,500,001 — 2,000,000	—	1	1
2,000,001 — 2,500,000	1	—	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

	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*
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
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)
At 31 December 2022	(2,321)	(373)	(831)	—	(5)	(3,530)
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

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	7,083
Accumulated amortisation:	
At 1 January 2020	(767)
Charge for the year	(768)
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	(3,638)
Net book value:	
At 31 December 2020	224
At 31 December 2021	4,774
At 31 December 2022	3,445

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets by class of underlying asset:			
Properties leased for own use	768	1,983	2,241
Interest on lease liabilities *(note 6(a))*	15	179	248
Expense relating to short-term leases	86	59	13
COVID-19-related rent concessions received	(198)	—	—

During the years ended 31 December 2020, 2021 and 2022, additions to right-of-use assets of the Company were RMB494,000, RMB7,819,000 and RMB2,834,000, 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 27(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	299
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)

	Software
	RMB'000
Charge for the year	(30)
At 31 December 2022	(45)
Net book value:	
At 31 December 2020	—
At 31 December 2021	284
At 31 December 2022	254

14 FINANCIAL ASSETS AT FVTPL

		At 31 December	
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*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	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments for property, plant and equipment	4,885	32,720	2,660

16 INVENTORIES

(a) Inventories in the statements of financial position comprise:

		At 31 December	
	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
	44,429	56,474	76,316

(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	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of inventories sold	37,807	88,669	150,067
Write-down of inventories	1,947	2,829	1,766
	39,754	91,498	151,833
Cost of inventories directly recognised as research and development expenses	14,326	31,212	61,171
	54,080	122,710	213,004

17 TRADE AND OTHER RECEIVABLES

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
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 *(note 29(c))*			
Other receivables and deposits, net of loss allowance	1,163	571	—
Trade and other receivables	20,972	31,749	67,097

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		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 month	15,039	11,378	14,643
1 to 2 months	3,000	16,166	8,756
2 to 3 months	—	274	10,757
Over 3 months	—	11	30,714
	18,039	27,829	64,870

Details on the Company's credit policy and credit risk arising from trade receivables are set out in note 27(a).

18 PREPAYMENTS

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Purchase of raw materials	32,051	75,851	202,735
Others	177	64	110
	32,228	75,915	202,845

All of the prepayments are expected to be recovered or recognised as expense within one year.

19 PLEDGED BANK DEPOSITS

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Pledged bank deposits	—	—	21,151

As at 31 December 2022, 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		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank and on hand	13,435	146,778	162,507

(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 issue 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)

	Bank loans and other borrowings *RMB'000* *(note 21)*	Lease liabilities *RMB'000* *(note 23)*	Financial instruments issue to investors *RMB'000* *(note 25)*	Total *RMB'000*
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 period	—	494	—	494
Interest expenses *(note 6(a))*	1,263	15	2,740	4,018
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 issue 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

	Bank loans and other borrowings *RMB'000* *(note 21)*	Lease liabilities *RMB'000* *(note 23)*	Financial instruments issue to investors *RMB'000* *(note 25)*	Total *RMB'000*
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 *RMB'000* *(note 21)*	Lease liabilities *RMB'000* *(note 23)*	Total *RMB'000*
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

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within operating cash flows	86	59	13
Within financing cash flows	594	593	976
	680	652	989

These amounts relate to the following:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Lease rentals paid	680	652	989

21 LOANS AND BORROWINGS

As of the end of each reporting period, loans and borrowings were repayable as follows:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Bank loans, within 1 year or on demand	20,029	30,508	95,512

Loans and borrowings of the Company of RMB20,000,000, RMB20,480,000 and nil were guaranteed by certain related parties as at 31 December 2020, 2021 and 2022, respectively (see note 29(d)).

22 TRADE AND OTHER PAYABLES

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due to third parties			
Trade payables	847	2,086	1,724
Bills payable	—	—	67,119
	847	2,086	68,843
Contract liabilities *(i)*	332	6,487	10,629
Other payables and accruals	10,321	10,012	16,577
Trade and other payables	11,500	18,585	96,049

(i) Movements in contract liabilities:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Sale of goods or provision of services			
Balance at the beginning of the year	125	332	6,487
Decrease in contract liabilities as a result of recognising revenue or other income and net gain during the year that was included in the contract liabilities at the beginning of the year	—	(332)	(6,487)
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	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	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	847	2,086	24,074
After 3 months but within 6 months	—	—	39,965
After 6 months but within 12 months	—	—	4,804
	847	2,086	68,843

23 LEASE LIABILITIES

As of the end of each reporting period, the lease liabilities were repayable as follows:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	267	2,229	3,627
After 1 year but within 2 years	—	2,458	2,398
After 2 years but within 5 years	—	1,699	545
	—	4,157	2,943
	267	6,386	6,570

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	1,562

(ii) Reconciliation to the statements of financial position

	At 31 December		
	2020 *RMB'000*	**2021** *RMB'000*	**2022** *RMB'000*
Net deferred tax liabilities recognised in the statements of financial position	—	—	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, the Company has not recognised deferred tax assets in respect of their cumulative tax losses of RMB40,487,000, nil and nil and temporary differences of RMB3,248,000, nil and nil, respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

25 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS

Pursuant to the agreements between the Company and its investors, the Company agreed to issue its registered capital to investors and 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 or share 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		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	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	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 were reclassified to equity thereafter.

26 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 26(c))*	(12,371)
Balance at 31 December 2021 and 31 December 2022	—

(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 and 31 December 2022	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

The capital reserve primarily represents the excess of the net contributions from the shareholders of the Company over the total paid-in capital issued.

(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.

27 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 represented 100%, 100% and 100% of the total trade receivables respectively, while 39.02%, 99.96% and 89.17% 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:

		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

		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

		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

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		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January	913	949	1,465
Impairment losses recognised during the year	36	516	1,949
Balance at 31 December	949	1,465	3,414

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.

(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 year 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 year 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 year 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

(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 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					
	2020		2021		2022	
	Effective interest rate	*RMB'000*	Effective interest rate	*RMB'000*	Effective interest rate	*RMB'000*
Fixed rate instruments						
Bank loans	3%-5.22%	20,029	3%-5.22%	30,508	3%-5.22%	95,512
Lease liabilities	4.35%	267	4.35%	6,386	4.35%	6,570
		20,296		36,894		102,082

	At 31 December					
	2020		2021		2022	
	Effective interest rate	*RMB'000*	Effective interest rate	*RMB'000*	Effective interest rate	*RMB'000*
Variable rate instruments						
Pledged bank deposits	0.25%-1.3%	—	0.25%-1.3%	—	0.25%-1.3%	21,151
Cash and cash equivalents	0.01%-1.725%	13,435	0.01%-1.725%	146,778	0.01%-1.725%	162,507
		13,435		146,778		183,658

(i) Sensitivity analysis

At 31 December 2020, 2021 and 2022, 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 *RMB'000*	Increase/(decrease) in accumulated losses/retained profits for the year *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)

(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, the Company has wealth management products measured at fair value amounting to RMB54,059,000, 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.

28 COMMITMENTS

Capital commitments outstanding at 31 December 2020, 2021 and 2022 not provided for in the financial statements were as follows:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Contracted for	170	2,388	774

29 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		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowance and benefits in kind	678	2,240	2,632
Discretionary bonuses	268	578	1,345
Contributions to retirement benefit schemes	5	34	54
	951	2,852	4,031

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伙企業 (有限合伙) *(i)*	One of the controlling parties
Suzhou Rongxiang Beiying Venture Capital Partnership (limited Partnership) ("Rongxiang Venture") 蘇州融享貝贏創業投資合伙企業 (有限合伙) *(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
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
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
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 Semiconductor 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		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*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

(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		
	2020	**2021**	**2022**
	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		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Guarantees issued by related parties in respect of loans and borrowings borrowed by the Company	20,000	20,480	—

30 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 17 February 2023, Backward Partnership 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 difference between the fair value of equity interest of Backward Partnership and the consideration received by Backward Partnership amounting to approximately RMB10 million will be recognised as share-based compensation expense according to HKFRS 2 in 2023.

31 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at 31 December 2022, 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 31 December 2022, 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 year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the followings:

	Effective for accounting periods beginning on or after
HKFRS 17, *insurance contract*	1 January 2023
Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*	1 January 2023
Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making Materiality judgements:Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Income taxes:Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023
Amendments to HKFRS 10, *Consolidated financial statements* and HKAS 28, *Investments in associates and joint ventures "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 financial statements

No audited financial statements have been prepared by the Company in respect of any period subsequent to 31 December 2022.