
SUMMARY

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

There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in the section headed “Risk Factors.” You should read that section carefully before you decide to invest in the [REDACTED].

OVERVIEW

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

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

- *Patterned wafers.* Patterned wafers are wafers with built-on circuits. Each piece of patterned wafers contains a number of dies, which can be easily turned into chips after subsequent packaging and testing by downstream customers. Compared to chips, patterned wafers provide downstream customers with a cost-effective manner to launch new products, flexible packaging and assembling options and design flexibility.
- *Analog ICs.* Analog ICs, as opposed to digital ICs, modulate real-world signals, such as sound, temperature, pressure or images, by conditioning them, amplifying them and often converting them into a stream of digital data that can be processed by other semiconductor devices. Analog ICs are also used to manage power usage in electronic equipment by converting, distributing, storing, discharging, isolating and measuring electrical energy.

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

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

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

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

According to Frost & Sullivan, we have built the only full-stack analog IC design platform in China, which provides a one-stop solution of analog IC design, enabling our effective product development and standardized high-performance patterned wafer delivery. Most of the IC design companies in China use imported EDA software tools and commercial IP modules designed by third parties, or develop their own IP modules by using the imported third-party EDA software tools, according to the same source. Our platform has achieved technical breakthroughs in both EDA software and IP module design, empowering efficient standardized design of analog IC products.

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

* Requiring substantial collaboration with upstream and downstream business partners.

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

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to RMB45.9 million for the six months ended June 30, 2023. Our adjusted net profit (Non-HKFRS measure) increased by 32.5% from RMB42.8 million for the six months ended June 30, 2022 to RMB56.6 million for the six months ended June 30, 2023. See “– Summary of Key Financial Information – Non-HKFRS Measure.”

COMPETITIVE STRENGTHS

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

OUR STRATEGIES

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

OUR BUSINESS MODEL

Overview

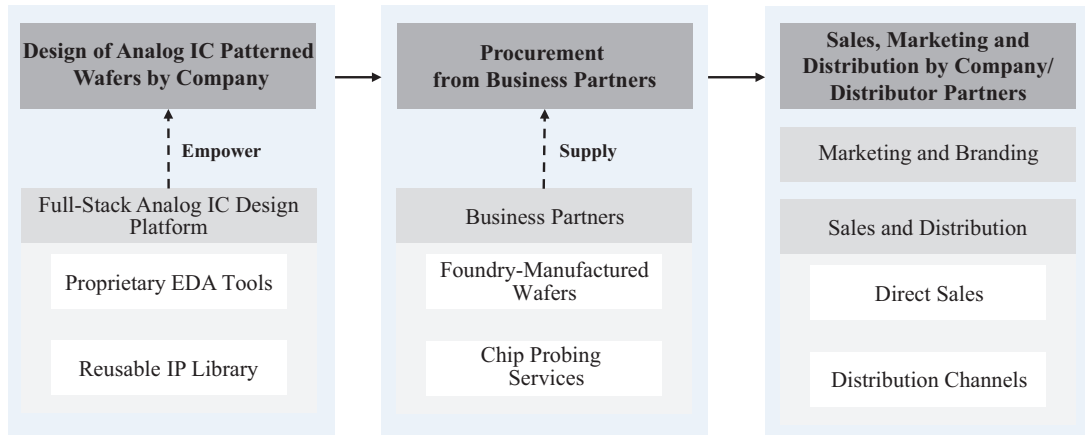
We are one of the analog IC patterned wafer providers with a prominent market position in China. Leveraging our full-stack analog IC design platform, we primarily focus on the design and provision of industrial grade analog IC patterned wafers that have achieved reliability and stability in accordance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

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

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better market opportunities in the long-tail analog IC sector and increase our market share, in addition to direct sales, we primarily partner with well-known distributors for branding, marketing and subsequent sales of our analog IC patterned wafers.

The following flowchart illustrates our business model:

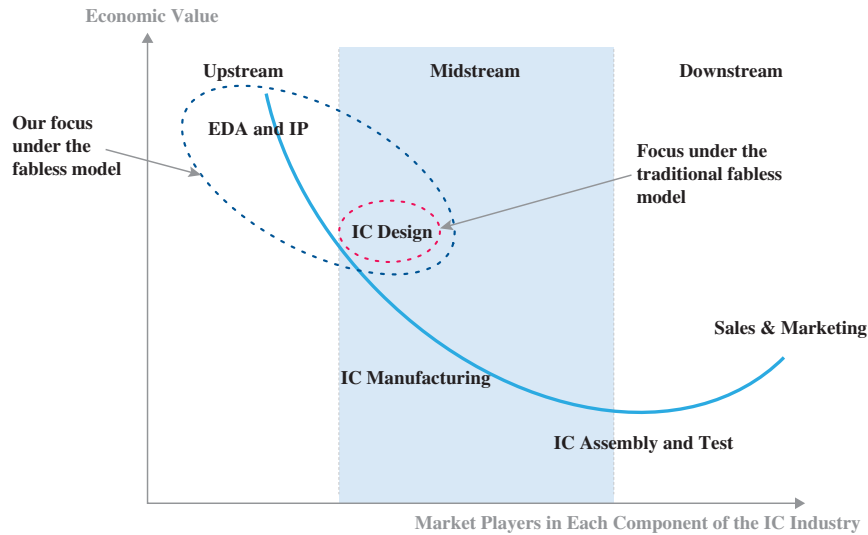


Fabless Model

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

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

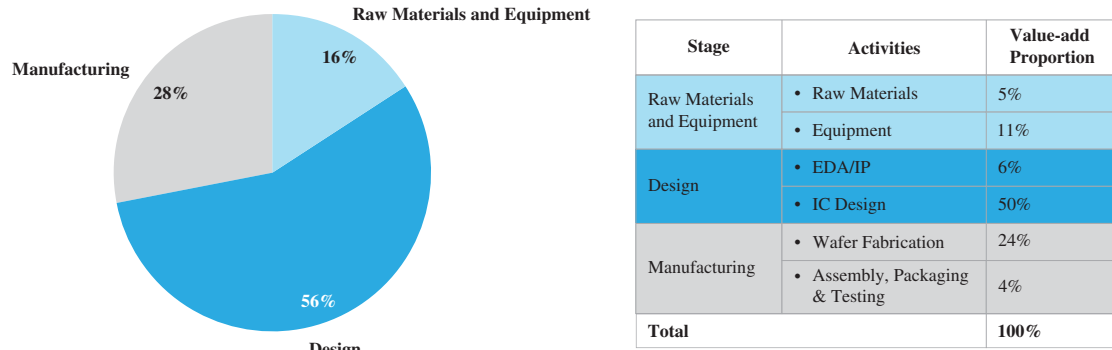


Source: Frost & Sullivan Report

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

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



Source: Frost & Sullivan Report

OUR PRODUCT OFFERINGS

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

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

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

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Our Operational Highlights

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

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

Notes:

- (1) CAGR only refers to the growth rate from the year ended December 31, 2020 to the year ended December 31, 2022.
- (2) Others mainly include linear regulators, battery management ICs, monitoring and modulating ICs and driver ICs.

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

- *Power management products.* The sales volume of our power management products experienced significant growth during the Track Record Period, primarily due to the constant increase in the sales volume of switching regulators driven by our continuous launch of new types of products.
- *Signal chain products.* The sales volume of our signal chain products increased during the Track Record Period, primarily resulting from our efforts to launch new products as well as the increasing demands from downstream customers.

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

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

Notes:

- (1) CAGR only refers to the growth rate from the year ended December 31, 2020 to the year ended December 31, 2022.
- (2) Others mainly include linear regulators, battery management ICs, monitoring and modulating ICs and driver ICs.

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

- *Power management products.* The average selling price of our power management products in 2020 and 2021 were at a relatively higher level as compared to that in 2022, primarily attributable to downstream customers’ higher demand. The global semiconductor industry experienced a supply shortage from the second half of 2020 to the first half of 2021, during which period downstream customers had an overall higher demand for analog IC products than usual in order to maintain a sufficient inventory level. In particular, products with high selling prices experienced a faster sales volume increase than products with low selling prices, primarily because (i) downstream customers were more willing than usual to pay a premium for products with high selling prices in order to cope with the global supply shortage, and (ii) with the COVID-19 pandemic slowing down the import of international products and accelerating the replacement of imported products with domestic substitutes, the suppliers of domestic substitutes with high selling prices were more limited than those of low selling prices given the higher reliability and more complex functions generally required for the products with high selling prices. All of these contributed to the high demand of our products with high average selling

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prices during the same period. When the global supply shortage has been eased since the second half of 2021, we experienced a decrease in the revenue contribution by our products with high average selling prices. The average selling price of our power management products increased from the six months ended June 30, 2022 to the six months ended June 30, 2023, primarily attributable to an increase in the portion of revenue contribution by multi-channel ICs and PMICs, the sub-category of products with the highest average selling price.

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

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

U.S.-China Trade Tensions and Its Impact

In 2017, the U.S. and PRC governments entered into negotiations to address various trade-related issues between the two countries. Since then, the two countries have been engaged in protracted discussions over the government acts, policies and practices relating to technology transfer, intellectual property and innovation, which led to the imposition by the U.S. of high tariffs in 2018 and 2019 on imports of certain Chinese-origin products. These tariffs are still in place. In addition, the U.S. has recently implemented various export control measures intended to slow the pace at which China acquires certain advanced U.S. technology. We do not currently export our products directly or indirectly to the U.S.

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

OUR ANALOG IC DESIGN PLATFORM

Integrating the entire analog IC design chain, including EDA, IP and design, we have built the only full-stack analog IC design platform in China, according to Frost & Sullivan. Our analog IC design platform is self-developed and wholly owned by us. With an extensive coverage of components, our platform comprehensively covers schematic editing, layout editing and simulation, the three most critical processes in analog IC design, equipping us with capabilities of full-stack analog IC design. Our successful breakthrough of the two underlying

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technical barriers, EDA software development and complementary IP modules, realizing system-level simulation and performance modeling. Together, our full-stack analog IC design platform has enabled us with large-scale design capability, and effectively lowered our internal barrier to IC design.

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

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

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

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

COMPETITIVE LANDSCAPE

According to Frost & Sullivan, we enjoy a prominent position in the analog IC patterned wafer market in China, ranking the first in terms of revenue generated from analog IC patterned wafers in 2022 with a market share of 1.7%. The analog IC patterned wafer market in China is a relatively fragmented market, with the aggregate market share of the top five companies accounting for only 5.0% in 2022. Small scaled patterned wafer providers may fail to meet the increasing demands of downstream customers arising from the more and more diverse use

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scenarios of patterned wafers, enabling the top players in the market to achieve significant first mover advantages. As a result, the market share of leading companies is expected to further expand. See “Industry Overview.”

OUR CUSTOMERS AND SUPPLIERS

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

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

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RISK FACTORS

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

- Our business growth and prospects are affected by our ability to continuously innovate and iterate our existing products and to expand our product mix and penetrate new markets.
- A significant proportion of our revenue was derived from our distributor partners, including Arrow and Customer A, during the Track Record Period. Any decrease in sales from, or loss of, one or more of our distributor partners would have negative impacts on our results of operations.
- We procured all of our foundry-manufactured wafers from a commercial patterned wafer channel partner during the Track Record Period. Due to the material reliance we had on our patterned wafer channel partner, any decrease in purchase from, or loss of, our patterned wafer channel partner would have negative impacts on our results of operations.
- Our inability to continuously develop our technological capabilities and improve our analog IC design platform could make our products uncompetitive and obsolete, which may impede our ability to address the requirements in technology segments that are expected to contribute to our growth.
- Rapid technological changes in the industries and markets to which our products are sold require us to constantly develop new technologies and products.
- Our business, financial condition and results of operations may be materially and adversely affected by international policies and international export controls and economic sanctions.
- Our products are primarily offered to downstream customers of certain industries in the PRC. Factors that adversely affect these industries in the PRC may have a negative impact on our business and operational results.
- Our historical growth may not be indicative of our future growth. If we are unable to manage our growth or execute our business strategies effectively, our results of operations and business prospects may be materially and adversely affected.
- Decreases in downstream customers’ demand for analog IC products may lead to a decrease in the selling price of our patterned wafer products, which may result in a decrease in our revenue.

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LEGAL PROCEEDINGS AND COMPLIANCE

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

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

RELATIONSHIP WITH OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

Immediately upon completion of the [REDACTED] and without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED], Mr. Li Zhen, Mr. Li Yi, Backward Electronic and Backward Partnership will hold in aggregate approximately [REDACTED]% of our Company’s total share capital.

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

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OUR PRE-[REDACTED] INVESTORS

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

SUMMARY OF KEY FINANCIAL INFORMATION

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

Summary of Statements of Profit or Loss and Other Comprehensive Income

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

Non-HKFRS Measure

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

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

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

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

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

Revenue by Business Line

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

	Year ended December 31,						Six months ended June 30,			
	2020	2021		2022		2022		2023		
	<i>RMB'000</i>	<i>% of Revenue</i>	<i>RMB'000</i>	<i>% of Revenue</i>	<i>RMB'000</i>	<i>% of Revenue</i>	<i>RMB'000</i>	<i>% of Revenue</i>	<i>RMB'000</i>	<i>% of Revenue</i>
						<i>(Unaudited)</i>				
Sales of power										
management products	87,075	98.1	192,899	90.7	294,797	83.6	133,228	82.2	179,596	87.9
– Switching regulators	28,453	32.1	99,445	46.8	149,500	42.4	77,804	48.0	75,701	37.1

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	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000	% of Revenue
	(Unaudited)									
- Multi-channel ICs and PMICs	44,362	50.0	79,832	37.5	109,794	31.1	36,705	22.6	85,283	41.7
- Others ⁽¹⁾	14,260	16.1	13,622	6.4	35,503	10.1	18,719	11.6	18,612	9.1
Sales of signal chain products	1,645	1.9	19,812	9.3	57,713	16.4	28,837	17.8	24,826	12.1
- Linear products	1,645	1.9	19,812	9.3	57,713	16.4	28,837	17.8	24,826	12.1
Total	88,720	100.0	212,711	100.0	352,510	100.0	162,065	100.0	204,422	100.0

Note:

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

Power Management Products

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

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

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

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

Signal Chain Products

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

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

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

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

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

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Gross Profit and Gross Profit Margin

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

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

Note:

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

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

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Power Management Products

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

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

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

Signal Chain Products

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

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

Our gross profit of sales of signal chain products decreased from RMB17.7 million for the six months ended June 30, 2022 to RMB15.1 million for the six months ended June 30, 2023. The gross profit margin of sales of signal chain products decreased from 61.4% for the six months ended June 30, 2022 to 60.7% for the six months ended June 30, 2023, primarily due

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to the relatively lower gross profit margin of the new types of linear products we offered to meet our customers’ demands for the six months ended June 30, 2023 compared with the linear products we provided for the six months ended June 30, 2022.

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

Summary of Statements of Financial Position

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

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

Our net current assets increased from RMB133.3 million as of December 31, 2020 to RMB259.6 million as of December 31, 2021, primarily due to an increase in cash and cash equivalents mainly as a result of the capital contributions by investors and proceeds from our operating activities. Our net current assets increased from RMB259.6 million as of

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

Summary of Statements of Cash Flow

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

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

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

Summary of Key Financial Ratios

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

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

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

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

For further details, see “Financial Information – Key Financial Ratios.”

RECENT DEVELOPMENT

No Material Adverse Change

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

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

Equity Transfers in 2023

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

COVID-19 PANDEMIC AND EFFECTS ON OUR BUSINESS

The COVID-19 pandemic has caused and may continue to cause an adverse impact on the economy and social conditions, which may have an indirect impact on the industries we operate in, and in turn may adversely affect our business operations and future prospects. Despite the adverse impact caused by COVID-19 pandemic, we were able to sustain our strong growth momentum during the Track Record Period. Especially during the year ended December 31, 2022, when many local governments across the PRC reimposed quarantine measures and restrictive policies to contain the highly-transmissible Omicron variant, our quarterly revenue

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nevertheless increased steadily from RMB78.0 million in the first quarter to RMB84.1 million in the second quarter, and further increased to RMB95.5 million in the third quarter and remained stable at RMB94.9 million in the fourth quarter, respectively. This is primarily because the manufacturing and chip probing services of our suppliers were not interrupted, and our chip probing service provider was able to deliver our products directly to our customer in Shanghai, which would otherwise be impracticable for us during such period. While we did not experience material adverse impact from COVID-19 during the Track Record Period and up to the Latest Practicable Date and do not expect COVID-19 to have significant adverse impact on our business operations or financial position in the long run, we are uncertain as to when the COVID-19 pandemic will be completely contained nor can we guarantee whether the COVID-19 pandemic will impact on our business operations in the future. See “Risk Factors – Risks Relating to Our Business and Industry – We may experience additional challenges related to the COVID-19 pandemic.”

[REDACTED] STATISTICS

The statistics in the following table are based on the assumptions that [REDACTED] H Shares will be issued pursuant to the [REDACTED] and the [REDACTED] is not exercised:

	Based on an [REDACTED] of HK\$[REDACTED]	Based on an [REDACTED] of HK\$[REDACTED]
[REDACTED] of our Shares ⁽¹⁾	HK\$[REDACTED]	HK\$[REDACTED]
[REDACTED] of our H Shares ⁽²⁾	HK\$[REDACTED]	HK\$[REDACTED]
Unaudited pro forma adjusted net tangible assets of the Company per Share ⁽³⁾	HK\$[REDACTED]	HK\$[REDACTED]

Notes:

- (1) The calculation of [REDACTED] is based on [REDACTED] Shares expected to be in issue immediately upon completion of the [REDACTED].
- (2) The calculation of the [REDACTED] of our H Shares is based on the [REDACTED] H Shares expected to be in issue immediately upon completion of the [REDACTED].
- (3) The unaudited pro forma adjusted net tangible assets of the Company per Share is calculated based on [REDACTED] Shares immediately following the completion of the [REDACTED] and assuming that the [REDACTED] had been completed on June 30, 2023 without taking into account of any Shares which may be issued upon the exercise of the [REDACTED]. The unaudited pro forma adjusted net tangible assets of the Company per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.91175, being the PBOC rate prevailing on the Latest Practicable Date.

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DIVIDENDS

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

FUTURE PLANS AND [REDACTED]

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

We intend to use the net [REDACTED] as follows:

- approximately [REDACTED]%, or HK\$[REDACTED], is expected to be used for enhancing our R&D and innovation capabilities, including (i) approximately [REDACTED]%, or HK\$[REDACTED], is expected to be used to invest in R&D infrastructure and upgrade our R&D center, (ii) approximately [REDACTED]%, or HK\$[REDACTED], is expected to be used to upgrade our R&D technology, and (iii) approximately [REDACTED]%, or HK\$[REDACTED], is expected to be used to expand our R&D team to support our R&D center upgrade and increase our competitive advantages in the industry;
- approximately [REDACTED]%, or HK\$[REDACTED], is expected to be used to further enrich our product portfolio and expand our business, including (i) approximately [REDACTED]%, or HK\$[REDACTED], is expected to be used to improve and upgrade our analog IC product line, and (ii) approximately [REDACTED]%, or HK\$[REDACTED], is expected to be used to develop a mixed-signal IC product line;
- approximately [REDACTED]%, or HK\$[REDACTED], is expected to be used to expand our customer base and strengthen our relationship with customers, including (i) approximately [REDACTED]%, or HK\$[REDACTED], is expected to be used to establish two sales centers in the pearl river delta region and central China, and (ii) approximately [REDACTED]%, or HK\$[REDACTED], is expected to be used to maintain customer relationship and develop new customers;

SUMMARY

- approximately [REDACTED]%, or HK\$[REDACTED], is expected to be used for strategic investments and/or acquisition to achieve our long-term growth strategies; and
- approximately [REDACTED]%, or HK\$[REDACTED], is expected to be used for working capital and general corporate purposes.

[REDACTED] EXPENSES

Based on the mid-point [REDACTED] of HK\$[REDACTED] per Share, the total estimated [REDACTED] expenses in relation to the [REDACTED] are RMB[REDACTED] (HK\$[REDACTED]), assuming the [REDACTED] is not exercised, which constitute approximately [REDACTED]% of the gross [REDACTED]. Our total [REDACTED] consist of (i) [REDACTED]-related expenses of RMB[REDACTED] (HK\$[REDACTED]); and (ii) [REDACTED]-related expenses of RMB[REDACTED] (HK\$[REDACTED]), including (a) fees payable to our legal advisors and Reporting Accountants of RMB[REDACTED] (HK\$[REDACTED]) and (b) other fees and expenses, including sponsors fees and the fees of other professional parties, of RMB[REDACTED] (HK\$[REDACTED]). During the Track Record Period, we incurred [REDACTED] expenses of RMB[REDACTED], of which RMB[REDACTED] was recognized in our statements of profit or loss in the six months ended June 30, 2023, and RMB[REDACTED] was recognized as prepayments in our statements of financial position as of June 30, 2023, to be accounted for as a deduction from equity upon the [REDACTED]. Subsequent to the Track Record Period, we expect to incur [REDACTED] of RMB[REDACTED] (HK\$[REDACTED]) prior to and upon completion of the [REDACTED], of which RMB[REDACTED] (HK\$[REDACTED]) is expected to be recognized as expenses in our statements of profit or loss, and RMB[REDACTED] (HK\$[REDACTED]) is expected to be accounted for as a deduction from equity upon the [REDACTED]. The [REDACTED] expenses to be incurred subsequent to the Track Record Period consist of (i) [REDACTED]-related expenses of RMB[REDACTED] (HK\$[REDACTED]), and (ii) [REDACTED]-related expenses of RMB[REDACTED] (HK\$[REDACTED]), including (a) fees payable to our legal advisors and Reporting Accountants of RMB[REDACTED] (HK\$[REDACTED]) and (b) other fees and expenses of RMB[REDACTED] (HK\$[REDACTED]). The [REDACTED] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

FILING WITH THE CSRC

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Overseas Listing Trial Measures**”) and relevant supporting guidelines, which came into effect on March 31, 2023. The Overseas Listing Trial Measures comprehensively improve and reform the previous regulatory regime for overseas offering and listing of PRC domestic companies’ securities and regulate both direct and indirect overseas

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offering and listing of PRC domestic companies’ securities. Any domestic company that is deemed to conduct overseas offering and listing activities shall file with the CSRC in accordance with the Overseas Listing Trial Measures.

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

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