

## BUSINESS

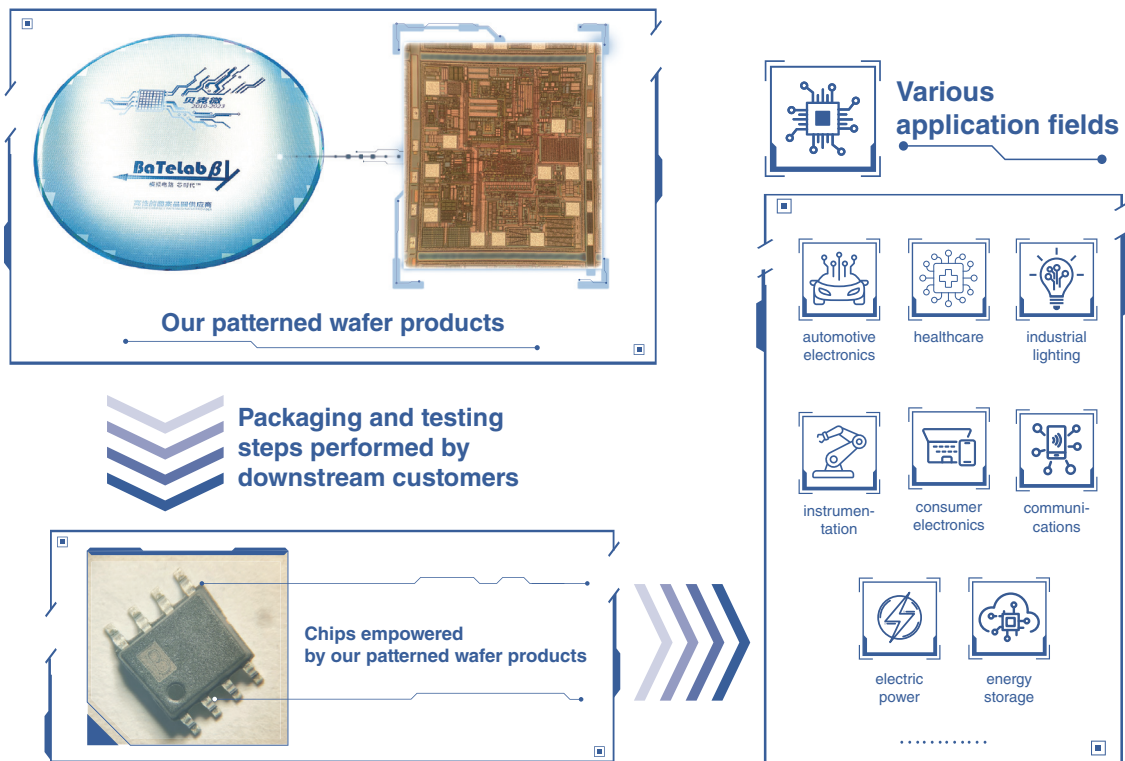
### OVERVIEW

#### Who We Are

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

The production of IC products consists of three stages, namely design, manufacturing, and packaging and testing. After determining the anticipated functionality of ICs, the design engineer creates layouts combining numerous electronic elements, including transistors, resistors, and capacitors, to realize the desired functions. As the design process generally involves a large volume of IC elements and complicated processes including schematic editing, circuit simulation and layout editing, design tools provided by upstream EDA software and IP companies are widely used to assist in the whole design process. When an analog IC design becomes available, a photomask is prepared based on the layout. Manufacturers then use the photomask to engrave the 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.

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



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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. We are the largest provider of analog IC patterned wafers in China in terms of revenue in 2022, accounting for a market share of 1.7% of the total market size of RMB21.3 billion in China in the same year, according to Frost & Sullivan.

We offer approximately 400 types of diversified industrial grade analog IC patterned wafer products across seven sub-categories, namely switching regulators, multi-channel ICs and PMICs, linear regulators, battery management ICs, monitoring and modulating ICs, driver ICs, and linear products, in the power management category and the signal chain category as of the Latest Practicable Date. Our general-purpose, standardized analog IC patterned wafers are adaptable to a variety of end products in different application scenarios. 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,

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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. Our platform has achieved technical breakthroughs in both EDA software and IP module design, empowering efficient standardized design of analog IC products.

- ***Analog IC Design is Our Platform’s Core Capability.*** We are the only analog IC design company in China equipped with proprietary EDA software, according to Frost & Sullivan. Our platform covers all major functions relating to schematic editing, layout editing and simulation, the three most critical processes in analog IC design.
- ***Rich and Reusable IP Library Ensures Platform Scalability.*** We prioritize batch design of similar products, and we often design IP modules to have regular shapes such as compact rectangles, enhancing standardization and reusability. We conduct research on manufacture processing technologies and develop our IP modules adaptable to industry leading processes, improving the compatibility of our design with manufacturing. As of the Latest Practicable Date, we have amassed more than 400 IP modules covering 12 core categories of analog IC design and adaptable to nine core processing technologies, representing the most comprehensive IP coverage among all analog IC design companies in China.
- ***Smart Design Enables Efficient Product Development.*** Our platform supports standardized, visualized, and easy-to-operate analog IC design, with the automation level close to digital IC design, which significantly reduces learning barrier for R&D personnel as well as development cost and time. In 2022, for each new product, our average R&D expenditure was about 45% lower, and our average design time was about 25% shorter, than the industry average, according to Frost & Sullivan.

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



\* Requiring substantial collaboration with upstream and downstream business partners.

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

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

### Market Opportunities

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

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

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- **Application Scenario.** Compared to digital ICs that process binary digital signals, analog ICs process continuous physical analog signals observed in the nature, bringing about widely diverse application scenarios for industrial grade products. According to Frost & Sullivan, there are currently more than 63,000 types of industrial grade analog IC products in the market, and approximately 80% of the total sales in the market are attributed to a large number of individual products each of whose sales accounts for no more than 0.02% of the total market size, indicating an immense demand from long-tail application scenarios. These application scenarios include automotive electronics, healthcare, industrial automation, industrial Internet of Things, industrial lighting, instrumentation, communications, electric power, energy storage and consumer electronics. However, there is a lack of IC design companies that are capable of providing integrated solutions for these scattered individual products in a cost-effective manner.
- **R&D Investment.** Analog IC design involves a great variety of integrated circuit elements, the interactions of which are complex. Without sufficient high-performance EDA software and reusable IP libraries, analog IC design often relies heavily on the experience and know-how of scarce talented design engineers, and requires costly R&D expenditure. According to Frost & Sullivan, the average R&D expenditure required to develop a new type of industrial grade analog IC in China was approximately RMB5.5 million in 2022.
- **Development Cycle.** Analog IC product development requires intensive communication and cooperation with foundries from design to tape-out and to volume production, which results in a prolonged development cycle. According to Frost & Sullivan, the average development cycle for a new type of industrial grade analog IC in China is 13-14 months in 2022.
- **Economies of Scale.** With the long-tail analog IC market, it is often difficult for IC design companies to secure foundry capacity or establish economies of scale for products with small volume requirements. On the other hand, as traditional scaling of transistors becomes increasingly difficult, advanced packaging technologies have emerged as new ways to continue improving the performance and functionality of ICs. These technologies enable the integration of multiple unpackaged dies sliced from patterned wafers with diverse functions into a single package, providing significant benefits in terms of power consumption, performance, and form factor, and have become one of the most important methods of “More-than-Moore,” where added value to devices is provided by incorporating functionalities that do not necessarily scale according to the traditional “Moore’s Law.” In such advanced packaging scenario, the traditional packaged chip delivery form of analog IC products results in wasteful repackaging cost for the downstream participants.



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

### Our Values

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

- **Broader Industry Collaboration.** Leveraging our diversified product offerings and patterned wafers as deliverable products, we can integrate downstream customers’ needs for different products and applications, taking full advantage of foundry capacity and providing affordable patterned wafer products for the long-tail demand in various industries. Our patterned wafers are chiplet-ready, which means that they can be fabricated into small, modular chips that can be combined to form a more complex chip, giving our downstream customers more design flexibility and optimizing their products’ performance and power consumption.
- **Lower R&D Expenditure.** Our patterned wafers can be manufactured into finished chip products after standard and straightforward packaging and testing. It allows various downstream customers, including chip design companies, commercial distributors, brand-name manufacturers and ODMs, to significantly reduce development costs of IC chips, helping them launch new chip products in a cost-effective manner. By adopting patterned wafers, our downstream customers can reallocate the funds saved from reduced R&D expenditure to other core products or marketing activities.
- **Shorter Time-to-Market.** Our downstream customers, especially chip design companies, can launch new products in several weeks at most after purchasing our analog IC patterned wafers, significantly mitigating uncertainty for product development and shortening their products’ time-to-market, which facilitates their penetration into broader end markets.
- **More Reliable Product Performance.** Our design platform ensures consistency in the design process, which allows us to more easily identify and address any issues or challenges that may arise during the design process, as well as minimize the risk of errors or inconsistencies that could impact the final product’s performance. This enables our patterned wafers to meet the requirements of a wide variety of industrial grade application scenarios.
- **More Versatile Packaging.** Our patterned wafers enable our downstream customers to avoid wasteful repeated packaging and improve product integration efficiency by enabling advanced packaging technologies such as SiP.

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### COMPETITIVE STRENGTHS

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

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

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

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

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

#### Differentiated Analog IC Design Platform

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

- ***Intelligent.*** Based on machine learning technology, our design platform supports automatic fitting and optimization of historical simulation data, which eliminates the need to build complex circuitry matrix. This significantly reduces the computational resources required to run a simulation, while greatly improving the efficiency and accuracy of the simulation results.
- ***Flexible.*** Our platform supports graphical code-light IC design, which replaces the text-based coding process with graphical Play-and-Plug visual process. This effectively simplifies and visualizes IC layout design and allows fast and flexible responses to downstream customers’ new application needs.



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- **Scalable.** Our platform has accumulated a library of layout-level IP modules. Covering 12 major categories of analog IC design and adaptable to nine core processing technologies, our IP modules are almost 100% reusable, allowing block-building type of rapid products development. Our IP modules have strong inherent correlations and compatibility, allowing for deep coupling and calls for multiple IP modules simultaneously, which optimizes our design process by allowing for better coordination between different modules. In terms of layout area, approximately 80% of the circuit designs in our products can be completed using existing IP modules in the library.
- **Reliable.** Our platform supports separate stabilization and optimization for application scenario environments as well as automatic addition of auxiliary circuitry to the original layout, thus enabling our products to function normally in extreme temperature and electromagnetic environments. Almost 100% of our analog IC patterned wafers have achieved industrial grade standards.

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

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

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

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### **Diversified and Loyal Downstream Customer Base**

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

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

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

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

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

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### OUR STRATEGIES

#### Extend Our Technology Leadership

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

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

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

#### Grow and Enrich Our Product Offerings

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

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

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

We plan to acquire new customers to grow our customer base. We will focus on catering to evolving market trends, strengthening our advantages in design capabilities and product quality. Meanwhile, leveraging end-to-end data from our marketing and sales channels and feedback from existing partners, we will improve our capabilities to provide high-performance products in key application fields such as new energy, which will help us attract premium

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customers and improve customer stickiness. In particular, we plan to deepen our collaboration with existing customers, and attract and establish long-term business relationship with new customers, including direct sale customers and distributors, by expanding our sales and marketing team, participating in industry exhibitions, strengthening our brand promotion, providing sufficient technical support and after-sales services, and collaborating with top market players in the industry. We also plan to improve the abilities of our in-house sales and marketing team members.

We will further deepen and broaden our business cooperation with existing customers. Focusing on our customers’ needs is critical for maintaining long-term relationships with them. We are dedicated to aligning the development of our products with their strategic goals and creating values for them. For details of future expansion of our customer base and deepen our relationship with customers, see “[REDACTED].”

### **Pursue Strategic Investments and Acquisitions**

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

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

## **OUR BUSINESS MODEL**

### **Overview**

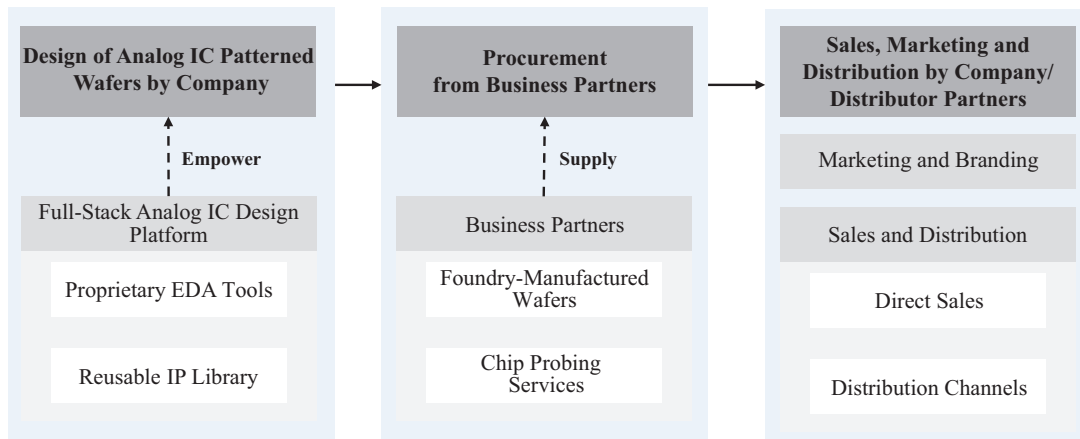
We are one of the analog IC patterned wafer providers with a prominent market position in China. Leveraging our full-stack analog IC design platform, we primarily focus on the design and provision of industrial grade analog IC patterned wafers that have achieved reliability and stability in accordance 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

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inspection and testing work to ensure the quality of the delivered products. As we enter the sales, marketing and distribution stage, to meet the needs of the downstream customers, capture better market opportunities in the long-tail analog IC sector and increase our market share, in addition to direct sales, we primarily partner with well-known distributors for branding, marketing and subsequent sales of our analog IC patterned wafers.

The following flowchart illustrates our business model:

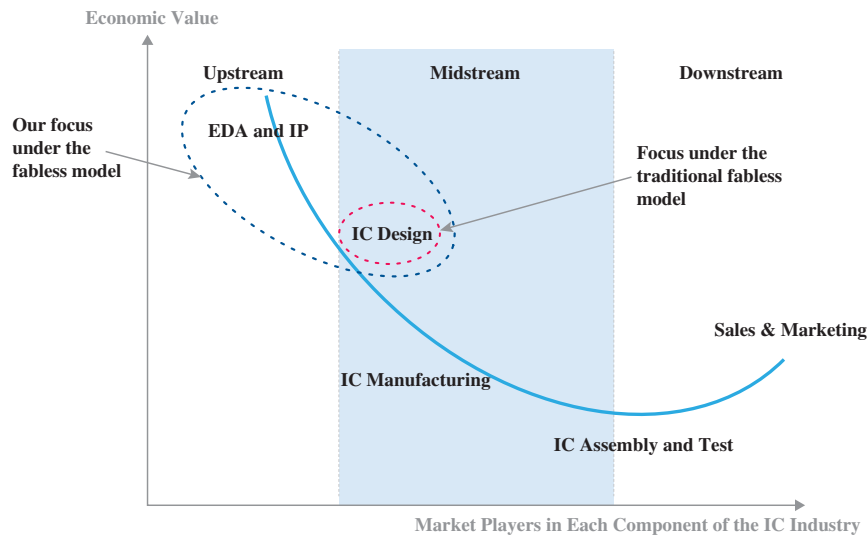


### Fabless Model

We operate with a fabless model, where companies focus on designing their own IC products and outsource IC manufacturing to foundries. The IC industry has developed to a high degree of division of labor, and each of the market players on the IC value chain, including service and solution providers of supporting technologies and tools (such as EDA software and IP), IC manufacturing, 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 (linked to the ROE) of market players in each component of the IC industry:



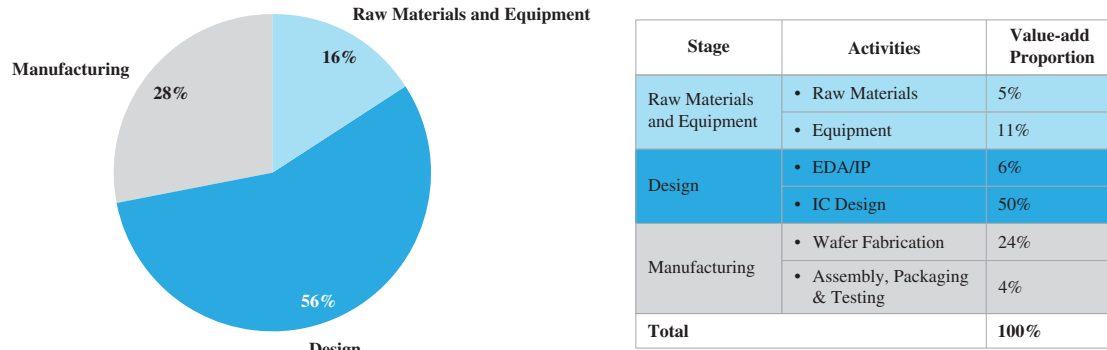
Source: Frost & Sullivan Report

According to Frost & Sullivan, the economic value of EDA and IP 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

### Overview

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

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

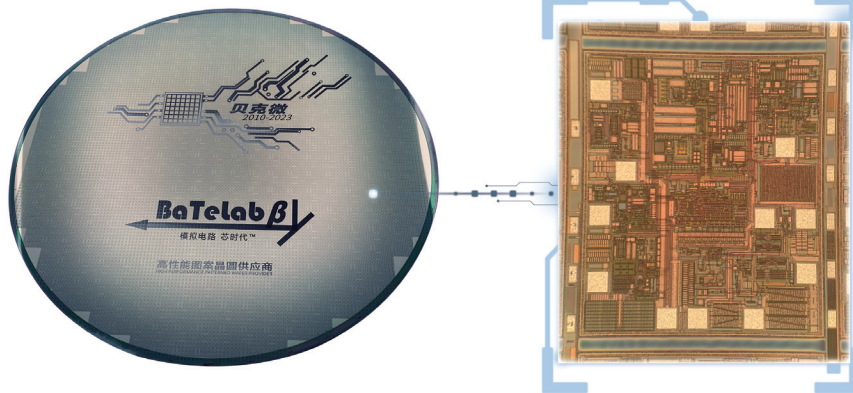
We offer a portfolio of high-performance analog IC patterned wafers with refined built-on electronic circuits designed by us. Our general-purpose, standardized analog IC patterned wafers are adaptable to a variety of end products in different application scenarios. Our broad and diverse product portfolio can accomplish many different tasks, including conversion, distribution and protection of power supply voltage, management, monitoring and protection of lithium batteries, and collection, comparison and amplification of signals. Our products are applied in different industry verticals, including automotive electronics, healthcare, industrial

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automation, industrial Internet of Things, industrial lighting, instrumentation, communications, electric power, energy storage and consumer electronics. Our general-purpose, standardized patterned wafer products enjoy a lifecycle of approximately ten years, which is longer than the lifecycle of consumer grade analog ICs of approximately five years, according to Frost & Sullivan, due to the higher stability requirement and longer lifecycle of industrial grade end products.

Dies are function units on patterned wafers. Each patterned wafer, depending on the functionality of its built-on electronic circuit, manufacturing processes, and qualification rate, contains different number of dies. Each die can be easily turned into chip products after subsequent packaging and testing by downstream customers. Therefore, the price of our patterned wafer products is based on the selling price of each die times the number of qualified dies on each patterned wafer. According to Frost & Sullivan, it is consistent with the practice of industry peers to count the selling price and quantity of products in the form of dies.

Our patterned wafers are adapted to commonly used IC package types, including SOT, SOP and DFN, and advanced IC packaging technologies, including SiP. The following pictures illustrate our patterned wafers:



An eight-inch patterned wafer<sup>(1)</sup>

A die on the eight-inch patterned wafer

*Note:*

- (1) The number of dies on our eight-inch patterned wafer varies from approximately 100 to 20,000, depending on the complexity of built-on electronic circuits which determines the area of a die and the manufacturing processes of the die's edges.

We perform design of our patterned wafer products leveraging our full-stack analog IC design platform, which equips us with strong design capabilities and a semi-automatic way of design. Our analog IC design platform enables our products to encompass multiple processing technologies, providing us with significant latitude and flexibility to design and optimize a range of basic integrated analog IC building-block components. By importing detailed

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technical processing parameters into our EDA software tools, we are able to design, generate and verify new IP modules or improve our existing IP modules compatible with these processing technologies. Such a module and circuit design process informed by the processing technologies that will be used to manufacture the actual circuits leads to better design and high-performance final products. In addition, along with the sales of patterned wafer products, we provide after-sales technical support to downstream customers, especially during their packaging and testing processes. As technical support from patterned wafer product provider is indispensable to downstream customers’ use and application of products, our value-added services effectively support their business operations, and thus solidify our competitiveness.

As of the Latest Practicable Date, we had built up a broad product portfolio covering approximately 400 types of analog IC patterned wafer products that are integral and critical components to a wide variety of electronic equipment. We first divide our products into two major categories, namely power management products and signal chain products, and then divide them into seven sub-categories, namely switching regulators, multi-channel ICs and PMICs, linear regulators, battery management ICs, monitoring and modulating ICs, driver ICs, and linear products, based on their functions. Products within the same sub-categories are further divided into different types according to their performance parameters, such as input voltages and output amperage. There are multiple types of products in the same sub-category. Each type of product has a unique code for identification purpose. For example, our DC-DC regulators, a collective type of products in the sub-category of switching regulators, differentiate from other types of products in the same sub-category in many aspects, which mainly include (i) the input voltage, which ranges from 2.7V to 100V; (ii) the output amperage; (iii) isolation status, which may be isolated or non-isolated; and (iv) other aspects, such as the specifications of chips, modulation method and frequency.

### ***Power Management Products***

Our power management products help downstream customers manage power across different voltage and/or current levels, including AC-DC and DC-DC switching regulators, multi-channel ICs and PMICs, linear regulators, battery management ICs, monitoring and modulating ICs, and driver ICs. Our power management products typically can be used in industries and fields including automotive electronics, healthcare, industrial automation, industrial Internet of Things, industrial lighting, instrumentation, communications, electric power, energy storage and consumer electronics.

- *Switching regulators.* We offer a comprehensive portfolio of high-performance DC-DC and AC-DC switching regulators to realize functions including boosting, bucking, buck-boosting and isolation of power supply. Our switching regulators can be used in industrial, medical, automation and automotive sectors. Typical applicable scenarios include audio equipment, in-car equipment, communications equipment, new energy, special-purpose computers and portable electronic devices.

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- *Multi-channel ICs and PMICs.* Our scalable multi-channel ICs and PMICs realize functions including voltage converters and regulators, battery chargers, battery meters, LED drivers, real-time clocks, power sequencers, and power controls. Our multi-channel ICs and PMICs can be used for multiple types of motherboards, medical or handheld portable instruments.
- *Linear regulators.* Our linear regulators produce a regulated output voltage that features a stable supply voltage with low self-loss, powering sensitive analog systems and extending battery life. Our linear regulators can be used on battery chargers, switching power supply regulators, microprocessor power supply devices, and personal digital devices including Bluetooth earphones and headphones, laptops and digital cameras.
- *Battery management ICs.* Our battery management ICs provide for battery monitoring and protection to ensure safe use of battery and improve battery’s service life, making it easier for downstream customers to design efficient, long-lasting and reliable battery-powered applications. Our battery management ICs are typically used on battery-powered electric equipment such as electric vehicles and e-bikes, backup battery systems and mobile radios.
- *Monitoring and modulating ICs.* Our monitoring and modulating ICs monitor the system voltage or current signals to ensure that the system voltage and current are within the specified safety range. Typical use scenarios of our monitoring and modulating ICs include hot-swap power supply, redundant power supply, laptop power supply, load protection and anti-surge lightning strike for computers, servers, and communication equipment.
- *Driver ICs.* Our driver ICs can maximize current limit, enable thermal protection and ultra-high efficiency while minimizing power losses, and allow the circuit to perform fast turn-on and turn-off, which helps achieve good picture quality in consumer electronics, industrial and automotive applications and makes it easier for downstream customers to design efficient, reliable and power-dense systems. Our driver ICs can be used for LCD bias, OLED monitors, and high-power high-efficiency flyback power supply equipment.

### *Signal Chain Products*

Our signal chain products include products that sense, condition and measure real-world signals to allow information or signal to be transferred or converted for further processing and control. Our signal chain products are all linear products. Our signal chain products typically can be used in industries and fields including industrial automation and electric power.

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- Linear products.** We primarily offer comparators and operational amplifiers. Our comparators are used to achieve extended battery life, fast response in critical timing measurement, greater detection capability and precision in sensitive applications, providing versatility to design. Our comparators can be used in industrial testing equipment, factory and building automation equipment, and motor drives. Our operational amplifiers realize signal amplification and transmission, and can be used on signal generators and portable measurement equipment.

### Our Operational Highlights

During the Track Record Period, our revenue was primarily generated from the sales of patterned wafer products carrying power management ICs and signal chain ICs, reaching RMB88.7 million, RMB212.7 million, RMB352.5 million, and RMB162.1 million and RMB204.4 million in 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, respectively, the details of which are set forth as follows:

	Year ended December 31,						CAGR <sup>(1)</sup>	Six months ended June 30,			
	2020		2021		2022			2022		2023	
	Sales		Sales		Sales			Sales		Sales	
	Amount		Amount		Amount			Amount		Amount	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%		(RMB'000)	%	(RMB'000)	%
	<i>(Unaudited)</i>										
<b>Power management</b>											
<b>products</b>	<b>87,075</b>	<b>98.1</b>	<b>192,899</b>	<b>90.7</b>	<b>294,797</b>	<b>83.6</b>	<b>84.0%</b>	<b>133,228</b>	<b>82.2</b>	<b>179,596</b>	<b>87.9</b>
Switching											
regulators	28,453	32.1	99,445	46.8	149,500	42.4	129.2%	77,804	48.0	75,701	37.1
Multi-channel ICs											
and PMICs	44,362	50.0	79,832	37.5	109,794	31.1	57.3%	36,705	22.6	85,283	41.7
Others <sup>(2)</sup>	14,260	16.1	13,622	6.4	35,503	10.1	57.8%	18,719	11.6	18,612	9.1
<b>Signal chain</b>											
<b>products</b>	<b>1,645</b>	<b>1.9</b>	<b>19,812</b>	<b>9.3</b>	<b>57,713</b>	<b>16.4</b>	<b>492.3%</b>	<b>28,837</b>	<b>17.8</b>	<b>24,826</b>	<b>12.1</b>
Linear products	1,645	1.9	19,812	9.3	57,713	16.4	492.3%	28,837	17.8	24,826	12.1

*Notes:*

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

For a detailed analysis of the material fluctuations of our revenue during the Track Record Period, see “Financial Information – Description of Major Components of Our Results of Operations – Revenue – Revenue by Business Line.”

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

	Year ended December 31,						Six months ended June 30,				
	2020		2021		2022		2022		2023		
	Sales Volume (‘000)	%	Sales Volume (‘000)	%	Sales Volume (‘000)	%	CAGR <sup>(1)</sup>	Sales Volume (‘000)	%	Sales Volume (‘000)	%
<b>Power management</b>											
<b>products</b>	<b>16,966</b>	<b>99.0</b>	<b>34,220</b>	<b>91.5</b>	<b>72,880</b>	<b>83.3</b>	<b>107.3%</b>	<b>35,422</b>	<b>83.8</b>	<b>45,253</b>	<b>85.5</b>
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 <sup>(2)</sup>	5,500	32.1	5,971	16.0	15,656	17.9	68.7%	8,182	19.3	7,782	14.7
<b>Signal chain</b>											
<b>products</b>	<b>177</b>	<b>1.0</b>	<b>3,183</b>	<b>8.5</b>	<b>14,596</b>	<b>16.7</b>	<b>808.1%</b>	<b>6,847</b>	<b>16.2</b>	<b>7,685</b>	<b>14.5</b>
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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During the Track Record Period, the average selling price of the qualified dies\* was RMB5.2, RMB5.7, RMB4.0, RMB3.8 and RMB3.9 in 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, respectively, the details of which are set forth as follows:

	Year ended December 31,				Six months ended	
	2020	2021	2022	CAGR <sup>(1)</sup>	June 30,	
	(RMB)	(RMB)	(RMB)		2022	2023
					(RMB)	(RMB)
<b>Power management products</b>	<b>5.1</b>	<b>5.6</b>	<b>4.0</b>	<b>-4.3%</b>	<b>3.8</b>	<b>4.0</b>
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 <sup>(2)</sup>	2.6	2.3	2.3	-4.0%	2.3	2.4
<b>Signal chain products</b>	<b>9.3</b>	<b>6.2</b>	<b>4.0</b>	<b>-24.5%</b>	<b>4.2</b>	<b>3.2</b>
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

\* As each piece of patterned wafers generally contains hundreds to thousands of dies and each die can be turned into an individual IC product, our average selling price is significantly different from the average purchase price of untested patterned wafers. See “– Our Product Offerings – Pricing of Our Products – Our Raw Material Purchase Price” for a detailed analysis of our average purchase price. In 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, we sold 9,276, 23,002, 37,578, 17,881 and 22,631 pieces of patterned wafers, respectively, the average selling price of which reached RMB9,564.9, RMB9,247.5, RMB9,380.8, RMB9,063.5 and RMB9,032.6, respectively, in the corresponding periods.

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products with high selling prices in order to cope with the global supply shortage, and (ii) with the COVID-19 pandemic slowing down the import of international products and accelerating the replacement of imported products with domestic substitutes, the suppliers of domestic substitutes with high selling prices were more limited than those of low selling prices given the higher reliability and more complex functions generally required for the products with high selling prices. All of these contributed to the high demand of our products with high average selling prices during the same period. When the global supply shortage has been eased since the second half of 2021, we experienced a decrease in the revenue contribution by our products with high average selling prices. The average selling price of our power management products increased from the six months ended June 30, 2022 to the six months ended June 30, 2023, primarily attributable to an increase in the portion of revenue contribution by multi-channel ICs and PMICs, the sub-category of products with the highest average selling price.

- *Switching regulators.* The average selling price of our switching regulators increased from RMB2.8 in 2020 to RMB3.8 in 2021, primarily attributable to the 12 types of switching regulators we launched in 2021 with relatively high average selling price (the “**High ASP Switching Regulators**”), which accounted for 31.8% of the revenue of all switching regulators in 2021. These High ASP Switching Regulators are benchmarked to international competitors and have relatively average selling prices, reaching between RMB26.0 to RMB38.0 during the Track Record Period, as they have higher reliability and more complex functions as compared to other types of switching regulators we launched before or thereafter.

The average selling price of our switching regulators decreased from RMB3.8 in 2021 to RMB2.8 in 2022, and from RMB3.0 for the six months ended June 30, 2022 to RMB2.3 for the six months ended June 30, 2023, primarily because we launched multiple types of products with relatively low average selling prices in such periods to diversify our product offerings (the “**Low ASP Switching Regulators**”). These Low ASP Switching Regulators generally had an average selling price ranging from RMB1.0 to RMB2.6 during the Track Record Period. Although these products have simpler functionality and lower performance parameters, they could still meet the needs of the downstream customers in most scenarios and combine satisfactory performance with competitive prices. With the ease of supply shortage and increased demand for our Low ASP Switching Regulators since the second half of 2021, downstream customers became more cost-sensitive as compared to previous periods. As our Low ASP Switching Regulators offered more cost-effective solutions, we experienced a substantial increase in the revenue contribution by our Low ASP Switching Regulators from 68.2% in 2021 to 80.0% in 2022, and from 78.2% for the six months ended June 30, 2022 to 90.1% for the six months ended June 30, 2023, of the total revenue of all switching regulators in the corresponding periods.

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- *Multi-channel ICs and PMICs.* The average selling price of our multi-channel ICs and PMICs increased from RMB36.2 in 2020 to RMB42.1 in 2021, primarily due to our expanded product offerings in types of multi-channel ICs and PMICs with relatively high average selling price (the “**High ASP Multi-channel ICs and PMICs**”). These High ASP Multi-channel ICs and PMICs are benchmarked to international competitors and have relatively high average selling prices, reaching between RMB91.0 to RMB141.0 during the Track Record Period, as they have higher reliability and more complex functions as compared to other types of multi-channel ICs and PMICs we launched before or thereafter. In 2020, we launched two original types of High ASP Multi-channel ICs and PMICs, which had an average selling price ranging from RMB84.0 to RMB98.0 during the Track Record Period, based on which we further launched two types in 2021, which had an average selling price of approximately RMB190.0 during the Track Record Period. Driven by the high demand during the global semiconductor industry from the second half of 2020 to the first half of 2021, the revenue contribution by our High ASP Multi-channel ICs and PMICs increased from 55.8% in 2020 to 60.1% in 2021 of the total revenue of all multi-channel ICs and PMICs in the corresponding periods, resulting in a higher average selling price of High ASP Multi-channel ICs and PMICs in 2021.

The average selling price of multi-channel ICs and PMICs slightly increased from RMB42.1 in 2021 to RMB44.0 for the six months ended June 30, 2022, primarily due to (i) an increase in the revenue contribution by the High ASP Multi-channel ICs and PMICs we launched in 2021 from 2.6% in 2021 to 19.0% for the six months ended June 30, 2022 of the total revenue of all multi-channel ICs and PMICs in the corresponding periods, and (ii) we further launched two types of High ASP Multi-channel ICs and PMICs in the first half of 2022, the revenue contribution by which increased from nil in 2021 to 13.3% for the six months ended June 30, 2022 of the total revenue of all multi-channel ICs and PMICs.

In spite of the increased averaged selling price from 2021 to the six months ended June 30, 2022, the average selling price of multi-channel ICs and PMICs decreased from RMB42.1 in 2021 to RMB31.4 in 2022, and from RMB44.0 for the six months ended June 30, 2022 to RMB21.9 for the six months ended June 30, 2023, primarily because we launched multiple types of products with relatively low average selling prices in such periods to diversify our product offerings (the “**Low ASP Multi-channel ICs and PMICs**”). These Low ASP Multi-channel ICs and PMICs generally had an average selling price ranging from RMB14.0 to RMB28.0 during the Track Record Period. Although these products have simpler functionality and lower performance parameters, they could still meet the needs of the downstream customers in most scenarios and combine satisfactory performance with competitive prices. With the ease of supply shortage and increased demand for our Low ASP Multi-channel ICs and

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PMICs since the second half of 2021, downstream customers became more cost-sensitive as compared to previous periods. As our Low ASP Multi-channel ICs and PMICs offered more cost-effective solutions, we experienced a substantial increase in the revenue contribution by our Low ASP Multi-channel ICs and PMICs from 39.9% in 2021 to 62.4% in 2022, and from 46.3% for the six months ended June 30, 2022 to 83.3% for the six months ended June 30, 2023, of the total revenue of all multi-channel ICs and PMICs products in the corresponding periods.

- *Others.* We experienced some fluctuations in the average selling price of other sub-categories of products during the Track Record Period, including linear regulators, battery management ICs, monitoring and modulating ICs and driver ICs, primarily due to a shift in our product mix in accordance with the changing downstream market demands. The revenue contributions of these sub-categories of products during the Track Record Period were insignificant.
- *Signal chain products.* The average selling price of our signal chain products experienced a constant decrease during the Track Record Period due to an increase in the portion of revenue contribution of the types of products with a relatively lower average selling price as compared to the other types of products resulting from increasing market demand. We launched our first signal chain product in 2020. This signal chain product, being a two-channel amplifier, allows a higher input voltage to be supplied at its input terminals, and such specification is rarely seen among amplifiers in the market. Due to its advanced technological specifications, such signal chain product has a relatively high average selling price as compared to our other signal chain products launched thereafter and limited downstream market demand, we did not sell this product in the six months ended June 30, 2023. In order to diversify our product offerings and cover a broader range of downstream applications, we have successively launched other signal chain products since 2021. These types of products include comparators and operational amplifiers with various capabilities and specifications. Although these signal chain products are not as technologically advanced as our first signal chain product, they can still meet the needs of our customers in most scenarios and combines good performance with competitive prices. Revenue generated from these signal chain products accounted for nil, 91.4%, 96.7%, 93.4% and 100% of our revenue from signal chain products in 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, respectively.

As described above, the overall average selling prices of each sub-category of our products experienced a general decreasing trend during the Track Record Period primarily due to changes in our product mix. The respective average selling prices of our products, however, generally remained stable during the same periods, which are generally within the market price range, according to Frost & Sullivan. This is primarily because we mainly focus on the design and provision of industrial grade analog IC patterned wafers, the overall market prices of which are relatively stable. In addition, the trend of the overall average selling prices of our products

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is generally consistent with the market price trend, according to Frost & Sullivan. Based on the independent due diligence conducted by the Sole Sponsor, nothing has come to its attention that would reasonably cause the Sole Sponsor to cast doubt on the reasonableness of the average selling prices of the Company’s products, the trend of which is consistent with those of the general market price range.

During the Track Record Period, we primarily generated revenue from our High ASP Multi-channel ICs and PMICs and High ASP Switching Regulators. The details are set forth in the following tables:

*For the year ended December 31, 2020*

Ranking	Product	Sub-category	Revenue (RMB'000)	Percentage of total revenue
1.	Type A	High ASP Multi-channel ICs and PMICs	13,865	15.6%
2.	Type B	High ASP Multi-channel ICs and PMICs	10,887	12.3%
3.	Type C	Multi-channel ICs and PMICs	6,785	7.6%
4.	Type D	Multi-channel ICs and PMICs	5,551	6.3%
5.	Type E	Switching regulators	5,288	6.0%

*For the year ended December 31, 2021*

Ranking	Product	Sub-category	Revenue (RMB'000)	Percentage of total revenue
1.	Type A	High ASP Multi-channel ICs and PMICs	24,679	11.6%
2.	Type B	High ASP Multi-channel ICs and PMICs	21,179	10.0%
3.	Type F	High ASP Switching Regulators	13,520	6.4%
4.	Type C	Multi-channel ICs and PMICs	10,746	5.1%
5.	Type G	High ASP Switching Regulators	8,156	3.8%

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*For the year ended December 31, 2022*

Ranking	Product	Sub-category	Revenue (RMB'000)	Percentage of total revenue
1.	Type H	High ASP Multi-channel ICs and PMICs	8,893	2.5%
2.	Type I	High ASP Multi-channel ICs and PMICs	8,157	2.3%
3.	Type A	High ASP Multi-channel ICs and PMICs	7,885	2.2%
4.	Type J	High ASP Multi-channel ICs and PMICs	6,361	1.8%
5.	Type B	High ASP Multi-channel ICs and PMICs	5,196	1.5%

*For the six months ended June 30, 2023*

Ranking	Product	Sub-category	Revenue (RMB'000)	Percentage of total revenue
1.	Type H	High ASP Multi-channel ICs and PMICs	4,538	2.2%
2.	Type I	High ASP Multi-channel ICs and PMICs	3,708	1.8%
3.	Type A	High ASP Multi-channel ICs and PMICs	3,115	1.5%
4.	Type K	Multi-channel ICs and PMICs	2,832	1.4%
5.	Type L	Multi-channel ICs and PMICs	2,569	1.3%

During the Track Record Period, we experienced a decreasing trend in the product concentration in terms of revenue contribution due to the diversification of products brought by the constant increase in new types of products we offered. The top five products that contributed the most to our total revenue each year/period comprising the Track Record Period experienced a slight fluctuation, primarily driven by changes in our downstream customer demand. Specifically, with the ease of supply shortage since the second half of 2021, downstream customers became more cost-sensitive as compared to previous periods, resulting in a decrease in revenue from our products with high average selling prices.



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### **Pricing of Our Products**

We base our pricing strategies for patterned wafer products according to a range of factors, including the purchase price of our raw materials (i.e. untested patterned wafers), R&D costs, and the demand of downstream markets. We also take into consideration prices of domestic and international competitive products. In particular, the purchase price of our raw materials, being the untested patterned wafers, is one of the most important factors that we consider when developing our pricing strategies.

### ***Our Raw Material Purchase Price***

The purchase price of our untested patterned wafers is primarily affected by manufacturing processes adopted by foundries that fabricate silicon wafers into ICs or patterned wafers with specific functions and application scenarios as well as the market demand of foundries’ manufacturing capacity. Generally speaking, more complicated manufacturing processes adopted by foundries in accordance with the specific IC design requirements lead to higher prices of untested patterned wafers. For example, a patterned wafer with more stringent requirements for size and integration level costs a higher purchase price.

The industry average purchase price of raw materials of companies operating on a fabless model (i.e. untested patterned wafers) experienced a continuously increasing trend during the Track Record Period, according to Frost & Sullivan, reaching RMB2,500 to RMB4,500 in 2020, RMB2,800 to RMB5,000 in 2021, and RMB3,000 to RMB5,300 in 2022, respectively. According to Frost & Sullivan, such increase was primarily due to (i) a switch in the downstream market demand from consumer grade IC products to industrial grade IC products (which have higher unit prices), and (ii) the overall shortage in manufacturing capacity due to the rapid growth in market demand for IC products from the second half of 2020 to the first half of 2021. See “Industry Overview – Raw Material Purchase Price in the Analog IC Patterned Wafer Market – Recent Trend of Raw Material Purchase Price.” As each piece of patterned wafers generally contains hundreds to thousands of dies and each die can be turned into an individual IC product, the industry average purchase price of untested patterned wafers is significantly different from the average selling price of our products.

Our Directors are of the view that the fluctuations in the price of silicon wafers do not and will not have a material adverse effect on our selling prices, purchase costs or profitability, as we operate with a fabless model and do not directly purchase silicon wafers for purposes of manufacturing. Instead, we are affected by the fluctuations in the purchase price of untested patterned wafers. In spite of the increasing industry average untested patterned wafer purchase price during the Track Record Period, our average overall purchase price did not experience significant fluctuation during the same periods, reaching RMB3,248.6 in 2020, RMB3,630.5 in 2021 and RMB3,454.0 in 2022, respectively. Our average overall raw material purchase price decreased from 2021 to 2022 in spite of an increase in the industry average purchase price in the same year. This was because we pre-ordered untested patterned wafers based on our anticipated product mix and delivery schedule before the price hike. Moreover, we experienced a change in product mix resulting from our continuous efforts in the expansion of product

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offerings as well as the high market demand. In particular, the proportion of relatively low cost untested patterned wafers (with unit purchase price of less than RMB3,000) we purchased from our wafer channel partner Supplier A increased from 39.3% in 2021 to 53.8% in 2022. We cannot assure that the average overall purchase price may or may not increase after our pre-ordered untested patterned wafers are fully utilized, as the average overall purchase price is affected by various factors that are beyond our control. See “Industry Overview – Raw Material Purchase Price in the Analog IC Patterned Wafer Market – Factors Affecting the Raw Material Purchase Price.” However, with effective procurement and inventory management, we believe we are able to continue to increase the proportion of low cost untested patterned wafers to mitigate our potential exposure to increase in procurement cost.

The global semiconductor industry operates in cycles, experiencing periodic supply shortages. From the second half of 2020 to the first half of 2021, the industry faced a shortage in manufacturing capacity due to the rapid growth in market demand for semiconductor chips, which are the final products in the entire IC supply chain, according to Frost & Sullivan. During the Track Record Period, to optimize our inventory level while maintaining our competitiveness, we typically placed purchase orders and were able to make 100% prepayments to our patterned wafer supplier at least six months ahead of time to secure foundry’s manufacturing capacity, while most of the IC design companies do not have comparable prepayment capabilities and are only able to make prepayments ranging from around 5% to 10%, according to Frost & Sullivan. Our procurement and inventory management effectively facilitated us in coping with the global supply shortage and to maintain a relatively stable purchase price of untested patterned wafers. For more details of our inventory management measures, see “– Inventory Management.” Since the second half of 2021, the supply shortage has gradually eased. Due to our effective inventory management and sufficient inventory level, such shortage did not have, and going forward is not likely to have, material adverse impact on our supply chain, our business relationships with our major suppliers or our business operations and financial performance.

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

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

In order to facilitate the imposition of export controls, the U.S. has in place the Export Administration Regulations (the “**EAR**”) which contains a list of items, software, and technology that are subject to export controls (the “**Commerce Control List**” or “**CCL**”). While the CCL is primarily based on multilateral export control lists, such as the Wassenaar Arrangement’s List of Dual-Use Goods and Technologies and Munitions List, the U.S.

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Commerce Department’s Bureau of Industry and Security (“**BIS**”) can also implement unilateral licensing requirements and other controls on items subject to U.S. export controls jurisdiction that can restrict exports and reexports to certain countries, as well as transfers within a country to a different end-user or end-use. On October 7, 2022, BIS released an interim final rule (the “**BIS October 7, 2022 IFR**”), which imposed restrictions on China’s ability to obtain advanced computing chips, develop and maintain supercomputers, and manufacture advanced semiconductors. On October 18, 2023, BIS issued another interim final rule (the “**BIS October 18, 2023 IFR**”) amending certain aspects of the controls contained in the October 7, 2022 IFR “to more effectively achieve the policy objectives identified in the October 7 IFR.” The export controls set forth in the October 18, 2023 IFR are effective on November 17, 2023. These two BIS rules included, among other measures, adding to the CCL certain advanced and high-performance computing chips and computer commodities that contain such chips and new license requirements for items subject to the EAR destined for an end-use in the development or production of supercomputers, certain types of advanced semiconductors in China, or those destined to a semiconductor fabrication facility in China that fabricates ICs meeting specified requirements. During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of Jacobson Burton Kelley PLLC (“**JBK**”), our legal advisor as to U.S. foreign investment, export controls, sanctions laws and import law, there were no sourcing restrictions from U.S. or non-U.S. suppliers that would impact the production of our products, as (i) we were not a target of any U.S. or non-U.S. sanctions, (ii) there were no export controls measures targeting us, and (iii) our products were not subject to any export controls administered by BIS. Because the BIS October 7, 2022 IFR on advanced computing export controls has been in place for one year, we expect that any such restrictions would have already been mentioned by U.S. or non-U.S. suppliers if applicable to the products sold to us for use in the production of analog IC patterned wafers or analog ICs. We do not expect the changes made by the October 18, 2023 IFR to impact this analysis. However, it is possible that additional export and reexport controls could be issued by BIS in the future that might negatively impact the production of our products in China. It is also possible that the extent and scale of trade restrictions between the two countries might be escalated if the U.S. and China fail to reach any agreement on the various trade tensions that remain. See “Risk Factors – Risks Relating to Our Business and Industry – Our Business, financial condition and results of operations may be materially and adversely affected by international policies and international export controls and economic sanctions.”

### *Impacts of August 9 Executive Order*

On August 9, 2023, President Biden issued an executive order (the “**August 9 Executive Order**”) authorizing certain notification requirements and prohibitions on certain U.S. investments in national security technologies and products in “countries of concern,” including China. In connection with the issuance of the August 9 Executive Order, the U.S. Treasury Department’s Office of Investment Security issued an Advance Notice of Proposed Rulemaking (“**ANPRM**”) and a Fact Sheet providing an overview of the issues described in the August 9 Executive Order and seeking public comments on various topics related to the regulations that will be codified in the U.S. Code of Federal Regulations to implement the August 9 Executive Order.

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As concluded by JBK, the key points addressed in the August 9 Executive Order and the Treasury Department's ANPRM are as follows:

- The August 9 Executive Order will require "U.S. persons" to provide notification of information involving certain "covered transactions" involving "covered foreign persons" (referred to as "notifiable transactions") and will prohibit U.S. persons from engaging in certain other transactions involving covered foreign persons. As noted in the ANPRM, the U.S. Department of the Treasury is considering defining the term "covered transaction" to mean a U.S. person's direct or indirect (1) acquisition of an equity interest or contingent equity interest in a covered foreign person; (2) provision of debt financing to a covered foreign person where such debt financing is convertible to an equity interest; (3) greenfield investment that could result in the establishment of a covered foreign person; or (4) establishment of a joint venture, wherever located, that is formed with a covered foreign person or could result in the establishment of a covered foreign person. Thus, it is clear that this is not intended to cover product sales.
- The ANPRM states that the August 9 Executive Order focuses on "semiconductors and microelectronics, for which the Treasury Department is considering a prohibition on transactions related to certain advanced technologies and products, and considering a notification requirement related to other technologies and products." With respect to semiconductors and microelectronics, the Treasury Department's Fact Sheet on the August 9 Executive Order and the ANPRM states that Treasury is considering prohibiting U.S. investments in PRC entities engaged in the design, fabrication, or packaging of advanced integrated circuits, and is also considering requiring notification for U.S. investments in PRC entities engaged in the design, fabrication, and packaging of less advanced integrated circuits.
- The Treasury Department's Fact Sheet states that it is considering creating an exception for certain types of "passive and other investments that may pose a lower likelihood of conveying intangible benefits or in an effort to minimize unintended consequences." In addition, the ANPRM states that "the Treasury Department expects to create a carveout or exception for specific types of transactions, such as certain investments into publicly-traded securities or into exchange-traded funds." The proposed definition of "excepted transaction" would also include index funds, mutual funds, exchange-traded funds and similar investments.
- It will likely be some time before proposed or final regulations are issued by the Treasury Department. While it is difficult to predict with certainty, based on prior experience, it appears likely that the interim final rule or final rule will not be issued until the first quarter of 2024 or later.

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Based on the scope of the August 9 Executive Order and the ANPRM, even after it takes effect, at this time JBK does not believe the foreign investment prohibitions or restrictions, once implemented, will likely prohibit investment by U.S. persons in the [REDACTED] and will not likely impact the sale of our products within China or elsewhere. Further, JBK advises that we are unlikely to be subject to the August 9 Executive Order and the ANPRM since passive investments by U.S. persons are not likely to be covered by the restrictions. Thus, our business operation, financial performance and compliance with relevant laws and regulations are not expected to be impacted in material and adverse respects. Based on the foregoing, having taken into account the view and analysis of JBK, nothing material has come to the attention of the Sole Sponsor as non-legal expert which would cause the Sole Sponsor to disagree with the aforementioned in any material respect.

### *Impact of U.S. Sanctions and Export Controls*

During the Track Record Period and up to the Latest Practicable Date, all of our revenue was derived from China and, to the best knowledge of our Directors, our products were offered to downstream customers in China. Moreover, unlike most of the IC design company peers who rely on the U.S. imported EDA software tools and IPs, our EDA software tools and IP modules are self-developed. Our major suppliers and customers during the Track Record Period are either headquartered in China or keep a major entity in China that operates independently from its parent company located outside China. As such, our major suppliers and customers have an inherent business tendency to perform transactions with domestic counterparties and are not subject to U.S. import and export restrictions.

During the Track Record Period and up to the Latest Practicable Date, as advised by JBK, our products were not subject to any U.S. sanctions. In particular, as advised by JBK, (i) we are currently not a target of any U.S. or non-U.S. sanctions, and (ii) there are no export controls measures targeting us. More specifically, we are not identified on any restricted parties lists administered by the U.S. Treasury Department's Office of Foreign Assets Control and generally are not subject to U.S. sanctions law jurisdiction, except when making sales into the U.S. or involving U.S. persons, or where the specific transaction otherwise involves a nexus to the U.S., such as the clearing of U.S. dollars through the U.S. banking system. In addition, we do not sell our products to countries subject to OFAC embargoes or sanctions, or to any parties on OFAC's SDN List. Considering that during the Track Record Period and up to the Latest Practicable Date, all of our revenue was derived from China and, to the best knowledge of our Directors, our products were offered to downstream customers in China, it is highly unlikely that U.S. sanctions would have any adverse impact on us, let alone a material adverse impact.

During the Track Record Period and up to the Latest Practicable Date, as advised by JBK, our products were not subject to any export controls administered by BIS. In particular, as advised by JBK, our products are not subject to the export controls jurisdiction of the EAR because our products are not of U.S. origin, not exported from the U.S., and do not contain more than a *de minimis* amount of U.S. export-controlled content, and are not subject to the EAR's foreign direct product rules. JBK further advises that, considering we do not currently export products to the U.S., (i) our products are not prohibited from being imported into the U.S. or subject to antidumping or countervailing duties, and (ii) it is unlikely that our products would be subject to the increased tariffs on certain Chinese products imposed pursuant to Section 301 of the Trade Act of 1974 during the Trump Administration.

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According to Frost & Sullivan, on the one hand, the U.S-China trade tensions have resulted in export restrictions that have impacted the design, manufacture, and trade of certain IC products between the two countries and also disrupted the global tech supply chain. The trade tensions have limited certain Chinese IC design companies’ access to advanced technology, software, and design tools from U.S. companies, preventing them from advancing in their IC design and manufacturing capabilities, and thus hinder their development of various strategic technologies, such as artificial intelligence or supercomputers. On the other hand, although analog IC patterned wafers or the analog ICs that we focus on were not subject to any kind of export controls to the U.S. as of the Latest Practicable Date, the continuous trade friction between the U.S. and China has strengthened the Chinese downstream customers’ focus on the stability and effectiveness of their supply chain, which leads to an increasing trend of downstream customers trading with domestic IC design companies, providing valuable development opportunities to domestic IC design companies that have independent design capabilities who are able to provide quality IC product with internationally recognized standards.

Based on the foregoing, our Directors are of the view that during the Track Record Period, the U.S.-China trade issues have not affected us, and going forward are not likely to affect, our business relationships with our major suppliers and customers, our business operation and financial performance. In addition, to the best of our Directors’ knowledge, to the extent that our purchases or sales are concerned, the U.S.-China trade tensions do not and will not have a material adverse impact on our major suppliers, our major customers (including Arrow) or us.

### OUR ANALOG IC DESIGN PLATFORM

#### Overview

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

Our analog IC design platform has the following features:

- **Novelty.** According to Frost & Sullivan, most of the IC design companies in China use imported EDA software tools and commercial IP modules designed by third parties, or develop their own IP modules by using the imported third-party EDA software tools. As the only IC design company in China equipped with a full-stack analog IC design platform, as advised by Frost & Sullivan, our EDA software tools



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and IP modules are synergistic and compatible. The off-the-shelf EDA software tools with a dominant market position used by a majority of industry participants need to be adapted to multiple types of IC designs so as to improve its popularity and practicality. As compared to these EDA software tools, our specifically designed, proprietary analog IC design platform is more advantageous, pertinent and compatible with our product focus and R&D system in that it is continuously modified, upgraded and iterated based on our actual functional needs in the design process and a target of lowering the design threshold for R&D personnel, as advised by Frost & Sullivan. In particular, our EDA software records and retains our R&D personnel's historic trial designs and the final designs, and perform analytical comparison to generate design route and personalized suggestions for our R&D personnel, and thereby aligning the design characteristics among different personnel to the largest extent. As a result, our design is not dependent on any individual R&D personnel. Besides, our EDA software tools are deeply integrated with the IP library, and different IP modules can be retrieved from the IP library for simulation tests during the design process. All of these features have distinguished us from our competitors and greatly improve our design efficiency, and thereby saving our R&D costs.

- ***Technological barriers.*** According to Frost & Sullivan, there are no comparable analog IC design companies in China that possess similar technologies or tools, as the technological barriers of the analog IC design platform are quite high. These technological barriers of developing a proprietary analog IC design platform in turn substantiate and solidify our overall competitiveness.
  - ***Technological barriers of EDA software.*** It requires a profound understanding of the entire development process of IC products as well as multi-disciplinary knowledge of mathematics, computer science, physics, electronic engineering and algorithm, to develop and iterate EDA software tools. Long-term collaboration with, and timely feedback from, channel partners and manufacturing foundries are also crucial to keep self-developed EDA software tools progressing. Currently, all of the three main EDA software tools that enjoy a dominant place on the market are developed by international companies, which have been in existence and invested in R&D efforts for years, which intensifies the competition among new EDA software providers and thus raises the barriers of EDA software development. Consequently, domestic design companies are expected to take a long time to grow and develop their own EDA software tools.
  - ***Technological barriers of IP modules.*** Development of IP modules require excellent IC architecture design capabilities and sufficient experience along with a thorough, in-depth and systematic understanding of IC products and functionalities. Expertise in developing and using EDA software tools is also crucial to IP module development, as compatible EDA software tools and modular IPs are synergistic and complementary, enhancing the efficiency of IC design.



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- **Competitive advantages.** Our analog IC design platform is intelligent, flexible, scalable and reliable, which differentiates us from other IC design companies. See “ – Competitive Strengths – Differentiated Analog IC Design Platform.” Our analog IC design platform facilitates a semi-automatic way of analog IC design. By using our platform, our analog IC design engineers can rapidly verify different design approaches, ensure circuit accuracy and controllability, and gain flexibility in layout design, thereby enhancing product quality and shortening the circuit design process, leading to improved design efficiency and reduced development costs.

### Proprietary EDA Software Tools

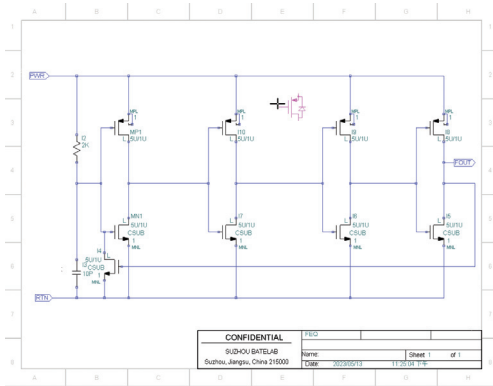
Over the course of 13 years since our inception, we have developed EDA software tools and technologies, enabling us to conduct EDA-assisted design of an array of analog IC patterned wafers and carry out day-to-day research and development. The development of EDA is a highly sophisticated and challenging process, involving development of software and hardware with the collective goal of assisting in the definition, planning, design, implementation and verification of ICs. The development process requires a profound understanding of the entire development process of IC products as well as multi-disciplinary knowledge of mathematics, computer science, physics, electronic engineering and algorithm. We cannot assure you that sufficient amount of time and resources can be invested in our design and development process, or whether we can retain sufficient R&D personnel to maintain our competitiveness. See “Risk Factors – Risks Relating to Our Business and Industry – Our inability to continuously develop our technological capabilities and improve our analog IC design platform could make our products uncompetitive and obsolete, which may impede our ability to address the requirements in technology segments that are expected to contribute to our growth.”

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

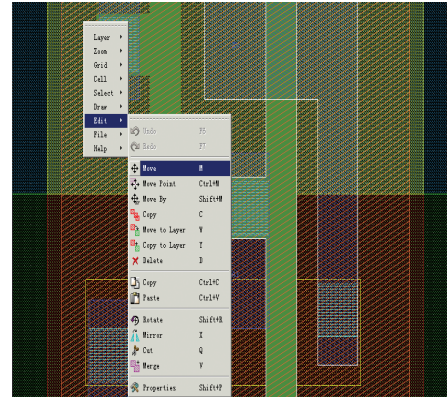
Our EDA software tools are continuously modified, upgraded and iterated based on our actual functional needs in the design process and a target of lowering the design threshold for our R&D personnel. We released our proprietary EDA software BT EDA 1.0 in 2011 and started using it to provide IC design services, and have been continuously improving it since then. In particular, from 2018 to 2020, we made continuous upgrade to our EDA software by optimizing the graphical interface and the technology of processing input data model, enhancing operation experience for design engineers, and improving the speed of simulation and performance modeling, which could shorten the time to develop a product by up to six months. According to Frost & Sullivan, we are the only analog IC design company in China equipped with proprietary EDA software tools. Our self-developed, proprietary EDA software lays a solid foundation for our analog IC design and effectively lowers our internal barrier to analog IC design, presenting a competitive advantage for us.

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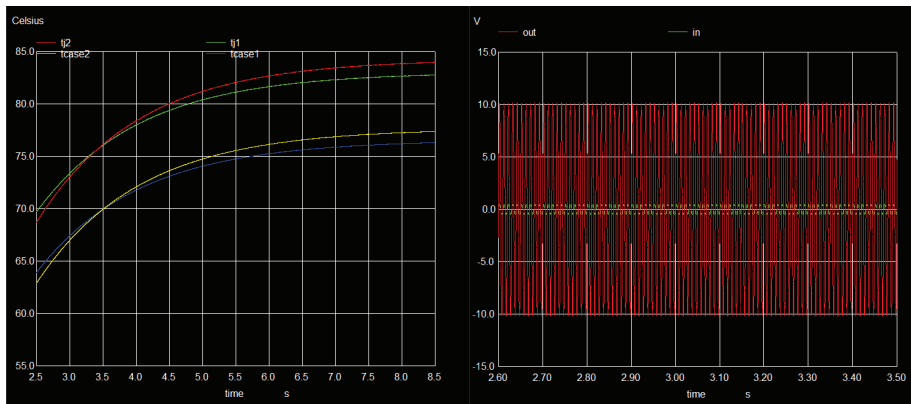
The following figures demonstrate our schematic editor, layout editor and IC simulation tool on our EDA software:



Schematic editor



Layout editor



IC simulation tool

Our EDA software tools support the following functions:

- *Graphical layout design.* We use EDA-assisted pre-compiled programs to convert coded text into graphical flow chart during layout design. Specifically, we replace plain text editing with assignment to graphical variables, which helps lower the difficulty in layout design and accelerate the entire process.
- *Assisted IC design based on machine learning.* We perform machine learning of the IC topology diagrams derived from historic IC designs. Based on the output results of machine learning, we can quickly make a simulation judgment on the modifications of IC topology or parameters, or optimize circuit designs. In addition, our EDA software records and retains our R&D personnel’s historic trial designs and the final designs, and perform analytical comparison to generate design route and

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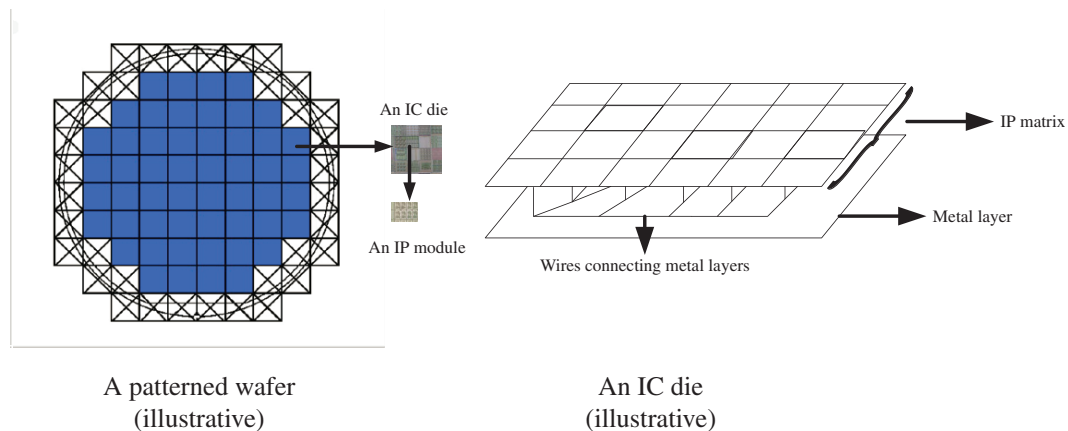
personalized suggestions for our R&D personnel, and thereby aligning the design characteristics among different personnel to the largest extent and improving our design efficiency. As a result, our design is not dependent on any individual R&D personnel.

- *Optimized IC simulation.* By using our EDA software, we divide the circuit layouts into multiple sub-circuit modules and fit all or part of them through the fitting function to present the circuit characteristics of these sub-circuit modules. We then simulate the fitting functions corresponding to the sub-circuit modules without constructing a circuit matrix with complicated data, and thereby improving the IC simulation efficiency.

### Reusable IP Library

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

Below is an illustrative figure demonstrating how the IP modules function in our IC design:



Our IP modules have strong inherent correlation and compatibility, allowing for deep coupling and calls for multiple IP modules simultaneously, which optimizes the performance of a system by allowing for better coordination between different modules. Our extensive and comprehensive IP library covers core functions of analog ICs, provides a semi-automatic way of analog IC design and helps save unnecessary time in repetitive work on new product design, making it possible for even undergraduates with relevant academic background to readily start performing analog IC patterned wafer design after a short period of on-the-job training.

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### Synergies of Our Analog IC Design Platform

The unique features of our analog IC design platform have brought us the following synergies, empowering and maximizing our analog IC design capabilities:

- *Co-optimization of EDA software and reusable IP modules.* We have gained full-stack analog IC design capabilities with the assistance of our proprietary EDA software and reusable IP modules as foundational tools and technologies. Our EDA software supports graphical circuit design instead of plain text editing, and through machine learning, reduces the computational time required for simulation and provide recommendation for circuit design. Moreover, our IP library consists of frequently used IP modules, which supports our effective analog IC “block-building” model. Leveraging the co-optimization of these technologies and tools, we on average save approximately 25% of design time as compared to other analog IC design companies, according to Frost & Sullivan. In 2020, 2021 and 2022, we successfully launched eight, 45 and 157 analog IC patterned wafer products, respectively, representing a CAGR of 343.0%, which, according to Frost & Sullivan, is the fastest expansion of analog IC product offerings in China and makes us one of the most comprehensive industrial grade analog IC product providers in China in terms of product categories we offer as of December 31, 2022. We also cover the broadest range of industrial grade downstream applications among China’s analog IC design companies in term of application fields, according to Frost & Sullivan. As of the Latest Practicable Date, we successfully taped out more than 400 types of analog IC patterned wafers.
- *Complementary IP library and analog IC design.* Our extensive and compatible IP library is adaptable to nine core processing technologies and is crucial and foundational to our design platform. During IC design, we design and optimize circuit layouts for specific functions and categorize and store them as modules, basic building blocks for more complex circuit design. Sometimes, simpler modules can be assembled to perform a specified function so as to form a new, more complex module. These modules are constantly added to our IP library. On one hand, building up of IP modules enables us to perform product design efficiently, and on the other hand, modules for new functions developed in the design process of new products can be added to our IP library, which broadens our reusable IP library and further enhances our design efficiency.
- *Performance modeling and system-level simulation.* We feed circuit designs, which can consist of our multiple IP modules, into our EDA tools for system-level simulation and performance modeling. During the design, in order to optimize circuit performance, different IP modules can be readily retrieved from the IP library for simulation trials. The performance modeling and simulation process provides us with an opportunity to analyze the availability and compatibility of our existing IP modules with the desired analog IC products and can prompt us to broaden, improve and refine our IP library.

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### DESIGN, RESEARCH AND DEVELOPMENT

We consider that we possess in-depth knowledge of the technical specifications and features, functionalities and applications of analog IC products, based on which we perform day-to-day design and R&D activities. Our design and R&D of analog IC patterned wafers are carried out as a group effort in close collaboration between our different teams. Our sales and marketing team is responsible for the initial conceptualization of product candidates, which is typically derived from in-house ideas as well as collaboration with our distributor partners who are deeply rooted in the industry and closer to downstream customers. Through these distributors, we are able to acquire first-hand market information and quickly respond to the demand of downstream customers. Our R&D team, comprising analog IC design group and foundational technologies R&D group, is responsible for the design and verification of analog IC patterned wafers. Apart from our R&D team members, certain members of our sales and marketing team also possess technical backgrounds which we believe directly contribute to an effective and seamless collaboration among the different teams for a successful and smooth analog IC design.

#### Our Design Activities

Our design activities usually start with a detailed design planning, upon confirmation of which we evaluate the functionality and feasibility of the new product design, conduct verification of our design on the finished product sample, and eventually tape out of our analog ICs. Equipped with our proprietary EDA software tools and IP modules which are synergistic and compatible, our average design time for a new type of industrial grade analog IC product was about 25% shorter than the industry average development cycle of 13-14 months in 2022. For details of our EDA software tools, IP modules and their advantages and synergies, see “– Our Analog IC Design Platform.”

- *Design planning.* At this stage, we analyze market trends, regulatory requirements and competing products or products in related areas and formulate a preliminary product specification. We aim to address the needs of downstream customers as well as our own design initiatives, taking into consideration market opportunities and our market strategies.
- *Design development.* Upon completion of the new product design planning, we transform the product specification into engineering requirements, followed by developing and assembling hardware components in order to achieve the desired function and performance of the new product.
- *Design verification.* At this stage, we conduct several verification tests, covering functionality, stability and operability of the new product. The goal at this stage is to evaluate and confirm our initial design plan and to ensure the design satisfies the needs of downstream customers and conforms to our design initiatives.

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- *Tape-out.* After the planning, development and verification stages, we conduct tape-out for our products, which is the final stage in the whole IC design process before IC products are ready for mass production. If we detect any issues in the tape-out process, we will return to previous stages and fix the issues. Such process can be repeated several rounds before a successful tape-out, upon which our products can undergo the final manufacturing process.

Unlike digital IC products which emphasize computational performance and speed through advanced processes, analog IC products are more focused on achieving a balance among various parameters such as high signal-to-noise ratio, low distortion, high reliability and stability, leading to a longer product lifecycle after their commercialization. Among them, general-purpose analog ICs are adaptable to various application scenarios and vertical markets, including automotive electronics, healthcare, industrial automation, industrial Internet of Things, industrial lighting, instrumentation, communications, electric power, energy storage and consumer electronics. Each of these markets require technologies, expertise and operations infrastructure that are application-specific. In particular, there are higher stability requirements for industrial grade analog IC products, leading to more difficulties in the design of industrial grade general-purpose analog ICs. Once they are successfully designed, they enjoy longer product lifecycles. As our business strategy is to expand our business scale with a focus on the design and provision of multiple high-performance patterned wafer products by expanding the performance of, and the scenarios to which our products are adapted, we continue to invest R&D efforts in our full-stack analog IC design platform to strengthen our design capability and cater to the evolving technological requirements of new products. Our R&D team members keep abreast with new technological trends by receiving on-the-job training and occasionally attending lectures and seminars, and our sales and marketing team acquires first-hand market information to capture the trends of evolving demands of downstream customers. We believe that, and as advised by Frost & Sullivan, having taken into consideration the potentiality of the analog IC patterned wafer market in China, in particular the stable, long-lifecycle analog IC end products as well as low technology iteration rate resulting from technology barriers, analog IC designs and technology would not obsolete in the foreseeable future. However, if we are not able to develop or maintain the market specific capabilities, our ability to expand our business in these vertical markets would be affected. See “Risk Factors – Risks Relating to Our Business and Industry – Rapid technological changes in the industries and markets to which our products are sold require us to constantly develop new technologies and products.”

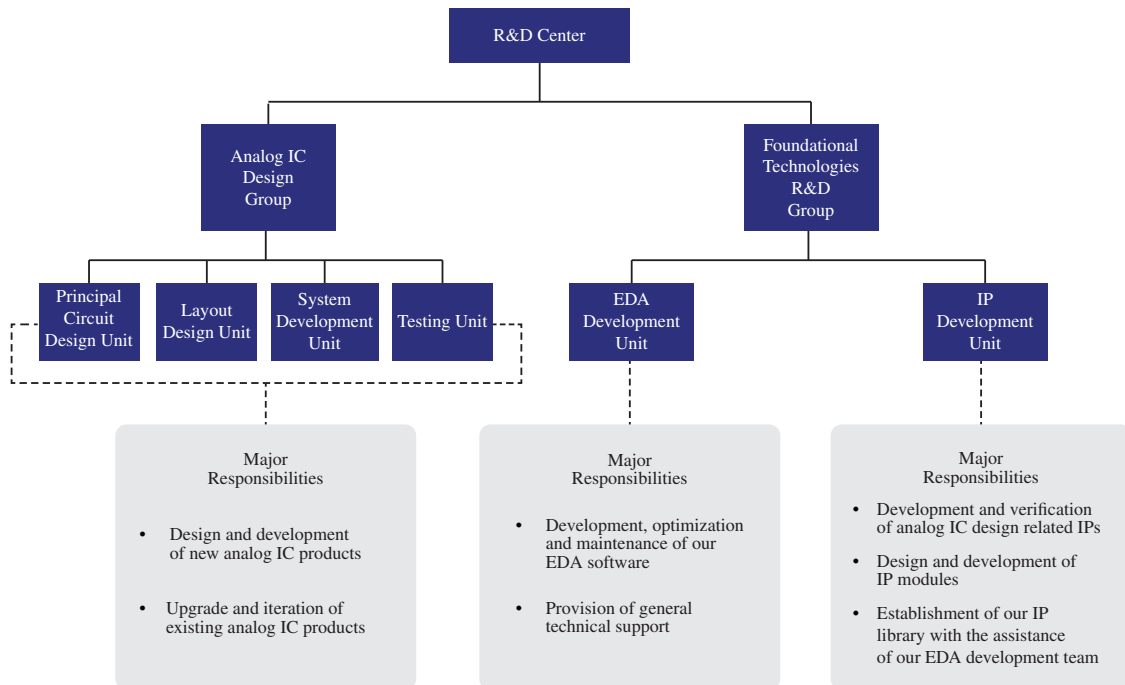
### **Our R&D Team**

Traditionally, analog IC design companies mainly rely on the personal deep expertise and broad experience of their design engineers for reliable and timely product designs. Considering the relatively long training time and working experience required to produce such engineers, it is usually difficult to recruit and costly to maintain a team of such expert-level analog IC design engineers. Our full-stack analog IC platform is user-friendly and easy to learn, making it possible for even undergraduates with relevant academic background to readily start performing analog IC design after a short period of on-the-job training.



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We currently operate an R&D center in Suzhou, China where we carry out day-to-day operational activities. Our R&D center enables us to conduct R&D activities and onward design of analog IC patterned wafers. Our R&D center consists of two major groups, namely analog IC design group and foundational technologies R&D group. The organizational structure and major responsibilities of each group are shown in the following chart:



We maintain and manage our analog IC design group following a “matrix” model. Horizontally, we maintain four functional units, each focusing on a particular R&D field. Vertically, we select a certain number of engineers from each of the functional units to form different project teams. Considering the broad range of our analog IC patterned wafer products, we generally maintain several product lines to carry out day-to-day design and R&D of different types of products. For each product line that focuses on specific types of products, we typically form several project teams to take responsibility in monitoring the entire design and development progress and leading daily design work. Each project team usually consists of four to five members, including one or two principal circuit design engineers, one layout design engineer, one system development engineer and one testing engineer.

Each of our project pipelines contains one to four sub-projects that can hatch out different types of patterned wafers. Our R&D center keeps a Gantt chart, on which we list out the manufacturing processes and number of IP modules used in each sub-project, and keep track of each sub-project’s milestone dates, including project commencement date, estimated completion date, report release date and various testing completion dates. We use key performance indicators (KPIs) to manage our personnel on the R&D and launch of new products, including punctuality of product development, interim phase achievement, simulation accuracy, product reliability, among other indicators. We do not impose minimum number of new products to be developed and launched each year. During the Track Record



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Period, our R&D pipeline projects hatched out multiple types of AC-DC and DC-DC switching regulators, multi-channel ICs and PMICs, linear regulators, battery management ICs, monitoring and modulating ICs, driver ICs and signal chain products. In the near future, we plan to expand our product offerings to cover more application fields while maintaining the seven sub-categories of products. See “[REDACTED].”

Our design and R&D capabilities enable us to possess solid foundational technologies, an integrated analog IC design platform, a science-oriented and rigorous R&D management system, and an ability to develop, upgrade and iterate existing and new products. As of June 30, 2023, we had 64 R&D members, nearly 90% of which possessed a bachelor’s degree or above, and 40 of which possessed over five years of professional experience.

Our core R&D personnel are in charge of our design and R&D activities and leading the design and R&D of our new and existing analog IC products. Mr. Li Zhen, our founder and chairman of the board, has been leading our overall design and development activities. We have successfully designed and developed approximately 300 diversified analog IC patterned wafers, and are further exploring the iteration of our foundational technologies. Our core R&D personnel have served in the Company for more than five years, and all of them had remained with us as of the Latest Practicable Date.

Further, we occasionally invite industry experts from external institutions to provide advisory insights for our R&D teams. We also exchange ideas and thoughts on R&D progress or latest market trends by attending industry forums. We consider our communication with industry experts and participation in industry events helpful to our R&D activities.

For more details of our dedicated R&D team, see “– Competitive Strengths – Management and R&D Team with Forerunning Spirit and Extensive Experience.”

## PROCUREMENT

We operate with a fabless model in order to optimize our IC design capabilities. Fabless is a typical operation model adopted by many IC design companies. Unlike the IDM model where companies perform design, manufacturing, packaging and testing of IC products, companies operating with a fabless model focus on the design process, and outsource the IC manufacturing to foundries. The fabless model allows us to maximize our design resources and capabilities with limited and efficient capital commitment.

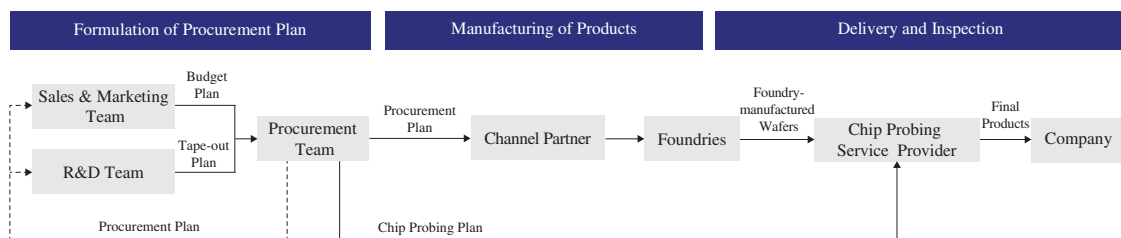
During the Track Record Period, we primarily procured (i) foundry-manufactured wafers with completed built-on circuits designed by us, and (ii) chip probing services. Our procurement team is mainly responsible for formulating procurement plans based on the requests raised by our sales and marketing team and R&D team, and liaising with our suppliers, placing procurement orders and following up on deliveries.

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Our procurement process generally includes three phases, namely, formulation of procurement plan, manufacturing of products, and delivery and inspection.

- *Formulation of procurement plan.* In this stage, our sales and marketing team determines budget plans, and our R&D team forms tape-out plans, both of which are submitted to our procurement team for subsequent formulation of overall procurement plans. The procurement team then distributes the procurement plans to the sales and marketing team and R&D team for collaborative execution.
- *Manufacturing of products.* Following our procurement plans, we turn to our wafer channel partner for procurement of wafers which will be manufactured by third-party foundries. The wafers we procure have been built with our designed analog circuits.
- *Delivery and inspection.* We usually request the manufactured patterned wafers to be delivered to our escrow warehouse located at the chip probing service provider’s plant, upon which we will arrange for subsequent inspection and chip probing on the delivered products.

The following flowchart illustrates our procurement process:



## OUR SUPPLIERS

Our suppliers primarily include companies with business operations in R&D, manufacturing or sales of wafers and relevant components and devices, chip verification design, test development, application development and testing equipment development. In each year/period during the Track Record Period, our purchases from our five largest suppliers accounted for 98.6%, 99.1%, 97.5% and 99.4% of our total purchases in 2020, 2021 and 2022 and for the six months ended June 30, 2023, respectively, while our purchase from the largest supplier accounted for 87.9%, 89.4%, 75.7% and 88.5% of our total purchases, respectively, for the same periods. During the Track Record Period, our suppliers generally (1) granted us a credit term of 10 to 60 days, or (2) requested us to make prepayment ranging from 50% to 100% of the purchase amount.

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The following tables set out the details of our five largest suppliers in each year/period based on purchases from them during the Track Record Period:

*For the year ended December 31, 2020*

<b>Ranking</b>	<b>Supplier</b>	<b>Nature of Purchase</b>	<b>Year of commencement of business relationship with us</b>	<b>Purchase amount (RMB'000)</b>	<b>Percentage of total purchase</b>
1.	Supplier A <sup>(1)</sup>	Wafers for sale	2018	78,561	87.9%
2.	Supplier B <sup>(2)</sup>	Chip probing services	2018	7,912	8.9%
3.	Supplier C <sup>(3)</sup>	Aluminum electrolytic capacitors	2019	1,007	1.1%
4.	Supplier D <sup>(4)</sup>	Wafers for R&D purpose and masks	2019	364	0.4%
5.	Supplier E <sup>(5)</sup>	Microcontroller units	2019	224	0.3%
<b>Total</b>				<b>88,068</b>	<b>98.6%</b>

*For the year ended December 31, 2021*

<b>Ranking</b>	<b>Supplier</b>	<b>Nature of Purchase</b>	<b>Year of commencement of business relationship with us</b>	<b>Purchase amount (RMB'000)</b>	<b>Percentage of total purchase</b>
1.	Supplier A	Wafers for sale	2018	122,257	89.4%
2.	Supplier B	Chip probing services	2018	10,701	7.8%
3.	Supplier F <sup>(6)</sup>	Equipment	2021	1,108	0.8%
4.	Supplier G <sup>(7)</sup>	Wafers for R&D purpose and masks	2018	850	0.6%

**BUSINESS**

<b>Ranking</b>	<b>Supplier</b>	<b>Nature of Purchase</b>	<b>Year of commencement of business relationship with us</b>	<b>Purchase amount (RMB'000)</b>	<b>Percentage of total purchase</b>
5.	Supplier D	Wafers for R&D purpose and masks	2019	698	0.5%
<b>Total</b>				<b>135,614</b>	<b>99.1%</b>

*For the year ended December 31, 2022*

<b>Ranking</b>	<b>Supplier</b>	<b>Nature of Purchase</b>	<b>Year of commencement of business relationship with us</b>	<b>Purchase amount (RMB'000)</b>	<b>Percentage of total purchase</b>
1.	Supplier A	Wafers for sale	2018	214,836	75.7%
2.	Supplier H <sup>(8)</sup>	Wafer manufacturing equipment for R&D purpose	2021	40,972	14.4%
3.	Supplier B	Chip probing services	2018	13,480	4.8%
4.	Supplier I <sup>(9)</sup>	Wafer bonding equipment for R&D purpose	2022	4,032	1.4%
5.	Supplier G	Wafers for R&D purpose and masks	2018	3,472	1.2%
<b>Total</b>				<b>276,792</b>	<b>97.5%</b>

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*For the six months ended June 30, 2023*

Ranking	Supplier	Nature of Purchase	Year of commencement of business relationship with us	Purchase amount (RMB'000)	Percentage of total purchase
1.	Supplier A	Wafers for sale	2018	160,340	88.5%
2.	Supplier B	Chip probing services	2018	10,938	6.0%
3.	Supplier D	Wafers for R&D purpose and masks	2019	5,890	3.3%
4.	Supplier G	Wafers for R&D purpose and masks	2018	2,233	1.2%
5.	Supplier J <sup>(10)</sup>	Wafers for R&D purpose	2020	648	0.4%
<b>Total</b>				<b>180,049</b>	<b>99.4%</b>

*Notes:*

- (1) Supplier A, with a business operation scale of approximately ten employees and registered capital of RMB2.0 million, is a private company primarily engaging in R&D, design and testing of electronic circuits and sales of electronic products. For a detailed introduction of the background of Supplier A and our business relationship, see “Business – Our Suppliers – Relationship with Supplier A.”
- (2) Established in 2016, headquartered in Qidong and with a business operation scale of approximately 100 employees and registered capital of RMB50.0 million, Supplier B is a private company primarily engaging in sales of semiconductor devices, R&D of ICs, and provision of technical services.
- (3) Established in 2012, headquartered in Suzhou and with a business operation scale of approximately 30 employees and registered capital of RMB30.0 million, Supplier C is a private company primarily engaging in R&D, manufacture and sales of aluminum electrolytic capacitors.
- (4) Established in 1953, headquartered in Korea and with a business operation scale of approximately 2,100 employees and US\$1.3 billion in terms of its revenue in 2022, Supplier D is listed on the Korea Stock Exchange and primarily engages in provision of wafer foundry services. Based on Supplier D’s First Quarter 2023 Earnings Release, it is one of the ten largest foundries in the world in terms of revenue in the first quarter of 2023.
- (5) Established in 2007, headquartered in Shenzhen and with a business operation scale of less than 100 employees and registered capital of RMB50.0 million, Supplier E is a private company primarily engaging in provision of sales agency services and supply chain management of computer components.
- (6) Established in 2005, headquartered in Suzhou and with a business operation scale of approximately 180 employees and registered capital of RMB30.0 million, Supplier F is a private company primarily engaging in sales of automobiles and automobile parts, and provision of related services.

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- (7) Established in 2002, headquartered in Wuxi and with a business operation scale of approximately 3,000 employees and registered capital of US\$66.8 million, Supplier G is a private company primarily engaging in R&D, design and manufacture of ICs.
- (8) Established in 2006, headquartered in Shanghai and with a business operation scale of approximately ten employees and registered capital of RMB5.0 million, Supplier H is a private company primarily engaging in sales of IC technology services, materials and spare parts.
- (9) Established in 2009, headquartered in Shanghai and with a business operation scale of less than 50 employees and registered capital of RMB5.0 million, Supplier I is a private company primarily engaging in sales of electronic products and accessories, communication equipment, hardware and machinery.
- (10) Established in 2008, headquartered in Hsinchu and with a business operation scale of approximately 3,600 employees, registered capital of approximately RMB113.5 million and approximately RMB9.4 billion in terms of its revenue in 2022, Supplier J is listed on the Taiwan Stock Exchange and primarily engages in provision of wafer foundry services and sales of IC technology services and materials. Based on Supplier J’s 2022 annual report, some of its products are among the world’s top three in terms of market share in personal computers and cloud applications in 2022, and sales volume of IC dies have reached 6.2 billion and sales of wafers have reached 312 thousand units in 2022.

We acquainted our five largest suppliers in each year/period through direct marketing efforts or friends’ referrals, which mainly include referrals from our business partners and friends from peer companies.

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, all of our five largest suppliers in each year/period were Independent Third Parties. There was no past or present relationship (including business, employment, financing, family, trust or otherwise) between the five largest suppliers during the Track Record Period and us, our Directors, shareholders or senior management, or any of their respective associates.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant fluctuation in prices set by our suppliers, material breach of contracts on the part of our suppliers, or delay in delivery of our orders from our suppliers. Our average overall purchase price amounted to RMB3,248.6, RMB3,630.5, RMB3,454.0, RMB3,662.0 and RMB3,642.0 in 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes with the aforementioned suppliers.

To the best of our Directors’ knowledge, none of our Directors or their respective close associates or any person who, to the knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest suppliers in each year/period as of the Latest Practicable Date.

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### Relationship with Supplier A

#### *Overview*

During the Track Record Period, we primarily procured foundry-manufactured wafers from Supplier A. Supplier A was established in the PRC in 2018 headquartered in Nantong, specializing in R&D, design and testing of electronic circuits and sales of electronic products. Supplier A had gained ample resources to connect with major foundries and gained experience in foundry supply chain management. This provides Supplier A with capabilities to collect orders from multiple IC design companies to receive competitive prices due to economy of scale at its commencement. Our Directors are of the view that Supplier A was a suitable supplier with a compatible scale of operation when we started business collaboration in 2018. We partner with Supplier A in choosing foundries to manufacture patterned wafers with refined built-on electronic circuits designed by us. Supplier A assists us in logistics management, saving us labor costs so we can focus our manpower on the design and R&D of our products. As Supplier A maintains good relationship with diversified foundries and IC design companies, Supplier A can collect requests from multiple IC design companies, and place a consolidated order to foundries. By doing so, Supplier A obtains advantageous prices from foundries due to the economies of scale. Considering our small-quantity, multiple-time orders, we believe it is more cost-effective for us to partner with patterned wafer channel partners like Supplier A, instead of reaching out to foundries directly. Leveraging Supplier A’s valuable relationships with various foundries, we are able to secure stable foundries’ manufacturing capacity with relatively competitive prices.

We made 100% prepayment to our wafer channel partner Supplier A during the Track Record Period to secure the manufacturing capacity of foundries. In 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, our purchases from Supplier A were RMB78.6 million, RMB122.3 million, RMB214.8 million, RMB100.7 million and RMB160.3 million, respectively, representing 87.9%, 89.4%, 75.7%, 87.9% and 88.5%, respectively, of our total purchases for the same periods. As our procurement of foundry-manufactured wafers primarily derived from our wafer channel partner Supplier A during the Track Record Period, if our relationship with Supplier A is terminated, interrupted, or modified in any way adverse to us, there may be material interruptions to our operations and business. See “Risk Factors – Risks Relating to Our Business and Industry – We procured all of our foundry-manufactured wafers from a commercial patterned wafer channel partner during the Track Record Period. Due to the material reliance we had on our patterned wafer channel partner, any decrease in purchase from, or loss of, our patterned wafer channel partner would have negative impacts on our results of operations.” During the Track Record Period, the proportion of Supplier A’s revenue contributed by us generally remained stable at approximately 10% to 20%. Although we are not an exclusive customer of Supplier A, having taken into account that, as advised by Frost & Sullivan, our revenue contribution during the Track Record Period was quite significant on the basis of fragmented customer bases of similar patterned wafer channel partners as Supplier A, we believe we are a major and valuable customer of Supplier A.



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According to Frost & Sullivan, due to the nature of manufacturing needs for a small number of units for multiple types of analog IC products, it is common in the analog IC industry for companies to procure foundry-manufactured wafers with built-on analog circuits designed by these companies, including us, indirectly through third-party wafer channel partners for better prices and more sufficient manufacturing capacity. In addition, to ensure consistently quality products and centralized management of manufacturing demands, it is in line with industry practice for analog IC patterned wafer design companies to rely on a limited number of channel partners to secure foundry's manufacturing capacities, according to Frost & Sullivan.

Our Directors are of the view that the relationship between Supplier A and us is unlikely to materially adversely change or terminate, because (i) our procurement agreements with Supplier A are automatically renewed at expiration, and we have previously made five successful renewals of our procurement agreement with Supplier A, (ii) we have maintained a long-term and stable collaboration relationship with Supplier A for nearly five years, (iii) during the Track Record Period and up to the Latest Practicable Date, we did not have any disputes with Supplier A, and (iv) Supplier A believes we are a valuable business partner and have maintained a good business relationship with us, and currently there is no indication or sign from Supplier A that it will alter its existing relationship with us in any aspect in the near future. Based on the independent due diligence conducted, nothing material has come to the attention of the Sole Sponsor that would cast doubt on the Directors' view in respect of the relationship between Supplier A and the Company. According to Frost & Sullivan, there are over 80 patterned wafer channel partners in the market with similar operational scales and foundry supplier bases, who are able to provide quality services with similarly competitive prices as Supplier A. We generally take into consideration the corporate background, transaction counterparties including key account customers, transaction sizes with foundries, industry reputation and abilities to cope with previous capacity shortages when we switch to alternative wafer channel partners. As of the Latest Practicable Date, we had already been in discussion with three alternative wafer channel partners, all of which were under smooth progress. These alternative wafer channel partners are private companies based in Nantong<sup>(1)</sup>, Shenzhen<sup>(2)</sup> and Nanjing<sup>(3)</sup>. In the event that Supplier A no longer works with us, if we were to switch to alternative wafer channel partners, we estimate the relevant costs would be approximately RMB5 million to RMB10 million (i.e. the deposits charged by our current wafer channel partner), plus the administrative costs spent on daily communications. Based on the above, we believe we are able to find alternative patterned wafer channel partners in a timely, efficient and cost-effective manner, and such replacement will not have a material adverse effect on our business operations.

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*Notes:*

- (1) The alternative wafer channel partner candidate headquartered in Nantong primarily engages in sales of electronic products. It has registered capital of RMB10 million.
- (2) The alternative wafer channel partner candidate headquartered in Shenzhen primarily engages in sales of IC products. It has registered capital of RMB0.5 million.
- (3) The alternative wafer channel partner candidate headquartered in Nanjing primarily engages in sales of IC products and related technical consultations. It has registered capital of RMB200 million.

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### *Key Terms of Procurement Agreements with Supplier A*

We have entered into framework procurement agreements with Supplier A, which are subject to annual renewal. The key terms and conditions of our framework procurement agreements with Supplier A are summarized as follows:

- *Procurement.* We place work orders under the framework agreement. A work order primarily includes unit price, quantity of units, purchase amount, delivery of products and settlement of payment. Supplier A does not impose requirement of minimum purchase amount on us.
- *Product return.* Not specified. During the Track Record Period and up to the Latest Practicable Date, there have been no material claims between Supplier A and us with respect to product return and refund.
- *Confidentiality.* Each party shall keep confidential the trade secrets, technologies and proprietary rights of the other party until five years after the termination or expiration of the agreement, unless otherwise required by laws and regulations, in which case a prior notification shall be provided to the other party.
- *Renewal and termination.* Each of the framework agreements is effective for one year and will be automatically renewed for another one year, unless either party intends to terminate by giving two months’ prior written notice before the agreement expires. The framework procurement agreement may be terminated (i) upon mutual consent of both parties; (ii) in the event of a *force majeure*; and (iii) by the non-defaulting party in the event of a material breach.
- *Dispute resolution.* In the event of any dispute related to the enforcement of any agreement during our agreement term, both parties shall negotiate amicably. If an agreement cannot be reached, the parties have the right to sue.

### **SALES, MARKETING AND DISTRIBUTION OF OUR PRODUCTS**

We market our patterned wafer products through our sales and marketing team, who is responsible for identifying suitable potential markets and customers. Our dedicated sales and marketing team is responsible for formulating and coordinating marketing activities and promotion campaigns. Our sales and marketing members are equipped with knowledge and expertise about our patterned wafer products, and are able to identify the requests of downstream customers and provide technical support. They stay abreast of emerging products and technologies that appeal to our existing and potential customers and provide our customers with pre-sale consultations and recommendations tailored to their needs. As of June 30, 2023, our sales and marketing team consisted of eight members who worked closely with other teams as well as our distributor partners to execute our marketing strategies. For the years ended December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, our distribution costs were RMB0.8 million, RMB1.8 million, RMB3.6 million, RMB1.5 million and RMB2.9 million, respectively, accounting for 0.9%, 0.8%, 1.0%, 0.9% and 1.4%, respectively, of our revenue for the corresponding periods.

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### Our Direct Sales

We directly acquire new direct sale customers primarily through (i) customer referrals, (ii) attending activities, exhibitions and conferences, and (iii) direct marketing efforts. All of our direct sales during the Track Record Period were derived from downstream customers directly without involving any distributor. In 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, our sales generated from direct sale customers amounted to RMB4.3 million, RMB20.5 million, RMB69.8 million, RMB30.0 million and RMB36.2 million, respectively, accounting for 4.8%, 9.6%, 19.8%, 18.5% and 17.7%, respectively, of our revenue for the corresponding periods. The increasing revenue contribution from our direct sale customers during the Track Record Period demonstrated our efforts in direct sales and marketing. Our direct sale customers primarily engage in distribution and sales of ICs and R&D of electronic components using ICs. For details of the principal businesses of our major direct sale customers during the Track Record Period, see “– Our Customers.” After purchasing the products from us, our direct sale customers may perform packaging and testing procedures with a target of producing their self-branded IC products and sell to their respective customers, or directly use our patterned wafers in their own final products.

We consider it critical to diversify our revenue stream and plan to deepen our collaboration with existing direct sale customers and attract and establish long-term business relationship with new direct sale customers in the near future. See “– Our Strategies – Broaden Our Customer Base and Deepen the Relationships with Customers.” As the proportion of our sales generated from direct sale customers slightly decreased from 2022 to the six months ended June 30, 2023 due to a slower growth rate of such sales as compared to those attributable to distributors, we are constantly making efforts in broadening our direct sale customer base. For example, we expect to use our net [REDACTED] to establish two sales centers in the pearl river delta region and central China, potentially in Shenzhen and Wuhan considering the market size, potential customers and R&D resources, and we also expect to use our net [REDACTED] to maintain customer relationship and develop new customers. See “Future Plans and [REDACTED].” As of the Latest Practicable Date, we had already been in discussion with six new direct sale customer candidates, all of which were under smooth progress. These potential direct sale customers are private companies based in Shenzhen and Guangzhou who are in demand of our products to be used in their industrial and automobile application scenarios.

### Our Distribution Channels

During the Track Record Period, we primarily sold and marketed our patterned wafer products through third-party professional distributors. After purchasing the products from us, our distributors may at their discretion perform onward sales to their respective customers, or flexibly provide packaging services on the products according to their customers’ demand. Our distributor customers primarily engage in distribution and sales of semiconductors and modular circuits and provision of enterprise computing solutions. For details of the principal businesses of our major distributor customers during the Track Record Period, see “– Our Customers.” For the years ended December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2022

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and 2023, our total sales to distributors amounted to RMB84.4 million, RMB192.2 million, RMB282.7 million, RMB132.1 million and RMB168.2 million, respectively, accounting for 95.2%, 90.4%, 80.2%, 81.5% and 82.3%, respectively, of our revenue for the corresponding periods.

### *“Buy-out” Model*

Our distributors maintain a “buy-out” model with us. We sell our products to our distributors according to the terms in our distribution agreements with the purchase amounts as specified in purchase orders based on the demand of our distributors, and do not impose minimum purchase or sales targets on our distributors. Our products are physically delivered to the distributors when they make purchases from us. Under the “buy-out” model, we do not monitor our distributors’ inventory level. The whole process of our distributors’ subsequent sales to their downstream customers falls within our distributors’ absolute discretion, and we do not interfere with their selection of downstream customers, sales decisions or inventory management. Our distributors are independently responsible for their own inventory management, any risks arising from which will be taken by our distributors at their own cost. As advised by our Internal Control Consultant, it is common for an IC design company maintaining similar “buy-out” model not to monitor its distributors’ inventory level, and no major issues were identified in terms of our management policies for the distributors during the Track Record Period. During the duration of our distribution agreements, our distributors are generally not allowed to return any unsold products to us. Product return policies are not applicable in our distribution agreements with our distributors, except that our distributors may negotiate with us on return and indemnification of defective products due to our faults according to relevant laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not received any product returns or indemnification claims from our distributors, nor had we made any provisions on any product returns or potential indemnification.

### *Our Major Distributors during the Track Record Period*

We partnered with five distributors in 2020. In 2021, we terminated our relationships with (i) one distributor, Customer C, to cease related party transactions, (ii) a second distributor, as we terminated small-scale transactions and switched to more centralized management, and (iii) a third distributor\*, as it changed the transacting entity to the same as Customer A, both of which were controlled by the same individual, who is deeply rooted in the IC chip distribution industry for over ten years. We did not have any material disputes with these three distributors. From 2021 and onwards, the number of our distributors remained unchanged as two, namely Arrow, a global leading IC distributor, and Customer A, a local IC distributor. We consider our choice of distributors are aligned with our comprehensive marketing strategies. All of our distributors are our customers and we maintain a buyer/seller relationship with them. See “– Our Customers – Relationship with Our Two Largest Customers.”

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\* The third distributor is an independent third party of us and our connected persons. It was established in 2017 with a scale of operation of tens of millions of yuan in terms of its revenue in 2021. We commenced a business relationship with this distributor in 2019.

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All of our distributors are authorized distributors who enter into distribution agreements with us. For details of the salient terms of such distribution agreements with our largest two distributors during the Track Record Period, see “– Our Customers – Relationship with Our Two Largest Customers – Key Terms of Distribution Agreements with Arrow” and “– Our Customers – Relationship with Our Two Largest Customers – Key Terms of Distribution Agreements with Customer A.” Our distributors are not subject to any geographic exclusivity clause.

We maintain good business relationship with our current distributors, and plan to deepen our collaboration with them. In spite of the decreasing number of our distributors during the Track Record Period, we still achieved significant increase in our sales as our major distributors, Arrow and Customer A, were capable of promoting our products leveraging their channel resources and large downstream customer base. We aim to attract and establish long-term business relationship with new distributors by expanding our sales and marketing team, participating in industry exhibitions, strengthening our brand promotion, providing sufficient technical support and after-sales services, and collaborating with top market players in the industry. We also plan to improve the abilities of our in-house sales and marketing team members. In addition, we aim to improve our capabilities to provide high-performance products which helps improve customer stickiness. See “– Our Strategies – Broaden Our Customer Base and Deepen the Relationships with Customers.” With experience in logistics, marketing and sales of IC products, our distributor partners help us assemble downstream sales resources, provide useful and timely market demand information and broaden our sales channels. According to Frost & Sullivan, considering the fragmented analog IC market and to ensure centralized management of sales requests and demands from downstream customers, it is in line with industry practice for analog IC design companies like us to collaborate with limited number of third-party professional distributors for marketing and sales of products. Through our distribution channels, we are able to focus on the design aspects of analog IC patterned wafers and optimize our design capabilities.

During the Track Record Period, to the best knowledge of our Directors, there was no material channel stuffing issue and cannibalisation risks among our distributors as a result of their “buy-out” model with us. Considering that we do not impose minimum purchase requirement on distributors, and that our distributors are not allowed to return any unsold products to us, our Directors are of the view that the channel stuffing issue is inapplicable to us. To minimize the cannibalisation risks, we divide distributors with different downstream customer targets. In particular, Arrow leverages its parent company’s global leading position and mainly targets mature, medium- to large-sized companies and multinational companies, covering IC companies, automobile and large equipment manufacturers, while Customer A as a local distributor mainly targets smaller-sized and local companies, covering module and solution providers and small equipment manufacturers. As part of our distributor management policy, we maintain regular communication with our distributors, and raise periodic requests to our distributors to provide sales reports for us to acknowledge their inventories and sales targets. In addition, along with the sales of patterned wafer products, we provide after-sales technical support to downstream customers, especially during their packaging and testing processes. As technical support from patterned wafer product provider is indispensable to

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downstream customers’ use and application of products, our value-added services effectively support their business operations, and thus solidify our competitiveness. Based on the above, our Directors believe that these measures effectively prevented the channel stuffing issue and cannibalisation risks during the Track Record Period. Based on the independent due diligence conducted, nothing material has come to the attention of the Sole Sponsor that would cast doubt on the Directors’ view in relation to the channel stuffing issue and cannibalisation risks among its distributors.

### *Subsequent Sales of Our Products to Downstream Customers*

Our major distributors primarily sell our products to their respective customers from industrial (including industrial automation, industrial Internet of Things, industrial lighting, instrumentation, measurement and infrastructure, motor drives, healthcare, energy storage and electric power), automotive (including automotive electronics, motion transmission systems and in-car equipment and instruments), consumer electronics and communications industry verticals. The customers of these industries primarily comprise our major downstream customers. These downstream customers purchase our products for sales and marketing of their self-branded finished IC products, or for flexibility in their subsequent assembly and test and prevention of repeated packaging wastes. Downstream customers engaging in IC design purchase our products, perform packaging and label with their own logos for sale, and downstream customers that use finished ICs for production of end products purchase our products and package by themselves, or purchase packaged and tested products from distributors, for direct use in their end products. For example, (i) downstream customers in the automotive electronics sector use our products in their power supply for in-car equipment, motor drivers and in-car battery management system (BMS), (ii) downstream customers in the electric power and energy storage sectors use our products in their BMS and backup power systems, and (iii) downstream customers in the communications and energy storage sectors use our products in their power platforms.

Based on the information provided by our distributors, during the Track Record Period, the revenue contribution from our major downstream customers experienced continuous increase, which was in line with our business growth. The revenue derived from downstream customers of industrial and automotive sectors accounted for a substantial amount of our total revenue.

### **OUR CUSTOMERS**

Our customers primarily include companies principally engaged in distribution and sales of electronic components, semiconductors and modular circuits. In each year/period during the Track Record Period, revenue contributed from our five largest customers accounted for 99.9%, 99.9%, 100.0% and 100.0% of our total revenue in 2020, 2021 and 2022 and for the six months ended June 30, 2023, respectively, while the largest customer contributed 54.1%, 54.7%, 44.3% and 42.2% of our total revenue, respectively, for the same periods. During the Track Record Period, we generally granted a credit term ranging from 30 to 90 days to our customers.



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The following tables set out the details of our five largest customers in each year/period based on their revenue contribution during the Track Record Period:

*For the year ended December 31, 2020*

Ranking	Customer	Nature of revenue	Year of commencement of business relationship with us	Type of customer	Revenue (RMB'000)	Percentage of total revenue
1.	Customer A <sup>(1)</sup>	Patterned wafers	2020	Distributor	47,995	54.1%
2.	Arrow <sup>(2)</sup>	Patterned wafers	2018	Distributor	26,245	29.6%
3.	Customer C* <sup>(3)</sup>	Patterned wafers	2018	Distributor	9,897	11.1%
4.	Customer D <sup>(4)</sup>	Patterned wafers	2019	Direct sale customer	4,295	4.8%
5.	Customer E <sup>(5)</sup>	Patterned wafers	2019	Distributor	283	0.3%
<b>Total</b>					<u>88,715</u>	<u>99.9%</u>

*For the year ended December 31, 2021*

Ranking	Customer	Nature of revenue	Year of commencement of business relationship with us	Type of customer	Revenue (RMB'000)	Percentage of total revenue
1.	Customer A	Patterned wafers	2020	Distributor	116,393	54.7%
2.	Arrow	Patterned wafers	2018	Distributor	75,804	35.6%
3.	Customer D	Patterned wafers	2019	Direct sale customer	15,515	7.3%
4.	Customer F <sup>(6)</sup>	Patterned wafers	2021	Direct sale customer	4,957	2.3%
5.	Customer G <sup>(7)</sup>	Patterned wafers	2021	Direct sale customer	21	0.01%
<b>Total</b>					<u>212,690</u>	<u>99.9%</u>

\* Customer C, controlled by Mr. Li Zhen, was a related party and a connected person in 2020. See note 29 to the Accountants' Report in Appendix I to this document for related parties transactions during the Track Record Period.



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*For the year ended December 31, 2022*

Ranking	Customer	Nature of revenue	Year of commencement of business relationship with us	Type of customer	Revenue (RMB'000)	Percentage of total revenue
1.	Arrow	Patterned wafers	2018	Distributor	156,094	44.3%
2.	Customer A	Patterned wafers	2020	Distributor	126,585	35.9%
3.	Customer F	Patterned wafers	2021	Direct sale customer	39,849	11.3%
4.	Customer D	Patterned wafers	2019	Direct sale customer	29,982	8.5%
5.	-	-	-	-	-	-
<b>Total</b>					<u>352,510</u>	<u>100%</u>

*For the six months ended June 30, 2023*

Ranking	Customer	Nature of revenue	Year of commencement of business relationship with us	Type of customer	Revenue (RMB'000)	Percentage of total revenue
1.	Arrow	Patterned wafers	2018	Distributor	86,221	42.2%
2.	Customer A	Patterned wafers	2020	Distributor	82,021	40.1%
3.	Customer D	Patterned wafers	2019	Direct sale customer	22,257	10.9%
4.	Customer F	Patterned wafers	2021	Direct sale customer	13,922	6.8%
5.	Customer H <sup>(8)</sup>	Patterned wafers	2023	Direct sale customer	1	0.001%
<b>Total</b>					<u>204,422</u>	<u>100%</u>

*Notes:*

- (1) Customer A, with a business operation scale of approximately 50 employees and registered capital of RMB0.5 million, is a private company primarily engaging in distribution and sales of semiconductors and modular circuits. For a detailed introduction of the background of Customer A and our business relationship, see “Business – Our Customers – Relationship with Our Two Largest Customers.”

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- (2) Arrow, with a business operation scale of approximately 350 employees and registered capital of US\$17.8 million, primarily engages in sales of electronic components using ICs and provision of enterprise computing solutions. Its parent company is listed on the New York Stock Exchange. For a detailed introduction of the background of Arrow and our business relationship, see “Business – Our Customers – Relationship with Our Two Largest Customers.”
- (3) Established in 2018, headquartered in Nanjing and with a business operation scale of less than ten employees and registered capital of RMB2.0 million, Customer C is a private company primarily engaging in sales of ICs and communication equipment.
- (4) Established in 2012, headquartered in Nantong and with a business operation scale of approximately 30 employees and registered capital of RMB25.0 million, Customer D is a private company primarily engaging in R&D, production, processing and sales of industrial equipment and electronic products.
- (5) Established in 2017, headquartered in Shanghai and with a business operation scale of approximately ten employees and registered capital of approximately RMB1.3 million, Customer E is a private company primarily engaging in sales of ICs and other electronic products.
- (6) Established in 2004, headquartered in Shenzhen and with a business operation scale of approximately 200 employees and registered capital of RMB50.0 million, Customer F is a private company primarily engaging in sales of electronic components and provision of agent services.
- (7) Established in 2020, headquartered in Shenzhen and with registered capital of RMB10.0 million and paid-up capital of RMB8.5 million, Customer G primarily engages in R&D and sales of smart home appliances, industrial equipment and electronic components. Its parent company is listed on the Shenzhen Stock Exchange.
- (8) Established in 2008, headquartered in Shanghai and with a business operation scale of less than 50 employees and registered capital of RMB1.0 million, Customer H is a private company primarily engaging in R&D and sales of electronic components and energy-saving equipment and materials.

We acquainted our five largest customers in each year/period through direct marketing efforts or customers and friends’ referrals, which mainly include referrals from our downstream customers, industry seminar participants and business partners. In addition, we plan to broaden our customer base and strengthen our relationship with customers by developing sales centers. Setting up new sales centers provides convenience for customer maintenance and our business trip to nearby cities, and allow us to have in-depth understanding of local market conditions, visit potential customers more frequently and penetrate into the markets effectively through the sales centers. For details of the expected implementation timetable of sales centers, see “[REDACTED].”

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, except for Customer C which was our connected person in 2020 only, all of our five largest customers in each year/period were Independent Third Parties. There was no past or present relationship (including business, employment, financing, family, trust or otherwise) between the five largest customers during the Track Record Period and us, our Directors, shareholders or senior management, or any of their respective associates.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes with the aforementioned customers, nor did we receive any material complaints from such customers. We did not receive any material product returns from our customers during the Track Record Period and up to the Latest Practicable Date, and to the best knowledge of our Directors and senior management, there were no potential material product returns as of the Latest Practicable Date.

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To the best of our Directors’ knowledge, except for Customer C which was controlled by one of our Directors in 2020, none of our Directors or their respective close associates or any person who, to the knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest customers in each year/period as of the Latest Practicable Date.

### **Relationship with Our Two Largest Customers**

#### *Overview*

During the Track Record Period, our revenue was primarily derived from sales of patterned wafers to our distributor partners. During the Track Record Period, we primarily partnered with two distributors, namely Arrow, a global leading IC distributor, and Customer A, a local IC distributor. See “– Sales, Marketing and Distribution of Our Products – Our Distribution Channels.” Arrow is the PRC subsidiary of Arrow Electronics, Inc., a well-known worldwide electronic components and enterprise computing solution provider listed on the New York Stock Exchange and headquartered in the United States. Arrow Electronics, Inc. has established profound, long-term relationship with world-famous IC design companies, visual computing solution providers and technology developers and manufacturers. Customer A was established in the PRC in 2018 headquartered in Shenzhen, specializing in distribution and sales of semiconductors and modular circuits.

During the Track Record Period, we allowed both Arrow and Customer A to settle their payment with us monthly within 30 days after receipt of invoice. In 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, our aggregate revenue generated from our two largest distributor partners during the Track Record Period, Arrow and Customer A, amounted to RMB74.2 million, RMB192.2 million, RMB282.7 million, RMB132.1 million and RMB168.2 million, respectively, representing 83.7%, 90.4%, 80.2%, 81.5% and 82.3%, respectively, of our total revenue for each year, and 87.9%, 100.0%, 100.0%, 100.0% and 100.0%, respectively, of our total sales to distributors in the same periods. During the Track Record Period, the proportion of purchases from us generally remained stable, accounting for approximately 20% of Customer A’s total purchases. Although we are not an exclusive supplier of Customer A, Customer A’s purchases from us in terms of percentage during the Track Record Period was quite significant as compared to similar distributors’ average proportion of purchase amount. Specifically, as advised by Frost & Sullivan, such similar distributors in the industry on average purchased a proportion of 13.2% from their respective top five suppliers during the Track Record Period. Having taken into consideration that Customer A’s purchases from us accounted for approximately 20% of its total purchases, we believe we are a major and valuable supplier of Customer A. Besides, we believe we are also a valuable supplier to Arrow in spite of the less significance of Arrow’s purchases from us during the Track Record Period. We have established robust business cooperation with Arrow and become one of its strategic business partners in 2022. In particular, we were specifically introduced as one of the 39 outstanding suppliers, including well-known international and domestic suppliers, to share our insights on technology updates, as well as products and solutions, on Arrow Centralized Training Asia program in 2022, an annual technology expo hosted by Arrow for suppliers and

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downstream customers to exchange ideas on the latest industry updates and technology trends. We were also granted a “gold sponsorship” prize, one of the highest prizes awarded to Arrow’s suppliers which was only awarded to 13 suppliers by Arrow in 2022, in honor of our excellent contribution and business cooperation during the year. Due to their significant revenue contribution, any decrease in sales from, or loss of, one or more of them would harm our business, operating results, financial condition, and cash flows. See “Risk Factors – Risks Relating to Our Business and Industry – A significant proportion of our revenue was derived from our distributor partners, including Arrow and Customer A, during the Track Record Period. Any decrease in sales from, or loss of, one or more of our distributor partners would have negative impacts on our results of operations.”

The following table demonstrates the sales amount generated from Arrow and Customer A during the Track Record Period:

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	Sales	Contribution	Sales	Contribution	Sales	Contribution	Sales	Contribution	Sales	Contribution
	Amount	to Revenue	Amount	to Revenue	Amount	to Revenue	Amount	to Revenue	Amount	to Revenue
	(RMB in		(RMB in		(RMB in		(RMB in		(RMB in	
	millions)	(%)	millions)	(%)	millions)	(%)	millions)	(%)	millions)	(%)
Total sales										
amount	74.2	83.7	192.2	90.4	282.7	80.2	132.1	81.5	168.2	82.3
- Arrow	26.2	29.6	75.8	35.6	156.1	44.3	83.6	51.6	86.2	42.2
- Customer A	48.0	54.1	116.4	54.7	126.6	35.9	48.5	29.9	82.0	40.1

Our Directors are of the view that the relationships between Arrow or Customer A and us are unlikely to materially adversely change or terminate, because (i) our framework agreements with Arrow or Customer A either remains effective until either party intends to terminate or is automatically renewed at expiration, (ii) we have maintained long-term and stable collaboration relationships with Arrow and Customer A for over five and three years, respectively, (iii) during the Track Record Period and up to the Latest Practicable Date, we did not have any disputes with Arrow or Customer A, and (iv) both Arrow and Customer A believe we are a valuable business partner and have maintained good business relationships with us, and currently there is no indication or sign from Arrow or Customer A that they will alter their existing relationship with us in any aspect in the near future. Based on the independent due diligence conducted, nothing material has come to the attention of the Sole Sponsor that would cast doubt on the Directors’ view in respect of the relationship between Arrow or Customer A and the Company. Although we have thriving business relationships with Arrow and Customer A, we have been planning to acquire new customers to grow our customer base. See “– Our Strategies – Broaden Our Customer Base and Deepen the Relationships with Customers.” According to Frost & Sullivan, there are over 1,000 distributors in the market with similar operational scales and downstream customer bases, who are expected to accept our products with comparable prices as Arrow or Customer A. We take into consideration the scale of operations, the extent of overlapping downstream customers with our existing distributors and

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their plans of distribution when we switch to alternative distributors. As of the Latest Practicable Date, we had already been in discussion with five alternative distributors, all of which were under smooth progress. These alternative distributors are private companies based in Shanghai, Shenzhen and Chengdu who have sufficient downstream customer base. In the event that Arrow or Customer A no longer works with us, if we were to switch to alternative distributors, we estimate the relevant costs would be at least tens of millions of yuan, including administrative costs spent on business development as well as potential losses arising from a mismatch of our current inventory against the new market demand due to potential changes in downstream customers. We believe these potential costs and losses can be covered by the new revenue streams brought by the new distributors to a large extent. Based on the above, we believe we are able to develop new distributor partners as customers in a timely, efficient and cost-effective manner, and such change will not have a material adverse effect on our business operations.

During the Track Record Period and up to the Latest Practicable Date, there were no material claims from or against Customer A or Arrow.

### ***Key Terms of Distribution Agreements with Arrow***

We have entered into framework distribution agreements with Arrow. The key terms and conditions of our framework distribution agreements with Arrow are summarized as follows:

- *Purchases.* The purchase amount is specified in purchase orders. We typically do not impose requirement of minimum purchase amount on Arrow.
- *Selling prices.* The prices of our products are set forth in our price list in effect as of the date of the agreements. We shall notify Arrow of any change in the prices at least 30 days prior such change. In the event of a price increase, Arrow may order products and request delivery at the prior price before the new price becomes effective.
- *Obligations of each party.* We deliver the goods in the manner agreed upon in each purchase order, and furnish them with the current price and product information. We ensure that the products fully comply with all applicable laws, standards, codes, and regulations, are duly marked and labeled and are suitable for distribution. Arrow uses its best efforts to promote the distribution of our products, provides timely delivery of products to its customers and participates in such training programs as may be offered by us. Arrow is obligated to inspect the materials upon the arrival of the products at the warehouse or designated location.
- *Risk allocation.* Control of the products shall be passed to Arrow in accordance with its shipping term, which is Delivered-at-Place (DAP) (Incoterms 2010) at Arrow's designated place. Once our products reach Arrow's designated place, Arrow assumes control of these products. The risk of damage to, or loss of, the products shall be borne by Arrow upon receipt of the products.

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- *Product return.* Not specified during the duration of the agreements, except that (i) Arrow may negotiate with us on return of defective products according to relevant laws and regulations, the issues of which are confirmed to have arisen from our reasons, and (ii) in the event of our termination of the agreements, we shall assist Arrow in handling the unsold products, and shall repurchase these unsold products at the price paid therefor by Arrow or arrange other distributors to purchase if such unsold products remain with Arrow for more than 90 days.
- *Warranty and indemnification.* Our products are covered by our standard warranty, which extends directly to Arrow's customer as if it had purchased our products directly from us. The warranty period lasts one year commencing upon Arrow's shipment to its own customer. Arrow may negotiate with us on indemnification of defective products according to relevant laws and regulations, the issues of which are confirmed to have arisen from our reasons.
- *Appointment of sub-distributors.* Not specified.
- *Confidentiality.* Each party shall keep confidential the trade secrets, technologies and proprietary rights of the other party, unless otherwise required by laws and regulations.
- *Renewal and termination.* Each of our framework agreements with Arrow remains effective, unless either party intends to terminate. The framework distribution agreement may be terminated (i) upon mutual consent of both parties; (ii) in the event of a *force majeure*; and (iii) by the non-defaulting party in the event of a material breach.
- *Dispute resolution.* In the event of any dispute related to the enforcement of any agreement during the term of the framework agreements, both parties shall negotiate amicably. If an agreement cannot be reached, the parties have the right to sue.

### ***Key Terms of Distribution Agreements with Customer A***

We have entered into framework distribution agreements with Customer A. The key terms and conditions of our framework distribution agreements with Customer A are summarized as follows:

- *Purchases.* The purchase amount is specified in purchase orders. We typically do not impose requirement of minimum purchase amount on Customer A.
- *Selling prices.* The prices of our products are set forth in our price list in effect as of the date of the agreements.



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- *Obligations of each party.* We deliver the goods in the manner agreed upon in each purchase order, and furnish them with the current price and product information. We ensure that the products fully comply with all applicable laws, standards, codes, and regulations, are duly marked and labeled and are suitable for distribution. Customer A uses its best efforts to promote the distribution of our products and provides timely delivery of products to its customers. Customer A is obligated to inspect the materials upon the arrival of the products at the warehouse or designated location.
- *Risk allocation.* Control of the products shall be passed to Customer A upon its issuance of a signed receipt of the products to us. The risk of damage to, or loss of, the products shall be borne by Customer A upon receipt of the proof of delivery.
- *Product return.* Not specified, except that Customer A may negotiate with us on return of defective products according to relevant laws and regulations, the issues of which are confirmed to have arisen from our reasons.
- *Warranty and indemnification.* Warranty term is not specified in the agreements. Customer A may negotiate with us on indemnification of defective products according to relevant laws and regulations, the issues of which are confirmed to have arisen from our reasons.
- *Appointment of sub-distributors.* Not specified.
- *Confidentiality.* Each party shall keep confidential the trade secrets, technologies and proprietary rights of the other party, unless otherwise required by laws and regulations.
- *Renewal and termination.* Each of our framework agreements with Customer A remains effective for one year and will be automatically renewed for another one year, unless either party intends to terminate by giving two months' prior written notice before the agreement expires. The framework distribution agreement may be terminated (i) upon mutual consent of both parties; (ii) in the event of a force majeure; and (iii) by the non-defaulting party in the event of a material breach.
- *Dispute resolution.* In the event of any dispute related to the enforcement of any agreement during the term of the framework agreements, both parties shall negotiate amicably. If an agreement cannot be reached, the parties have the right to sue.

## QUALITY MANAGEMENT

Quality control and assurance are crucial to us, and we endeavor to ensure the quality of our operations through a comprehensive quality management system, which was formulated in accordance with the ISO9001:2015 standard in China, covering substantially every aspect of our operations including analog IC product design, procurement, among other things.

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We have established a comprehensive set of quality control and assurance procedures to monitor our operations to ensure compliance with relevant regulatory requirements and our internal quality requirements. For example, we select our suppliers based on a strict set of criteria to make sure our requirements are being consistently met. In addition, we conduct inspection on delivered products in accordance with our quality management standards.

### INVENTORY MANAGEMENT

Our inventories primarily consist of raw materials and finished goods. See “Financial Information – Discussion of Certain Items of Statements of Financial Position – Inventories.” In order to maintain our competitiveness, adapt our products to evolving demand trends and to avoid our inventories becoming obsolete, we have taken measures to optimize our inventory level, including minimizing inventory backlog in the process of inventory management. In addition, we have established internal submission and approval procedures to optimize the logistics of our inventory management and standard of purchase orders of our patterned wafer products. We standardize our inventory management through our digital warehousing system across our escrow warehouse at our chip probing service provider’s plant located in Shanghai. Each of the inventories is given a unique identification code at the time of storage. This way, we are able to keep track of all inventories at all stages. We maintain sufficient level of inventories as a result of our effective inventory management.

We anticipate and prepare for product stocking based on feedback on demand of downstream customers. Despite 13-14 months of design time, as we deliver general-purpose, standardized analog IC patterned wafers that are adaptable to a variety of application scenarios in different end products and do not need to be customized for specific downstream customers, it does not affect us to generally fulfill each purchase order and complete product delivery within less than a month from receiving such purchase order. We reserve manufacturing capacity and place manufacturing orders before receiving orders from our customers based on their forecasted demand and our estimated sales volume. After we receive the purchase orders, we go through the chip probing process and deliver the analog IC patterned wafers to our customers. We reserve manufacturing capacity based on our estimated sales volume in the next year. Considering that our products are usually produced in small batches, we normally reserve the spare manufacturing capacity of foundries through our channel partner, which requires earlier reservation as the spare manufacturing capacity is difficult to reserve and is usually reserved only for companies with long-term cooperative relationship. By reserving manufacturing capacity early, we can ensure that manufacturing capacity is not affected by market conditions when market manufacturing capacity is tight, and secure manufacturing capacity with more competitive prices when there is overcapacity in the market. Our sufficient inventory level and prompt delivery of products help us respond fast to downstream customers’ needs.

We conduct regular inventory check every six months, and conduct spot checks from time to time to ensure smooth operation within the warehouse. We perform on-site inventory audit and inspection annually, and prepare inventory inspection reports, according to which we deal with obsolete and slow-moving inventories in a timely manner. Led by a specially established

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working group, our finance team is responsible for inventory audit and inspection, and report to senior management the inspection results and shortfalls. Our Directors confirm that our inventory control system and policies have been effective and we did not experience any material shortage in supply or overstock of inventories during the Track Record Period and up to the Latest Practicable Date.

We may lose our competitive position if our products become obsolete. See “Risk Factors – Risks Relating to Our Business and Industry – Our inability to continuously develop our technological capabilities and improve our analog IC design platform could make our products uncompetitive and obsolete, which may impede our ability to address the requirements in technology segments that are expected to contribute to our growth.” Our inventory management policies require us to preserve obsolete inventories in a specially produced cabinet for future sales when opportunities arise. For defective inventories, we claim them as worthless and report their residual value according to our financial policies. We do not have any hedging policies to offset our loss. However, due to the long product lifecycle of the industrial grade analog IC end products, we generally do not have significant obsolete inventories.

## INTELLECTUAL PROPERTY

We regard our patents, trademarks, trade secrets and other intellectual property rights as critical to our business operations. As of the Latest Practicable Date, we possessed 118 patents, 325 proprietary rights of IC layout design, 17 software copyrights and 72 trademarks in China. We had also filed applications for 7 patents and 23 trademarks in China and Hong Kong, and 17 patents under the Patent Cooperation Treaty (PCT) as of the same date. During the Track Record Period, we have filed and been granted 19 patents, 280 proprietary rights of IC layout design and 10 software copyrights in China, and we have not filed and been granted any intellectual property rights in other jurisdictions.

The following table sets out the information of all the patents filed and granted in China during the Track Record Period:

Field of Application	Title of Patent	Expiry Date
R&D of EDA	An assisted chip design methodology to reduce simulation time (一種減少仿真時間的輔助芯片設計方法)	February 4, 2041
	Graphical secondary development method for EDA software in chip layout design (EDA軟件在芯片版圖設計中的圖形化二次開發方法)	May 9, 2041
	A chip design method for automatic addition of environmental stabilization system (一種自動添加環境穩定系統的芯片設計方法)	July 1, 2041
	Artificial intelligence implementation method and system for circuit design (用於電路設計的人工智能實現方法及系統)	July 11, 2041

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Field of Application	Title of Patent	Expiry Date
	A system and method for circuit design based on machine learning (一種基於機器學習的電路設計系統及方法)	July 18, 2041
	Circuit direct-current analysis simulation method, device, apparatus, and storage medium (電路直流分析仿真方法、裝置、設備及存儲介質)	August 8, 2041
	A simulation optimization method and device for transient analysis of large-scale integrated circuits (一種用於大規模集成電路瞬態分析的仿真優化方法及裝置)	August 17, 2041
	A modeling method to build a 3D diffusion model of a chip in EDA software (一種在EDA軟件中建立芯片三維擴散模型的建模方法)	August 22, 2041
	A visualized computer-aided chip design and simulation verification method and system (一種可視化計算機輔助芯片設計和仿真驗證方法及系統)	September 12, 2041
	An auxiliary circuit for integrated circuit chips and its design method (一種集成電路芯片的輔助電路及其設計方法)	April 15, 2041
	A simulation request processing method, apparatus, electronic device, and readable storage medium (一種仿真請求處理方法、裝置、電子設備及可讀存儲介質)	June 30, 2041
R&D of the design process	Single-layer polycrystalline embedded nonvolatile storage unit, storage array, and working method (單層多晶嵌入式非揮發存儲單元、存儲陣列及其工作方法)	December 2, 2041
R&D of the testing process	A semiconductor chip test method for ICs and its test device (一種用於集成電路的半導體芯片測試方法及其測試裝置)	September 7, 2041
	A chip test method and test device based on reconfiguration of internal circuit structure of a chip (一種基於芯片內部電路結構重構的芯片測試方法和測試裝置)	September 5, 2041
Power management products	A battery power supply device and its power supply method (一種電池供電裝置及其供電方法)	July 27, 2041
	A low-power battery management system (一種低功耗的電池管理系統)	January 9, 2042
	A charging circuit that realizes short-circuit protection and automatic restarting (一種可實現短路保護及自動重啟的充電電路)	July 4, 2041
	A power supply circuit with stabilized output voltage (一種具有穩定輸出電壓的供電電路)	September 25, 2041
Signal chain products	A current detection device to reduce chip heating (一種減小芯片發熱的電流檢測裝置)	July 27, 2041

The following table sets out the information of major proprietary rights of IC layout design filed and granted in China during the Track Record Period, which are directly related to our major products. We consider the following proprietary rights of IC layout design our major and typical ones because they are crucial and multiply applied to the interim versions of our power management and signal chain products, the designs of which are eventually turned into our products with high revenue contribution.

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Field of Application	Title of Proprietary Right of IC Layout Design	Expiry Date
Switching regulators	Low power switching regulators for medical and automation applications (用於醫療和自動化領域的低功耗開關穩壓器)	October 23, 2030
	Built-in 2A power switching tube step-down regulator for automotive battery management (用於汽車電池管理的內置2A功率開關管降壓型穩壓器)	November 27, 2030
	Built-in 3A power switching tube step-down regulator for industrial power applications (用於工業用電的內置3A功率開關管降壓型穩壓器)	November 27, 2030
	3A floating low dropout linear regulator (3A浮動型低壓差線性穩壓器)	April 11, 2032
	40V step-up DC-DC converter for automation applications (自動化領域適用的40V升壓型DC-DC轉換器)	June 6, 2032
Multi-channel ICs and PMICs	Dual buck constant voltage and constant current sources for industrial lighting and distributed power supplies (用於工業照明和分佈式電源的雙通道降壓型恆壓恆流源)	January 6, 2030
	Dual boost/negative output converter for medical device and OLED drivers (用於醫療設備和OLED驅動器的雙通道升壓/負輸出轉化器)	January 20, 2030
	High efficiency dual buck constant voltage and constant current sources for industrial lighting (用於工業照明的高效率雙通道降壓型恆壓恆流源)	November 19, 2030
	Dual buck constant voltage and constant current source for medical device and OLED drivers (用於醫療設備和OLED驅動器的雙通道降壓型恆壓恆流源)	November 19, 2030
	Dual boost DC-DC converter with good output functions (具有輸出良好功能的雙通道升壓型DC-DC轉換器)	December 9, 2030
	Dual boost DC-DC converter with soft-start (具有軟啟動的雙通道升壓型DC-DC轉換器)	December 9, 2030
Battery management ICs	Battery pack overcurrent discharge protection chip for wireless base stations (用於無線基站的電池組過流放電保護芯片)	December 20, 2030
	10-13 series lithium battery pack management chip (10-13串鋰電池組管理芯片)	December 20, 2030
	Battery pack management chip with built-in short-circuit protection (內置短路保護的電池組管理芯片)	December 20, 2030
Linear products	High speed and high voltage bidirectional current sense amplifier (高速高壓雙向檢流放大器)	November 11, 2032
	High precision battery pack detection chip (高精度電池組檢測芯片)	March 1, 2033

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The following table sets out the information of all the software copyrights filed and granted in China during the Track Record Period:

Field of Application	Title of Software Copyright	Expiry Date
Schematic editing	BT2747 chip test program V3.0 (BT2747芯片測試程序V3.0)	December 31, 2070
	Integrated circuit sorting machine main control board software V3.0 (集成電路分選機主控板軟件V3.0)	December 31, 2070
Layout editing	Integrated circuit layout editing tool software BTLE V3.0 (集成電路版圖編輯工具軟件BTLE V3.0)	December 31, 2070
	Tool software for graphical secondary development in chip layout design 1.1 (在芯片版圖設計中進行圖形化二次開發的工具軟件1.1)	December 31, 2071
	Tool software for graphical secondary development in chip layout design 1.0 (在芯片版圖設計中進行圖形化二次開發的工具軟件1.0)	December 31, 2072
IC simulation	Integrated circuit principle design model optimization program V3.0 (集成電路原理設計模型優化程序V3.0)	December 31, 2070
	Accelerated simulation software for transient analysis of large-scale integrated circuits 1.1 (用於大規模集成電路瞬態分析的加速仿真軟件1.1)	December 31, 2071
	Tool software to assist in simulation verification 1.0 (輔助仿真驗證的工具軟件1.0)	December 31, 2071
	Automated integrated circuit parallel simulation tool software 1.0 (自動化集成電路中可進行並行仿真的工具軟件1.0)	December 31, 2072
	Tool software for efficiently shortening simulation time in integrated circuit design 1.0 (可高效縮短集成電路設計中仿真時間的工具軟件1.0)	December 31, 2072

For detailed information about our material intellectual property, see “Appendix VI Statutory and General Information – B. Further Information about our Business – 2. Intellectual Property Rights of our Company.”

We rely primarily on a combination of patents, trademarks, trade secrets, and unfair competition laws and contractual rights, such as confidentiality agreement, to protect our intellectual property rights. We generally state all rights and obligations regarding the ownership and protection of intellectual properties in employment confidentiality agreements and some commercial agreements we enter into. In addition, we have taken the following key measures to protect our intellectual property rights: (i) implementing a set of comprehensive internal policies to establish robust management over our intellectual property rights, (ii) deploying a special team to guide, manage, supervise and monitor our daily work regarding intellectual properties, (iii) timely registration, filing and application for ownership of our intellectual properties, (iv) actively tracking the registration and authorization status of intellectual properties and take action in a timely manner if any potential conflicts with our intellectual properties are identified, and (v) engaging professional intellectual property service providers.



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In particular, as our EDA software tools and IP library, the two crucial components that build up our analog IC design platform, encompass modular IPs that are covered by our proprietary patents, we have placed special attention to protecting against imitation or infringement of our patents by third parties. We may rely, in some circumstances, on confidential information to protect aspects of the algorithm or implementation of EDAs. We have entered into agreements with confidentiality clause with all of our employees, and agreements with non-competition clause with our senior management and other employees who have access to trade secrets or confidential information about our business. Both the confidentiality clause and the non-competition clause have an unlimited term. Our standard confidentiality and intellectual property rights agreement, which we use to manage our employees who have access to trade secrets or confidential information about our business for work-performing purposes, contains an assignment clause, under which we own all the rights to all inventions, utility models, technology, know-how and trade secrets derived during the course of such employee’s work. We also seek to preserve the integrity and confidentiality of our data and trade secrets related to EDA software tools and IP library by maintaining physical security of our premises and physical and electronic security of our information technology systems.

As of the Latest Practicable Date, we had not been subject to any material disputes or claims for infringement upon third parties’ intellectual property rights in the PRC and, to the best knowledge of our Directors and senior management, they are not aware of any such disputes. However, these agreements or measures may not provide sufficient protection of our intellectual property rights. These agreements may be breached, resulting in the misappropriation of our intellectual properties, and we may not have an adequate remedy for any such breach. In addition, our intellectual properties may become known or be independently developed by third parties, or misused by any business partner to whom we disclose such information. Despite any measures taken to protect our intellectual properties, unauthorized parties may attempt to or successfully copy aspects of our products or to obtain or use information that we regard as proprietary without our consent. As a result, we may be unable to adequately protect our intellectual properties or proprietary rights. See “Risk Factors – Risks Relating to Our Business and Industry – We may be unable to adequately protect our proprietary rights, which may impact our ability to compete effectively.”

### DATA PRIVACY AND INFORMATION SECURITY RISK MANAGEMENT

In the course of our business, we collect, store and process business data and transaction data. As we only make transactions with enterprises, we do not collect or process personal data. We maintain a financial system, a human resource management system and a business management system. See “Risk Factors – Risks Relating to Our Business and Industry – Security breaches and other disruptions could compromise our confidential and proprietary information, which could cause our business and reputation to suffer” and “Regulatory Overview – Laws and Regulations Relating to Cybersecurity and Data Protection.”

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We pay close attention to risk management relating to our IT system, as storage and protection of corporate data and related information is critical to us. To ensure data security, we have adopted a rigorous encrypted algorithm to store sensitive data and strictly execute a data accessing and transmitting policy to ensure the confidentiality of our data. We have also developed strict internal control and data accessing mechanisms and detailed approval and operation procedures regarding data storage and processing. We have established a set of internal protocols on data security, which set forth detailed, strict requirements in relation to the use, disclosure and protection of confidential information. Among other things, such internal protocols provide limited authorization to our employees holding specific positions at specific levels to access and process corporate data on a need-to-know basis, who shall use such data only for the purposes of performing their work assignment.

All of our employees are required to sign a confidentiality agreement with us, which prohibits them from disclosing any confidential information relating to their work without our consent. We have a comprehensive data backup system to encrypt and store data on servers in different locations in order to minimize the risk of data loss. We also conduct data restoration tests to examine the status of the backup system on a regular basis.

In addition, we have established a remote disaster recovery system for our server by setting up multiple storage for the same information and data of long time dimension on the cloud, local and remote locations. Even if the server is damaged due to the highest level of disasters such as earthquakes, mudslides and other irresistible natural disasters, we believe that it can safeguard and guarantee that the service and data can be completely restored within 24 hours.

Our PRC Legal Advisors are of the view that we have been in compliance with the relevant PRC laws, rules and regulations relating to cybersecurity and data protection in all material aspects during the Track Record Period and up to the Latest Practicable Date on the basis that (i) we do not collect or process personal data as we do not conduct business directly with individuals, (ii) we have implemented comprehensive cybersecurity and data protection policies, procedures, and measures to ensure secured storage and transmission of data, prevent unauthorized access or use of data and respond to network security incidents, (iii) we have not been subject to any material fines or administrative penalties, mandatory rectifications, or other sanctions by any competent regulatory authorities for violation of cybersecurity and data protection laws, rules and regulations, (iv) there have been no material cybersecurity and data protection incidents or infringement upon the rights of any third parties, or other legal proceedings, administrative or governmental proceedings, pending or, to the best of the knowledge of our Directors, threatened against or relating to us, and (v) we have not experienced any material leakage of data, any breach of confidential business data or violation of cybersecurity and data protection and privacy laws, rules and regulations which will have a material adverse impact on our business operations.

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### COMPETITION

We face competition in respect of the quality of our products, our ability to meet downstream customers’ expectations, and our experience and reputation. The principal competitive factors in our industry generally include product stability and reliability, price competitiveness, marketing and sales capabilities, and brand influence.

We believe that there are high barriers for our competitors to enter into the analog IC patterned wafer market, which include, among other things, design efficiency, first-mover advantages, extensive product lineup, downstream customers’ recognition and collaboration with foundries or wafer channel partners. For more information on the competitive landscape of our industry, see “Industry Overview.” Our Directors believe that we will maintain our competitiveness over other competitors and our market position by strengthening and developing our competitive strengths. Our competitive strengths are highlighted in the paragraph headed “– Competitive Strengths” in this section.

### EMPLOYEES

As of June 30, 2023, we had 106 full-time employees, all of whom were based in China. The following table sets forth the number of our employees by function as of June 30, 2023:

<b>Function</b>	<b>Number of employees</b>
Senior management	2
R&D	64
Sales and marketing	8
Business operations and administration	<u>32</u>
Total	<u><u>106</u></u>

We recognize the importance of talents for sustainable business growth and competitive advantages. We believe that our success depends on our ability to attract, retain and motivate qualified personnel. As part of our human resources strategy, we offer employees relatively competitive salaries, performance-based bonuses, and other incentives. We typically sign non-competition agreement with our senior management or other key employees for an unlimited term. We occasionally review the performance of our employees on the basis of, among other criteria, their abilities to achieve stipulated performance targets. As a result, we have generally been able to attract and retain qualified employees and maintain a stable core management team.

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We plan to adopt a diversified recruitment approach to ensure a sufficient talent pool for key positions. We primarily recruit our employees through on-campus recruitment, online channels and third-party employment websites. We provide on-board training for all of our employees as well as periodic training or seminars to ensure their self-development. In particular, we provide a special training program which lasts for two to three weeks for our R&D employees to help them get familiar with R&D activities and project management. Experienced engineers serve as mentors in the program, and conduct tutoring with new R&D employees. Furthermore, we hold lectures and exchange ideas through seminars with external professionals. We also provide courses for our employees as an important part of their continuous self-learning. We strive to create a multiple-incentive mechanism and a friendly working environment to fulfil our employees’ full potential. Due to our efforts, we generally maintain a stable team of employees that make continuous contributions.

Our employees are currently represented by our internal labor union. We believe that we generally maintain good working relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not experience any labor disputes or strikes.

### **Social Insurance and Housing Provident Fund Contributions**

During the Track Record Period and up to the Latest Practicable Date, we did not make full social insurance and housing provident fund contributions for our employees in accordance with relevant laws and regulations, primarily because (i) certain employees have requested us not to make full contributions to housing provident funds due to personal reasons, and (ii) the social insurance and housing provident funds of new employees were not paid in their first month of employment. For the years ended December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2023, the aggregate shortfall in such contribution amounted to approximately RMB0.4 million, RMB2.1 million, RMB2.2 million and RMB0.6 million, respectively. If we fail to rectify the non-compliance of full payment of social insurance and housing provident fund contributions for our employees within the prescribed timeframe as required by the relevant PRC laws and regulations, we may be subject to fines and late payments in an aggregate maximum amount of RMB1.4 million. See “Risk Factors – Risks Relating to Our Business and Industry – We may be subject to additional contributions of social insurance and housing provident fund and late payments and fines imposed by relevant governmental authorities.” According to the certifying letters issued by Suzhou New District Social Insurance Fund Management Center (蘇州高新區社會保險基金管理中心) and Suzhou Housing Provident Fund Management Center (蘇州市住房公積金管理中心) which, according to our PRC Legal Advisors, are the competent authorities for issuing such letters, during the Track Record Period, such authorities did not impose administrative penalties on us for failure to make full social insurance or housing provident fund contributions.

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Our PRC Legal Advisors are of the view that our possibility of being subject to further administrative penalties for any outstanding social insurance and housing provident fund contributions incurred during the Track Record Period and up to the Latest Practicable Date is low, considering that: (i) we had not been imposed of any administrative penalties for not making full payment of the social insurance and housing provident funds, or received any notice to pay the shortfall, by relevant social insurance and housing provident fund bureaus during the Track Record Period; (ii) neither penalty records related to social insurance nor housing provident funds have been found through public search; (iii) as of the Latest Practicable Date, there were no pending disputes or controversies between our employees and us in connection with labor and employment matters including in respect of social insurance and housing provident fund contributions; (iv) during the Track Record Period, no employees or relevant competent authorities raised objections in relation to the contribution arrangements relating to social insurance or housing provident funds, and up to the Latest Practicable Date, we had not received any objections from any employees or authorities in relation to labor and employment, social insurance or housing provident funds; and (v) we have undertaken that in the event that we receive requests from the relevant authorities to pay any historical outstanding social insurance and housing provident fund contributions, or that we are required to pay any related late charges or penalties, we will timely make such payments in full.

Based on the above, our Directors are of the view that the abovementioned issues in relation to the contributions of social insurance and housing provident funds would not have a material adverse effect on our business, results of operations or financial condition and the possibility for any relevant competent authorities imposing administrative penalty or seeking recovery from the Company in relation to any outstanding social insurance and housing provident fund contributions incurred during the Track Record Period is low.

We will review our social insurance and housing provident fund contributions on a regular basis and will make social insurance and housing provident plan contributions in accordance with applicable legal requirements. We aim to implement the following internal control measures to rectify and prevent the recurrence of such issues: (i) we plan to adopt internal policies governing social insurance and housing provident fund arrangements and contributions according to the requirements of the Labor Law of the PRC and applicable regulations, for the purpose of monitoring and ensuring our compliance with such laws and regulations; (ii) we will consult PRC legal advisors as well as relevant competent authorities, as and when necessary and/or practicable, for the purpose of assessing and ensuring the contribution basis of social insurance and housing provident funds for our eligible employees comply with applicable laws and regulations on an ongoing basis; and (iii) we will keep abreast of latest developments in PRC laws and regulations in relation to social insurance and housing provident funds, and provide internal training for our Directors, members of senior management and employees on the relevant laws and regulations. In particular, we have adopted and will continue to adopt or expect to adopt the following measures to rectify these matters of social insurance and housing provident fund contributions before [REDACTED]: (i) we are in the process of communicating with our employees with a view to seeking their understanding and cooperation in complying with the applicable payment base, which also requires additional contributions

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from our employees; and (ii) we will designate our human resources team to review and monitor the reporting and contributions of social insurance and housing provident fund on a monthly basis before and going forward after [REDACTED].

### LAND AND PROPERTIES

We are headquartered in Suzhou, and maintain certain operation functions in Shanghai. As of the Latest Practicable Date, we did not own any property in the PRC, and leased four properties in the PRC with an aggregate GFA of approximately 5,200 sq.m. from third parties. These properties were used primarily as premises of office spaces, R&D activities and daily operations. Our lease agreements in respect of the abovementioned leased properties generally have lease terms ranging from one to three years.

Pursuant to the applicable PRC laws and regulations, property lease agreements must be registered with the local property administration authority. As of the Latest Practicable Date, we had not obtained lease registration for three of our leased properties in China, primarily due to the lack of cooperation from our lessors in registering the relevant lease agreements. According to the relevant PRC laws and regulations, we may be ordered by the relevant government authorities to register the relevant lease agreements within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease. See “Risk Factors – Risks Relating to Our Business and Industry – We may be liable for failure to register and file our lease agreements, which may subject us to penalties.” As of the Latest Practicable Date, we had not received any such request or suffered any such fine from the relevant government authorities.

The relevant properties were used primarily as premises of office spaces. During the Track Record Period, we did not generate material revenue from the activities conducted in these properties. Our main revenue was derived from our design and R&D activities conducted in our R&D center, the lease agreement of which had been registered with the relevant authority. Our Directors are of the view that the failure to complete the filing of these lease agreements does not have any material or adverse effect on our business operations or financial conditions, because (i) if we have to terminate the leases or relocate from such leased properties with defects, we are able to relocate to qualified alternative premises within a short period of time under comparable terms without incurring substantial additional costs, and (ii) even if we experience a temporary interruption in our use of any of the relevant properties, we believe our employees can continue to perform the material aspects of their duties remotely. As advised by our PRC Legal Advisors, the lack of registration of the lease agreements does not affect the validity of such lease agreements. We undertake to cooperate fully to facilitate the registration of lease agreements once we receive any requirements from relevant government authorities. To minimize the potential negative impact of the non-registered leases on our operations, we have taken all practicable and reasonable steps to ensure that these lease agreements can be properly and duly registered with competent authorities, including making continuous communication with the lessors to seek their cooperation to complete the registration process.



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### INSURANCE

During the Track Record Period, we provided mandatory social insurance for our employees as required by PRC social insurance regulations, such as pension insurance, unemployment insurance, work injury insurance and medical insurance. During the Track Record Period, we had not been the subject of any project liability claims. Our Directors consider our insurance policy as a whole is in line with the general market practice and complies with the relevant rules and regulation in China. See “Risk Factors – Risks Relating to Our Business and Industry – We may not have sufficient insurance coverage to cover our potential liability or losses and as a result, our business, financial conditions, results of operations and prospects may be materially and adversely affected should any such liability or losses arise.” As of the Latest Practicable Date, we had not experienced any business interruptions that had a material adverse effect on our business.

### AWARDS AND RECOGNITIONS

During the Track Record Period, we received awards and recognition in respect of our Company and our patterned wafer products, significant ones of which are set forth below:

<b>Award year</b>	<b>Award/Recognition</b>	<b>Awarding Institution/Authority</b>
2022	“Processor power supply chip based on self-developed modular software” winning the 17th “CHINACHIP” Excellent Market Performance Product (“基於自研模塊化軟件的處理器供電芯片”獲第十七屆“中國芯”優秀市場表現產品)	China Center for Information Industry Development (中國電子信息產業發展研究院)
	Specialized and New SME in Jiangsu Province (江蘇省專精特新中小企業)	Industry and Information Technology Department of Jiangsu (江蘇省工業和信息化廳)
	Gazelle Enterprise of Sunan National Innovation Park (蘇南國家自主創新示範區瞪羚企業)	Sunan National Innovation Park (蘇南國家自主創新示範區)
2020	National High-Tech Enterprise (國家高新技術企業)	Jiangsu Provincial Department of Science and Technology (江蘇省科學技術廳), Department of Finance of Jiangsu Province (江蘇省財政廳), and Jiangsu Provincial Tax Service, State Taxation Administration (國家稅務總局江蘇省稅務局)

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### LICENSES, PERMITS AND APPROVALS

As of the Latest Practicable Date, as advised by our PRC Legal Advisors, we had obtained all material licenses and permits required for our business operations (i.e. business license) in the PRC, and such business license had remained in full effect. Our PRC Legal Advisors have advised us that there was no material legal impediment to renewing business license as of the Latest Practicable Date.

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We believe our continued growth rests on integrating social values into our business and are committed to being a responsible corporate citizen. We are committed to promoting corporate social responsibility and sustainable development and integrating it into all major aspects of our business operations. We are also committed to complying with PRC regulatory requirements, abiding by environmental protection laws and regulations, and ensuring the health and safety of our employees.

#### Governance regarding ESG Issues

Being environmentally friendly and having positive social impact are at the core of our business and corporate governance. We have implemented an ESG policy, which provides guidelines to the management of our environmental, social and climate-related issues. We believe that it requires collective effort from our Directors to evaluate and manage material ESG issues, therefore we have not established any sub-committee for ESG issues. Instead, our Directors take up the responsibility of monitoring and managing material ESG issues, with the assistance from the management team. Our Directors are principally responsible for setting up our overall ESG vision, direction and strategy, monitoring and reviewing our ESG performances and fulfillment of the Directors’ ESG vision. Our Directors have also assigned our general manager to oversee the coordination of different teams to ensure that our operations and practices are in line with related ESG strategies.

We strive to continuously raise ESG awareness of all of our Directors, senior management and employees. For example, we plan to provide ESG-related training to our employees from time to time, including updating them with our latest ESG policy and current goals. Furthermore, our Directors closely follow and monitor the latest requirements regarding ESG disclosure and regulatory compliance. We place great emphasis on the Stock Exchange’s ESG requirements, and in order to ensure compliance with the said requirements, our Directors and our general manager will oversee the compilation of our ESG report, and shall review the content and quality of the ESG report after the [REDACTED].

With respect to the management of ESG issues, our Directors recognize the importance of shareholders’ expectations and involvement, and therefore endeavor to maintain an effective communication channel between shareholders and us. Our Directors have assigned our general manager to identify, monitor and assess material ESG issues annually. Our Directors will review the results from the assessment and conclude on the issues that we shall focus on.

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Besides, our Directors will set ESG targets, including establishing policies, systematic measures and one-year and five-year budgets, with a view of balancing business growth and environmental protection to manage material ESG issues and to achieve sustainable development. The targets will be reviewed on an annual basis to ensure that they remain appropriate to our needs. We aim to achieve a 100% target completion rate at the time of the annual assessment and maintain a record of zero ESG issues in the major areas we have identified as potential ESG risks.

### **Identification, Assessment, Management and Mitigation of ESG Risks**

Our Company conducts periodic enterprise risk assessment on current and potential risks faced by us in our business, including ESG risks. In order to manage such risks, our Directors aspire to compile established ESG policy and measures to tackle the risks identified during the enterprise risk assessment and minimize any potential risks inherent in our business operations. We have set up an anti-bribery and fraud prevention management system. Under these internal control policies, we strictly prohibit the acceptance of bribes and kickbacks in the procurement of raw materials and chip probing services from our suppliers along our entire supply chain, as well as sales and delivery of patterned wafer products to our customers. We also consult with professional parties whenever necessary to ensure compliance with evolving requirements on resource consumption disclosures.

We currently do not operate any manufacturing facilities and are not subject to significant environmental risks. We do not expect to incur any material liabilities or expenditures in these respects. During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any fines or other penalties due to non-compliance in relation to ESG regulations, and have not had any accident or claim for personal or property damage made by our employees which had materially and adversely affected our financial condition or business operations.

We have identified the following ESG risks which we consider material and may have an impact on our business, strategy or financial performance, and have taken the following measures to mitigate such risks:

#### ***Supply Chain and Foundry Management***

Responsible sourcing and sound supply chain management are essential for us to ensure reliable product quality and sustainability along our supply chain. If we are unable to select quality third-party suppliers, including patterned wafer channel partners who cooperate with reliable and capable manufacturing foundries and chip probing service providers, or monitor and manage these suppliers, we may be exposed to risks of suppliers’ non-compliance with applicable laws and regulations and unethical practices, which could diminish our competitiveness and harm our reputation.

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We have established a supply chain approval process, through which suppliers must provide relevant qualifications or certifications, such as their business licenses, among others, and demonstrate legal compliance with environmental and social policies prior to approval. If the suppliers are not compliant with the applicable laws and regulations regarding safety and quality or commit misconducts, we may terminate our contracts with them. We require that all the products we obtain from our patterned wafer channel partners fully comply with applicable industrial standards.

Although we currently do not operate any manufacturing facilities, we have a number of policies in place to select and continuously evaluate the foundries and ensure compliance with the relevant requirements.

The following sets out our selection criteria of new foundries and evaluation of selected foundries:

- *New foundries.* We select the foundries according to their processing technologies and compatibility to our products. We also take into consideration additional criteria, including among others, (i) relevant production qualifications of the foundries, (ii) product quality, (iii) corporate reputation, (iv) compliance with environmental protection requirements and (v) corporate social responsibility. Our personnel in charge of business operations will evaluate these key criteria and make the decision for approval of new foundries.
- *Selected foundries.* We evaluate the selected foundries periodically to ensure that they are in continuous compliance with our internal control requirements and provide qualified supplies in a timely manner. Our evaluation mainly covers (i) the overall product quality rate, (ii) the number of quality issues arising from foundries, (iii) punctuality in delivery, and (iv) quality of services, including attitude in problem solving. Our strict and precise requirements for product quality are also aimed at minimizing material waste and protecting the environment, and we expect the foundries to meet our supplier access standards and take initiatives in the areas of environmental conservation, labor standards and employee health. These measures assist us in selecting foundries that strive to maximize their capacity and resource utilization rate. In addition, product inspection is usually conducted by the chip probing service providers to ensure a professional and impartial process.

### ***Environmental Protection***

We take into account environmental, social and climate-related risks that may impact on our business, strategy and financial performance when developing our business strategy and may adjust our strategy in response to changing environmental, social and climate-related landscape. We consider coping with ESG issues our opportunities in creating a better community. We are committed to sustainability as part of our corporate strategy, and we strive to cultivate a sustainable mindset among our employees and work environment. We have

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conducted a series of campaigns that aim to reduce waste and carbon emissions of both our company and our employees, including trash-sorting in all of our offices, water reduction, and carbon emission reduction. We have also placed signs to remind our employees to reduce their water usage.

### *Well-being and Development of Employees*

We embrace diversity and adhere to local labor law requirements to prevent any form of discrimination based on gender, age, nationality, religious beliefs, or social status. Set below is our employees’ data categories by gender and age group in each year/period comprising the Track Record Period:

	Year ended December 31,				Six months ended			
	2020	2021		2022		June 30, 2023		
	%	%	%	%	%	%	%	
<i>By gender</i>								
Male	47	61.8	55	61.1	62	57.9	61	57.5
Female	29	38.2	35	38.9	45	42.1	45	42.5
<i>By age group</i>								
At or below 30	60	78.9	65	72.2	75	70.1	73	68.9
31-40	14	18.4	22	24.4	28	26.2	28	26.4
At or above 41	2	2.7	3	3.4	4	3.7	5	4.7

We recognize the importance of talents for sustainable business growth and competitive advantages. As part of our human resources strategy, we offer employees relatively competitive salaries, performance-based bonuses, and other incentives. We also attach great importance on staff training, and strive to create a multiple-incentive mechanism and a friendly working environment to fulfil our employees’ full potential. For more details, see “– Employees.”

### *Social Responsibility*

We place great importance on our social responsibility and take active role in engaging with public welfare initiatives. For example, in July 2021, our co-founders, Mr. Li Zhen and Mr. Zhang Guangping as distinguished alumni, collectively made a donation to Tsinghua University for the establishment of “Chen-Ning Yang Education Development Fund” (“楊振寧教育發展基金”). Mr. Li Zhen and Mr. Zhang Guangping also make occasional lectures to students with various educational background to share their views and insights on the IC industry. We believe that corporate social responsibility is part of our core growth philosophy that will be pivotal to our ability to create sustainable value for our Shareholders by embracing public interests.

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### Metrics and Targets on ESG Risks

Major parameters and measurable metrics we use to assess and manage our ESG risks include electricity consumption. We typically do not generate electronic waste by ourselves. As a result, we did not generate any significant environmental compliance cost during the Track Record Period.

For the years ended December 31, 2020, 2021 and 2022, our electricity consumption expenses amounted to RMB106.8 thousand, RMB101.5 thousand and RMB177.3 thousand, respectively, representing a CAGR of 28.8% which is significantly lower than the CAGR of our revenue, 99.3%, during the same periods. Furthermore, our electricity consumption expenses increased by 1.2% from RMB82.4 thousand for the six months ended June 30, 2022 to RMB83.4 thousand for the six months ended June 30, 2023, at a pace much slower than the growth rate of our revenue for the same period. This reflects our efforts made in environmental protection and lays a solid foundation to accomplish our goal to establish an environmentally friendly enterprise in the long run. Our current target is to gradually adopt more environmentally friendly and energy efficient measures in our daily operations. We have implemented a series of measures to reduce the electricity consumption, including daily inspection to turn off electronic devices when not in use, and limiting office temperature setting range when using the air conditioning system. We intend to lower our office electricity consumption through such measures, target to maintain a 100% compliance rate concerning power usage going forward, and will make continuous efforts in accomplishing the target of reducing our electricity consumption per thousand yuan of operating expenses by 5% in 2025. We set our energy reduction target by taking into account of our historical electricity consumption and our overall goal to reduce our carbon footprint. This target will be reviewed on an annual basis to ensure that it remains appropriate to our needs. We aim to continuously develop overall environmental protection measures based on the characteristics of our business model, strategy and financial planning as well as the potential impact on the environment.

### Impact of ESG Changes in Future Trends and Policies

We acknowledge that ESG issues pose a certain level of threat to us. We believe that ESG issues may bring about the risk of increasingly severe extreme weather events, such as more frequent storms, flooding and typhoons. We may potentially be impacted by higher operation and maintenance cost, as well as more insurance premium payable for protection. The health and safety of employees may also be endangered. Due to climate change and work safety and climate-related issues, regulators may require more extensive ESG-related disclosures. We may be impacted by increased cost to execute more stringent monitoring measures on resource consumption and employee protection. See “Risk Factors – Risks Relating to Our Business and Industry – We are subject to changing laws, regulations and social trends regarding environmental, social and governance risks, increasing both our costs and the risk of non-compliance.”



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### COVID-19 PANDEMIC AND EFFECTS ON OUR BUSINESS

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

### LEGAL PROCEEDINGS AND COMPLIANCE

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

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

## **BUSINESS**

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### **RISK MANAGEMENT AND INTERNAL CONTROL**

It is the responsibility of our Board to ensure that we maintain sound and effective internal controls and risk management system to safeguard our Shareholders' investment and our assets at all times. We maintain internal manuals setting out operating procedures, internal control procedures and other policies and guidelines. We have adopted and implemented comprehensive risk management policies in various aspects of our business operations, such as financial reporting, compliance, and anti-bribery and kick-back.

Our Board of Directors and our general manager are responsible for the establishment, updating and implementation of our internal control policies and systems, while our management team monitors the daily implementation of the internal control procedures and measures with respect to our functional teams.

#### **Financial Reporting Risk Management**

We have in place a set of accounting policies in connection with our financial reporting risk management. We have various procedures in place to implement accounting policies, and our financial team reviews our management accounts based on such procedures. We also provide regular training to our finance team members to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

#### **Compliance Risk Management**

In order to effectively manage our compliance and legal risk exposures, we have adopted strict internal procedures to ensure the compliance of our business operations with the applicable rules and regulations. In accordance with these procedures, our in-house legal team performs the basic function of reviewing and updating the form of contracts we enter into with our customers, partners, and suppliers. Our legal team examines the contract terms and reviews all relevant documents for our business operations, including licenses and permits obtained by the counterparties to perform their obligations of business contracts and all the necessary underlying due diligence materials, before we enter into any contract or business arrangements.

Our in-house legal team is responsible for obtaining any requisite governmental pre-approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities, within the prescribed regulatory timelines. We continuously improve our internal policies according to changes in laws, regulations and industry standards, and update internal templates for legal documents. We undertake compliance management over various aspects of our operations and employee activities. We have also established an accountability system in respect of employees' violations of laws, regulations and internal policies. In addition, we continually review the implementation of our risk management policies and measures to ensure our policies and implementation are effective and sufficient.

## BUSINESS

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### **Anti-bribery and Kick-back Risk Management**

In terms of anti-bribery and kick-back prevention, we have implemented a series of policies and internal control measures against bribery and kick-back, which set forth procedures for implementing relevant anti-bribery procedures and setting out anti-bribery responsibilities for relevant personnel. We strictly prohibit bribery or other improper payments in any of our business operations according to our anti-bribery and kick-back prevention policies. Improper payments prohibited by such policies include bribes, kickbacks, falsification and alteration of accounting and business documents, or any other payment made or offered to obtain an undue business advantage. Moreover, we keep accurate books and records that reflect transactions and asset dispositions in reasonable detail. Payment made in violation of the anti-bribery and kick-back prevention policies is strictly prohibited. Our internal audit team is responsible for investigating the reported incidents and taking appropriate measures as necessary. We provide employees with adequate communication channels, establish whistleblower policy and encourage employees to take the initiative to seek guidance from us regarding the implementation of anti-bribery policies. During such investigations, our internal audit team complies with relevant laws and anti-bribery policies and provides written feedback as necessary.