Application Proof of

BaTeLab Co., Ltd.
蘇州貝克微電子股份有限公司

(the "**Company**")

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

WARNING

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IMPORTANT

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

BaTeLab Co., Ltd.
蘇州貝克微電子股份有限公司

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

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] H Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to reallocation)**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to reallocation and the [REDACTED])**
Maximum [REDACTED]	**:**	**HK$[REDACTED] per H Share plus brokerage of 1.0%, AFRC transaction levy of 0.00015%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**RMB1.00 per H Share**
[REDACTED]	**:**	**[REDACTED]**

***Sole Sponsor and* [REDACTED]**

CICC 中金公司

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The [**REDACTED**] is expected to be determined by agreement between the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]) and the Company on the [**REDACTED**], which is expected to be on or about [**REDACTED**] and, in any event, not later than [**REDACTED**]. The [**REDACTED**] is expected to be not more than HK$[**REDACTED**] per H Share and is expected to be not less than HK$[**REDACTED**] per H Share, unless otherwise announced. Applicants for the [**REDACTED**] must pay, on application, the [**REDACTED**] of HK$[**REDACTED**] per H Share, together with brokerage of 1.0%, AFRC transaction levy of 0.00015%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.00565%, subject to refund if the [**REDACTED**] is less than HK$[**REDACTED**] per H Share. If, for any reason, the [**REDACTED**] is not agreed between the Company and the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]) on or before [**REDACTED**], the [**REDACTED**] (including the [**REDACTED**]) will not proceed and will lapse.

The [REDACTED] (for itself and on behalf of the [REDACTED]) may, with our consent, reduce the number of [REDACTED] being [REDACTED] under the [REDACTED] and/or the indicative [REDACTED] range below that stated in this document at any time prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, notices of the reduction in the number of [REDACTED] being [REDACTED] under the [REDACTED] and/or the indicative [REDACTED] range will be published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.batelab.com not later than the morning of the last day for lodging applications under the [REDACTED]. See "Structure of the [REDACTED]" and "[REDACTED]" for further details.

We are incorporated, and our businesses are operated, in the PRC. [**REDACTED**] should be aware of the differences in legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investments in PRC-incorporated businesses. [**REDACTED**] should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the H Shares. Such differences and risk factors are set out in the sections headed "Risk Factors", "Appendix IV – Summary of Principal Legal and Regulatory Provisions" and "Appendix V – Summary of Articles of Association". Prior to making an investment decision, [**REDACTED**] should consider carefully all the information set out in this document, including the risk factors set out in the section headed "Risk Factors".

The obligations of the [REDACTED] under the [REDACTED] are subject to termination by the [REDACTED] (for itself and on behalf of the [REDACTED]) if certain grounds arise prior to 8:00 a.m. on the [REDACTED]. See " [REDACTED]". It is important that you refer to that section for further details.

The [**REDACTED**] have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be [**REDACTED**], sold, pledged or transferred within the United States, except that [**REDACTED**] may be [**REDACTED**], sold or delivered (a) in the United States solely to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or (b) outside the United States in offshore transactions in reliance on Regulation S.

[REDACTED]

IMPORTANT

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

[**REDACTED**]

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IMPORTANT NOTICE TO INVESTORS

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

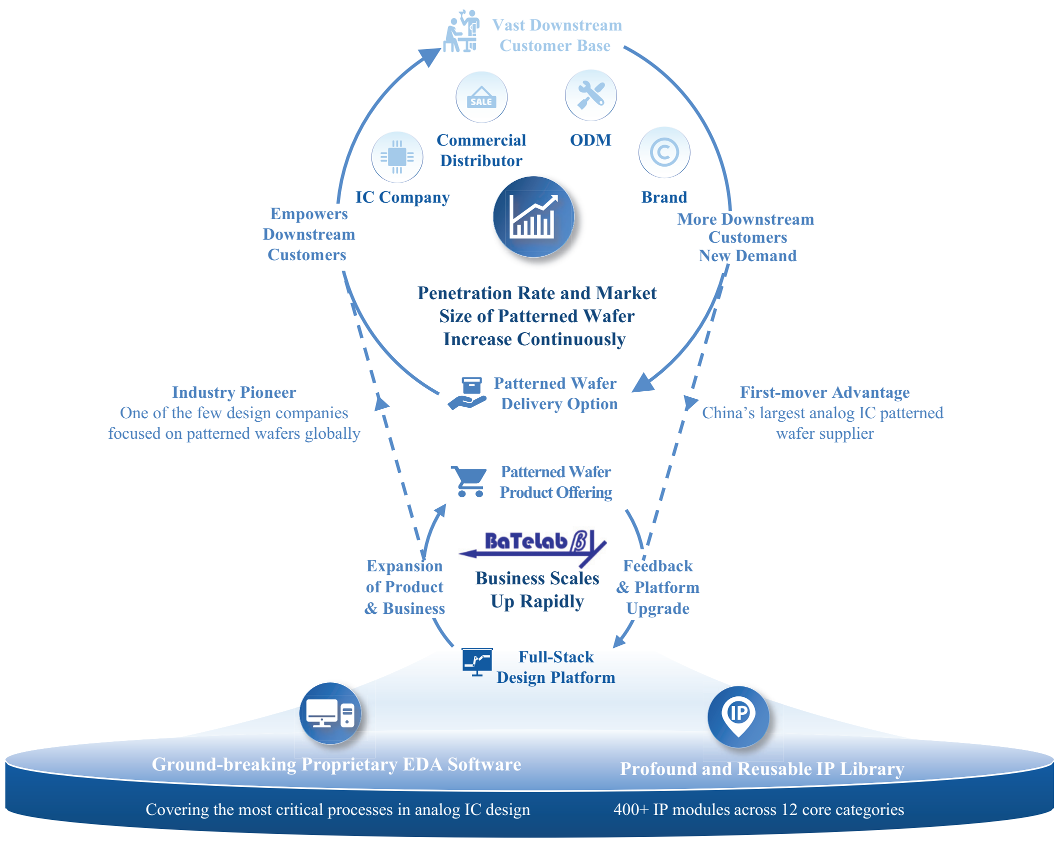
There are risks associated with any investment. Some of the particular risks in investing in the **[REDACTED]** ***are set out in the section headed "Risk Factors." You should read that section carefully before you decide to invest in the*** **[REDACTED].**

OVERVIEW

We are a leading provider of analog IC patterned wafers in China. Unlike traditional IC design companies, our deliverable products are analog IC patterned wafers with completed built-on circuits, which can then be fabricated into individual IC chips after simple and straightforward packaging and testing steps performed by our downstream customers. As one of the few IC design companies in the world that focus on patterned wafer designs, 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 become a leader in the Chinese patterned wafer market. We are the largest provider of analog IC patterned wafers in China in terms of revenue in 2022, according to Frost & Sullivan. Our patterned wafers enable flexible, expeditious and cost-effective development and manufacturing of high-performance industrial grade IC chips for a range of downstream customers, including chip design companies, commercial distributors, brand-name manufacturers and ODMs.

We offer approximately 300 diversified industrial grade analog IC patterned wafer products across seven categories, namely switching regulators, multi-channel ICs and PMICs, linear regulators, battery management ICs, monitoring and modulating ICs, driver ICs, and linear products, in the power management segment and the signal chain segment as of the Latest Practicable Date. In 2020, 2021 and 2022, we successfully launched eight, 45 and 157 analog IC patterned wafer products, respectively, representing a CAGR of 343.0%, which demonstrated the fastest expansion of analog IC product offerings in China, according to Frost & Sullivan. These new products had driven most of our revenue increase during the Track Record Period. Our products have empowered numerous downstream customers, including well-known brand-name manufacturers and industry-leading chip design companies, in various application fields, such as automotive electronics, healthcare, industrial automation, industrial Internet of Things, industrial lighting, instrumentation, communications, electric power, energy storage and high-end consumer electronics. During the Track Record Period, our sales generated from downstream customers who have cooperated with us for at least three years accounted for over 50% of our total sales.

We have built China's first and only full-stack analog IC design platform, 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.



Benefiting from our powerful platform and rich product offerings, our business scale has expanded rapidly without compromising profitability and operational efficiency, making us a leading 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%. Despite the high growth of revenue, we consistently maintained high gross profit margin at 54.9%, 56.4%, and 56.5% in 2020, 2021 and 2022, 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%, whereas 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%.

COMPETITIVE STRENGTHS

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

OUR STRATEGIES

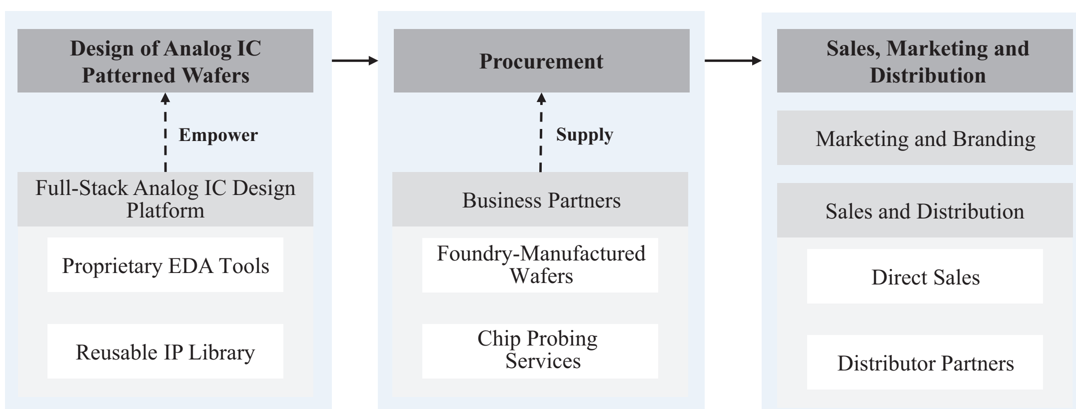
We have formulated various strategies to become a globally leading provider of all major series of analog IC patterned wafer products accompanying our downstream customers' full lifecycle success. We plan to (i) extend our technology leadership; (ii) grow and enrich our product offerings; (iii) broaden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

OUR BUSINESS MODEL

We are a leading provider of analog IC patterned wafers 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 leading standards. Empowered by proprietary EDA software tools and reusable IP library, we have effectively improved the product design efficiency, and are able to supply downstream customers with quality products.

We operate on 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, which provides us with an effective way to secure foundries' manufacturing capacity with relatively competitive prices by leveraging its foundry supplier base. We also partner with a major chip probing service provider for inspection and testing on the delivered foundry-manufactured wafers. 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:



OUR PRODUCT OFFERINGS

We offer a portfolio of high-performance analog IC patterned wafers with refined built-on electronic circuits designed by us. Each piece of our patterned wafers contains a number of dies, which can be easily turned into chip products after subsequent packaging and testing by downstream customers. We perform design of our patterned wafer products leveraging our full-stack analog IC design platform, which equips us with strong design capabilities and a semi-automatic way of design. As of the Latest Practicable Date, we had built up a broad portfolio covered approximately 300 analog IC patterned wafer products that are integral and critical components to a wide variety of electronic equipment, consisting of two major categories, or seven sub-categories, of industrial grade analog ICs. 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 and RMB352.5 million in 2020, 2021 and 2022, respectively. During the same periods, the number of products we sold amounted to 17.1 million, 37.4 million and 87.5 million, respectively.

COMPETITIVE LANDSCAPE

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

OUR CUSTOMERS AND SUPPLIERS

Our customers primarily include companies principally engaged in sales of electronic components, integrated appliances and modular circuits. During the Track Record Period, revenue contributed from our five largest customers accounted for 99.9%, 99.9% and 100.0% of our total revenue in 2020, 2021 and 2022, respectively, while the largest customer contributed 54.1%, 54.7% and 44.3% of our total revenue, respectively, for the same years. See "Business – Sales, Marketing and Distribution of our Products – Our Customers."

Our suppliers primarily include companies with business operations in R&D, manufacturing or sales of wafers and relevant components and devices, chip verification design, test development, application development and testing equipment development. During the Track Record Period, our purchases from our five largest suppliers accounted for 98.6%, 99.1% and 97.5% of our total purchases in 2020, 2021 and 2022, respectively, while our purchase from the largest supplier accounted for 87.9%, 89.4% and 75.7% of our total purchases, respectively, for the same years. See "Business – Procurement – Our Suppliers."

RISK FACTORS

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

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

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

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

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

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

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

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

- We procured foundry-manufactured wafers from a commercial patterned wafer channel partner during the Track Record Period. Any decrease in purchase from, or loss of, our wafer channel partner would have negative impacts on our results of operations.

LEGAL PROCEEDINGS AND COMPLIANCE

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

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

RELATIONSHIP WITH OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

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

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

OUR PRE-[REDACTED] INVESTORS

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

SUMMARY OF KEY FINANCIAL INFORMATION

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

Summary of Statements of Profit or Loss and Other Comprehensive Income

	Year ended December 31,					
	2020		2021		2022	
	RMB'000	*% of Revenue*	*RMB'000*	*% of Revenue*	*RMB'000*	*% of Revenue*
Revenue	88,720	100.0	212,711	100.0	352,510	100.0
Cost of sales	(39,971)	(45.1)	(92,711)	(43.6)	(153,186)	(43.5)
Gross profit	48,749	54.9	120,000	56.4	199,324	56.5
Profit before taxation	13,995	15.8	56,969	26.8	96,824	27.5
Profit for the year	13,995	15.8	56,969	26.8	95,262	27.0
Total comprehensive income for the year	13,995	15.8	56,969	26.8	95,262	27.0

Revenue by Business Line

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

	Year ended December 31,					
	2020		2021		2022	
	RMB'000	*% of Revenue*	*RMB'000*	*% of Revenue*	*RMB'000*	*% of Revenue*
Sales of power management products	87,075	98.1	192,899	90.7	294,797	83.6
Sales of signal chain products	1,645	1.9	19,812	9.3	57,713	16.4
Total	88,720	100.0	212,711	100.0	352,510	100.0

Our power management products help downstream customers manage power across different voltage and/or current levels, including AC-DC and DC-DC switching regulators, multi-channel ICs and PMICs, linear regulators, battery management ICs, monitoring and modulating ICs, and driver ICs. During the Track Record Period, the types of power management products we sold increased from 61 in 2020 to 84 in 2021, and further to 232 in 2022. Revenue generated from sales of power management products accounted for 98.1%, 90.7% and 83.6%, respectively, of our revenue in 2020, 2021 and 2022.

Our signal chain products include products that sense, condition and measure real-world signals to allow information or signal to be transferred or converted for further processing and control. Our signal chain products are all linear products. During the Track Record Period, the types of signal chain products we sold increased from one in 2020 to 23 in 2021, and further to 32 in 2022. Revenue generated from sales of signal chain products accounted for 1.9%, 9.3% and 16.4%, respectively, of our revenue in 2020, 2021 and 2022. See "Financial Information – Description of Major Components of our Results of Operations – Revenue – Revenue by Business Line."

Gross Profit and Gross Profit Margin

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

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

During the Track Record Period, we maintained high gross profit margin due to (i) the high entry barriers for our competitors to provide similar industrial grade analog IC paterned wafers with high reliability and stability. As a result, there were limited competing products in the domestic market; and (ii) we provided high-performance industrial grade analog IC patterned wafers cost-effectively with our full-stack analog IC design platform. Our overall gross profit and gross profit margin largely depend on our product mix. The gross profit margin of our products varies due to different technical specifications, functions, pricing strategy, market supply and demand.

Our gross profit margin increased slightly from 54.9% in 2020 to 56.4% in 2021, primarily due to changes in our product mix as we provided more types of analog IC patterned wafer products in 2021. Our gross profit margin remained stable at 56.4% in 2021 and 56.5% in 2022. See "Financial Information – Description of Major Components of our Results of Operations – Gross Profit and Gross Profit Margin."

Summary of Statements of Financial Position

	As of December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Total non-current assets	6,529	45,136	65,612
Total current assets	165,123	310,916	529,916
Total current liabilities	31,796	51,322	195,188
Total non-current liabilities	106,049	4,157	4,505
Net current assets	133,327	259,594	334,728
Net assets	33,807	300,573	395,835

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

Our net current assets increased from RMB259.6 million as of December 31, 2021 to RMB334.7 million as of December 31, 2022, primarily due to (i) an increase in trade and other receivables of RMB35.3 million; (ii) a decrease in payment for the purchase of property, plant and equipment of RMB17.2 million; and (iii) an increase in cash and cash equivalents of RMB15.7 million mainly due to proceeds from our operating activities.

Summary of Statements of Cash Flow

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

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

Summary of Key Financial Ratios

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

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

See "Financial Information – Key Financial Ratios."

RECENT DEVELOPMENT

No Material Adverse Change

Based on the Company's unaudited management accounts, our revenue and net profit for the four months ended April 30, 2023 increased as compared to the same period in 2022 due to an increasing demand from our downstream customers as well as the continuous launch of new products. In addition, the number of products sold increased from approximately 27,200 thousand for the four months ended April 30, 2022 to approximately 36,000 thousand for the same period in 2023.

Our Directors have confirmed that, up to the date of this document, there had been no material adverse change in our financial or trading position or prospects since December 31, 2022, being the end date of our latest audited financial statements, and there had been no event since December 31, 2022 that would materially affect the information shown in the Accountants' Report set out in Appendix I.

Equity Transfers in 2023

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

[**REDACTED**] STATISTICS

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

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

Notes:

(1) The calculation of [**REDACTED**] is based on [**REDACTED**] Shares expected to be in issue immediately upon completion of the [**REDACTED**].

(2) The calculation of the [**REDACTED**] of our H Shares is based on the [**REDACTED**] H Shares expected to be in issue immediately upon completion of the [**REDACTED**].

(3) The unaudited pro forma adjusted net tangible assets of the Company per Share is calculated based on [**REDACTED**] Shares immediately following the completion of the [**REDACTED**] and assuming that the [**REDACTED**] had been completed on December 31, 2022 without taking into account of any Shares which may be issued upon the exercise of the [**REDACTED**]. The unaudited pro forma adjusted net tangible assets of the Company per Share is converted into Hong Kong dollars at an exchange rate of HK$1.00 to RMB0.91175, being the PBOC rate prevailing on the Latest Practicable Date.

DIVIDENDS

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

FUTURE PLANS AND [REDACTED]

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

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

- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used for enhancing our R&D and innovation capabilities, including (i) approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used to invest in R&D infrastructure and upgrade our R&D center, (ii) approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used to upgrade our R&D technology, and (iii) approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used to expand our R&D team to increase our competitive advantages in the industry;

- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used to further enrich our product portfolio and expand our business, including (i) approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used to improve and upgrade our analog IC product line, and (ii) approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used to develop a mixed-signal IC product line;

- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used to expand our customer base and strengthen our relationship with customers, including (i) approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used to establish sales centers, and (ii) approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used to maintain customer relationship and develop new customers;

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

- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used for working capital and general corporate purposes.

[REDACTED]

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

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

DEFINITIONS

"Accountants' Report"	the accountants' report for the years ended December 31, 2020, 2021 and 2022 prepared by KPMG, the text of which is set out in Appendix I to this document;
"Arrow"	Arrow (China) Electronics Trading Co., Ltd (艾睿(中國)電子貿易有限公司), a company incorporated in the PRC with limited liability on May 16, 2005, one of our distributor partners;
"Articles of Association" or "Articles"	the articles of association of our Company adopted on May 15, 2023 which shall become effective as of the date on which the H Shares are [**REDACTED**] on the Stock Exchange, as amended from time to time, a summary of which is set out in "Summary of Articles of Association" in Appendix V to this document;
"associate(s)"	has the meaning ascribed to it under the Listing Rules;
"Audit Committee"	the audit committee of our Board;
"Backward Electronic"	Suzhou Backward Electronic Co., Ltd. (蘇州貝克瓦特電子有限公司), a company established in the PRC with limited liability on January 13, 2009 and a member of our Single Largest Group of Shareholders, which is owned as to 53.50% by Mr. Li Zhen, 39.50% by Mr. Zhang Guangping and 7.00% by Mr. Li Yi;
"Backward Partnership"	Suzhou Backward Investment Partnership (Limited Partnership) (蘇州貝克瓦特投資合夥企業(有限合夥)), a general partnership established in the PRC on May 12, 2015 and a member of our Single Largest Group of Shareholders, which is owned as to approximately 41.63% by Backward Electronic, 24.98% by Mr. Li Zhen, 16.65% by Mr. Li Yi, 5.58% by Mr. Xiao Bin (肖斌), 5.58% by Mr. Wei Yong (韋勇) and 5.58% by Mr. Shi Chao (石超);
"Board" or "Board of Directors"	the board of Directors;

"business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong;

[**REDACTED**]

"China" or "PRC"	The People's Republic of China, but for the purpose of this document and for geographical reference only and except where the context requires otherwise, references in this document to "China" and the "PRC" do not apply to Hong Kong, the Macau Special Administrative Region and Taiwan Region;
"close associate(s)"	has the meaning ascribed to it under the Listing Rules;
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time;
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
"Company"	BaTeLab Co., Ltd. (蘇州貝克微電子股份有限公司) (formerly known as BaTeLab Co., Ltd. (蘇州貝克微電子有限公司)), a limited liability company established in the PRC on November 12, 2010 which was converted into a joint stock company with limited liability on November 15, 2021;
"Company Law" or "PRC Company Law"	the Company Law of the PRC (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time;
"Concert Party Agreement"	the acting in concert agreement dated March 31, 2022 and executed by Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi, details of which are set out in "History, Development and Corporate Structure";
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules;
"Deed of Indemnity"	the deed of indemnity dated [●], 2023 executed by our Single Largest Group of Shareholders in favour of our Company, as further described in "Statutory and General Information – D. Other Information – 1. Tax and indemnities" in Appendix VI to this document;
"Director(s)"	the director(s) of our Company;

"EIT Law"	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), as enacted by the NPC on March 16, 2007 and effective on January 1, 2008, as amended, supplemented or otherwise modified from time to time;
"Extreme Conditions"	any extreme conditions caused by a super typhoon as announced by the government of Hong Kong;
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party;
"Frost & Sullivan Report"	an independent market research report commissioned by us and prepared by Frost & Sullivan for the purpose of this document;

[**REDACTED**]

"H Share(s)"	ordinary shares of our Company which an application has been made for [**REDACTED**] and permission to [**REDACTED**] on the Stock Exchange with a nominal value of RMB1.00 each;

[**REDACTED**]

"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC;
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC;

[**REDACTED**]

[**REDACTED**]

"Independent Third Party(ies)"	individuals or company(ies), who or which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is not a connected person of our Company within the meaning of the Listing Rules;

[**REDACTED**]

[**REDACTED**]

"Latest Practicable Date"	June 16, 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication;

[**REDACTED**]

"Listing Committee"	the listing committee of the Stock Exchange;

[**REDACTED**]

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented or otherwise modified from time to time;
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM (formerly known as the Growth Enterprise Market) of the Stock Exchange;

"Mr. Li Yi"	Mr. Li Yi (李一), our executive Director, deputy general manager, head of the financial department, joint company secretary and one of our co-founders and a member of our Single Largest Group of Shareholders;
"Mr. Li Zhen"	Mr. Li Zhen (李真), our executive Director, chairman of our Board and one of our co-founders and a member of our Single Largest Group of Shareholders;
"Mr. Zhang Guangping"	Mr. Zhang Guangping (張廣平), our executive Director, general manager and one of our co-founders and a member of our Single Largest Group of Shareholders;
"Nomination Committee"	the nomination committee of our Board;

[**REDACTED**]

"PRC government"	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and organizations of such government or, as the context requires, any of them;

"PRC Legal Advisors"	King & Wood Mallesons, our legal advisors as to PRC laws in connection with the [**REDACTED**];
"Pre-[**REDACTED**] Investment(s)"	the pre-[**REDACTED**] investment(s) in our Company, details of which are set out in "History, Development and Corporate Structure—Pre-[**REDACTED**] Investments" in this document;
"Pre-[**REDACTED**] Investor(s)"	the investor(s) of the Pre-[**REDACTED**] Investments;

[**REDACTED**]

"Regulation S"	Regulation S under the U.S. Securities Act;
"Remuneration and Evaluation Committee"	the remuneration and evaluation committee of our Board;
"Rule 144A"	Rule 144A under the U.S. Securities Act;
"Share(s)"	ordinary share(s) with par value RMB1.00 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of our Share(s);
"Single Largest Group of Shareholder(s)"	refers to Mr. Li Zhen, Mr. Zhang Guangping, Mr. Li Yi, Backward Electronic and Backward Partnership;

[**REDACTED**]

"State Council"	the State Council of the PRC (中華人民共和國國務院);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited;
"Strategy Committee"	the strategy committee of our Board;

"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules;
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules;
"Supervisor(s)"	the supervisor(s) of our Company;
"Track Record Period"	the three years ended December 31, 2020, 2021 and 2022;

[**REDACTED**]

"Unlisted Domestic Share(s)"	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, which are offered by a domestic company but not listed or quoted for trading on any domestic trading venues
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction;
"U.S. Securities Act"	United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time;
"we," "us" or "our"	the Company;

[**REDACTED**]

ACRONYMS

"AFRC"	the Accounting and Financial Reporting Council established by section 6(1) of the Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong), formerly known as the Financial Reporting Council;

"CAGR"	compounded annual growth rate, which is calculated by dividing the amount at the end of the period by the amount of the beginning of that period, raising the result to an exponent of one divided by the number of years in the period, and subtracting one from the subsequent result;

[**REDACTED**]

"CNIPA"	National Intellectual Property Administration of the PRC (國家知識產權局);
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會);
"HKFRS"	Hong Kong Financial Reporting Standards;
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited;
"IASB"	International Accounting Standards Board;
"IDMC"	independent data monitoring committee;
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部);
"MOFCOM" or "Ministry of Commerce"	the Ministry of Commerce of the PRC (中華人民共和國商務部);
"MOST"	the Ministry of Science and Technology of the PRC (中華人民共和國科學技術部)
"NASDAQ"	the Nasdaq Global Select Market in the United States;
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC;
"PCT"	the Patent Cooperation Treaty;
"QIB"	a qualified institutional buyer within the meaning of Rule 144A;

"Renminbi" or "RMB"	the lawful currency of the PRC;
"R&D"	research and development;
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局);
"SAMR"	the State Administration for Market Regulation (國家市場監督管理總局);
"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong;
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time;
"STA"	the State Taxation Administration of the PRC (中華人民共和國國家税務總局); and
"VAT"	value-added tax.

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

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

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

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

"AC"	alternating current, an electric current which periodically reverses direction and changes its magnitude continuously with time in contrast to direct current, which flows only in one direction;
"amplifier"	an electronic device that can increase the power of a signal. It is a two-port electronic circuit that uses electric power from a power supply to increase the amplitude (magnitude of the voltage or current) of a signal applied to its input terminals, producing a proportionally greater amplitude signal at its output;
"API"	application programming interface, a way to enable different applications to interact with each other;
"chip probing"	a test of the electrical parameters of the chip, each chip in the wafer being tested in order to remove defective parts to reduce the cost of subsequent packaging;
"circuit verification"	a method to verify the correctness of a circuit and evaluate and confirm the initial design plan and to ensure the design satisfies the needs of downstream customers and conforms to the design initiatives;
"CoB"	Chip-on-Board, a method of circuit board manufacturing in which the ICs (e.g. microprocessors) are attached (wired, bonded directly) to a printed circuit board, and covered by a blob of epoxy;
"comparator"	a device that compares an analog voltage signal with voltage reference, and generally has a single-ended output with two states of high or low, allowing comparison and judgment of signals. Compared with amplifiers, comparators have limited frequency characteristics but a very short delay in time with a hysteresis circuit;
"DC"	direct current, a one-directional flow of electric charge;

"DFN"	dual flat no-lead package, a small square-shaped or rectangular surface-mount plastic package with no leads, near chip scale package with a low profile, moderate thermal dissipation, and good electrical performance;
"die"	a small block of semiconducting material on which a given functional circuit is fabricated;
"EDA"	electronic design automation, a category of software tools for designing electronic systems such as ICs and printed circuit boards. The tools work together in a design flow that chip designers use to design and analyze entire semiconductor chips;
"electrification"	the process of powering by electricity and, in many contexts, the introduction of such power by changing over from an earlier power source;
"fabless"	the design and sale of hardware devices and semiconductor chips while outsourcing their manufacturing services to a specialized manufacturer called a semiconductor foundry;
"foundry"	a factory that produces metal castings;
"IDM"	integrated device manufacturer, a company that takes charge of design, manufacturing, packaging, testing and subsequent sales of the finished products;
"integrated circuit" or "IC"	a small unit or package which is made as a single indivisible structure (such as a chip) and is electrically equivalent to a conventional circuit of many separate components;
"Internet of Things"	the physical objects (or groups of such objects) with sensors, processing ability, software and other technologies that connect and exchange data with other devices and systems over the Internet or other communications networks;
"LCD"	liquid-crystal display, a flat-panel display or other electronically modulated optical device that uses the light-modulating properties of liquid crystals combined with polarizers;

"LED"	light-emitting diode, a semiconductor diode that emits light when voltage is applied;
"lithium"	a metal chemical element, of which the element symbol is Li;
"microcontroller units"	a single IC that is typically used for a specific application and designed to implement certain tasks. It contains one or more CPUs (processor cores) along with memory and programmable input/output peripherals;
"Moore's Law"	the observation that the number of transistors in an IC doubles about every two years, named after Gordon Moore;
"ODM"	original design manufacturer, a company that designs and manufactures a product that is eventually rebranded by another firm for sale;
"OLED"	organic light-emitting diode, a light-emitting diode in which the emissive electroluminescent layer is a film of organic compound that emits light in response to an electric current;
"OSAT"	outsourced semiconductor assembly and test, a company that offers third-party IC packaging and test services. Such company provides packaging to silicon devices that are made by foundries and test devices prior to shipping to the market;
"PMIC"	power management integrated circuit, a class of ICs that perform various functions related to power requirements. PMICs are commonly used to power small and battery-powered devices, as integrating multiple functions into a single chip provides higher space utilization rate and system power efficiency;
"signal chain"	a series of signal-conditioning electronic components that receive input (data acquired from sampling either real-time phenomena or from stored data) sequentially, with the output of one portion of the chain supplying input to the next;

"SiP"	System-in-Package, a number of ICs enclosed in one or more chip carrier packages that may be stacked using package on package;
"SoC"	System-on-Chip, an IC that integrates most or all components of a computer or other electronic system. These components almost always include on-chip central processing unit, memory interfaces, input or output devices, input or output interfaces, and secondary storage interfaces, often alongside other components such as radio modems and a graphics processing unit;
"SOP"	small-outline package, a surface-mounted IC package which occupies an area about 30-50% less than an equivalent dual in-line package, with a typical thickness being 70% less;
"SOT"	small-outline transistor, a family of small footprint, discrete surface mount transistor commonly used in consumer electronics;
"topology"	a form taken by the network of interconnections of the circuit components. Different specific values or ratings of the components are regarded as being the same topology; and
"wafer"	a thin slice of semiconductor, such as a crystalline silicon (c-Si), used for the fabrication of ICs.

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

This document contains certain forward-looking statements and information relating to our Company that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim," "anticipate," "believe," "could," "expect," "going forward," "intend," "may," "ought to," "plan," "project," "seek," "should," "will," "would" and the negative of these words and other similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our ability to continuously innovate and iterate our existing products and to expand our product mix and penetrate new markets;

- our response to technological developments and ability to continue to develop technological capabilities to improve our analog IC design platform;

- the industries trend of our downstream customers of industries including automotive electronics, healthcare, industrial automation, industrial Internet of Things, industrial lighting, instrumentation, communications, electric power, energy storage and high-end consumer electronics and their demand for analog IC patterned wafers;

- the operations of our distributors and the third-party channel partners and service providers we rely on for materials, supplies and storage;

- estimates of our costs, expenses, future revenues, capital expenditures and our needs for additional financing;

- our ability to attract and retain the co-founders, senior management and key employees;

- future developments, trends, conditions, standards, requirements and competitive landscape in the industry and markets in which we operate;

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

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

- our financial condition and operating results and performance; and

- general political and economic conditions.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to the cautionary statements in this section.

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

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

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

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

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

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

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

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

In addition, if we are unable to respond quickly and successfully to technological developments, we may lose our competitive position, and our products or technologies may become obsolete. To compete successfully, we must develop new products and improve our existing products and processes on a schedule that keeps pace with technological developments. The market must also accept our new and improved products. Our analog IC design platform must be enhanced periodically to reduce the likelihood that a competitor surpasses the capabilities and products we offer. We cannot guarantee that we will be successful in keeping pace with all, or any, of the above.

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

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

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

Certain foreign jurisdictions have imposed or may impose economic sanctions in various forms (such as heavy tariffs or harsh trade conditions) against certain countries, individuals and legal entities, which, from time to time, prohibit or restrict export and import activities to a certain extent. Economic sanctions laws or regulations could change in a way that could affect our business, exports or sales in other countries and/or could result in restrictions, penalties or fines. For instance, the recent U.S.-China trade war has led to the introductions of tariffs on a host of goods trading between the two countries, including in particular technology goods and semiconductors. The trade tensions between the two countries have been rising and there is a possibility that the extent and scale of trade restrictions between the two countries be escalated if the U.S. and China fail to reach any agreement to settle the issue. There is no assurance as to how the U.S.-China trade war may develop or whether there will be any changes to the scope and extent of goods that are or will be being subject to such tariffs policies introduced by the two countries. We cannot predict the implications of the ongoing U.S.-China trade war and the knock-on effect on our industry and the global economy.

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

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

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

Our products are primarily offered to downstream customers of industries including automotive electronics, healthcare, industrial automation, industrial Internet of Things, industrial lighting, instrumentation, communications, electric power, energy storage and high-end consumer electronics (the "major industries") in the PRC. Therefore, factors that adversely affect these industries in the PRC could materially and adversely affect our business, financial condition, results of operations and prospects. These factors include, among others:

- a decline in demand for, or negative perception of, or publicity about, products of the major industries in the PRC;
- a downturn in general economic conditions in the PRC or major countries/regions that import products of the major industries from the PRC;
- increasing level of competition from manufacturers of the major industries in other countries/regions;
- the reduction or elimination of preferential tax treatments and economic incentives for manufacturers of the major industries in the PRC;
- regulatory restrictions, trade disputes, industry-specific quotas, tariffs, non-tariff barriers and taxes that may have the effect of limiting exports of the major industries from the PRC;
- appreciation in the value of RMB against the currencies of other countries and regions that import products of the major industries from the PRC; and
- rising material and labor costs in the PRC relating to manufacturing in the major industries.

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

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

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

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

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

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

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

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

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

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

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

We rely on third-party professional distributors for marketing, branding and sales of our products. During the Track Record Period, a substantial portion of our revenue derived from sales to our distributors. For the years ended December 31, 2020, 2021 and 2022, our total sales to distributors amounted to RMB84.4 million, RMB192.2 million, and RMB282.7 million, respectively, accounting for 95.2%, 90.4% and 80.2%, respectively, of our revenue for the corresponding periods. In particular, our sales to two largest distributors during the Track Record Period amounted to RMB74.2 million, RMB192.2 million and RMB282.7 million, respectively, representing 83.7%, 90.4% and 80.2%, respectively, of our total revenue for each year ended December 31, 2020, 2021 and 2022, and 87.9%, 100.0% and 100.0%, respectively, of our total sales to distributors in the same periods. See "Business – Our Customers – Relationship with Our Two Largest Customers." Given the substantial revenue contribution, any decrease in sales from, or loss of, one or more of our distributors without a corresponding increase in sales from other distributors due to the changes of nature in the distributors' business models or for any reason caused by us would harm our business, operating results, financial condition, and cash flows.

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

- our distributors' relationships with their sub-distributors and other wholesalers and retailers;

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

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

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

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

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

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

We procured foundry-manufactured wafers from a commercial patterned wafer channel partner during the Track Record Period. Any decrease in purchase from, or loss of, our wafer channel partner would have negative impacts on our results of operations.

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

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

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

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

The semiconductor industry has experienced a very large expansion of fabrication capacity and production worldwide over time. As a result of increasing demand from semiconductor and other manufacturers, availability of certain basic materials and supplies, such as chemicals, gases, polysilicon, silicon wafers, ultra-pure metals, lead frames and molding compounds, and subcontract services, like epitaxial growth and ion implantation, have from time to time, over the past several years, been in short supply and could come into short supply again if overall industry demand continues to increase in the future. In addition, from time to time natural disasters can lead to a shortage of some of the above materials due to disruption of the manufacturer's production. Any shortage could occur as a result of capacity limitations or production constraints on the foundries from which we procure manufacturing services, which could have a materially adverse effect on our results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our future performance depends on the continued services and contributions of our co-founders, senior management and other key employees, to oversee and execute our business plans, identify and pursue new opportunities and innovations, perform effective product design, and R&D. We also rely on our experienced management team to ensure smooth business operations, including maintenance of distributor and supplier relationships, and management of our operations. Any loss of service of our key personnel could significantly delay or prevent us from achieving our strategic business objectives, and adversely affect our business, financial condition and operating results.

From time to time, there may be changes in our senior management team, resulting from the hiring or departure of executives, which could also disrupt our business. Hiring suitable replacements and integrating them within our business also require significant amounts of time, training and resources, and may impact our existing corporate culture. Our future success depends, to a significant extent, on our ability to attract, train and retain qualified personnel, particularly skilled engineers with expertise in the analog IC sector. However, we cannot assure you that we will be able to develop or retain qualified staff or other highly skilled employees that we will need in order to achieve our strategic objectives.

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

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

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

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

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

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

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

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

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

- our market position and competitiveness in the analog IC industry;

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

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

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

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

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

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

- fluctuations in the revenue from our operating activities;
- fluctuations in the collection of receivables;
- timing and the size of payables;

- timing and size of capital expenditures; and
- the repayment schedules of our debt obligations.

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

Security breaches and other disruptions could compromise our confidential and proprietary information, which could cause our business and reputation to suffer.

We collect and store business data and transaction data of our customers, suppliers and business partners. See "Business – Data Privacy and Information Security Risk Management." The secure maintenance of such information is critical. Despite our security measures, our information technology and infrastructure may be vulnerable to breaches by hackers, employee error, malfeasance or other disruptions such as natural disasters, power losses or telecommunication failures. Any such breach could compromise our networks and the information stored therein, possibly resulting in legal and regulatory actions, disruption of operations and customer services, and otherwise harming our business, reputation and future operations.

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

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

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

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

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

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

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

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

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

Pursuant to the Administrative Measures for Commodity House Leasing(《商品房屋租賃管理辦法》), both lessors and lessees are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. As of the Latest Practicable Date, two of our leased agreements had not been registered and filed with the competent PRC government authorities as required by applicable PRC laws and regulations. See "Business – Land and Properties." We cannot assure you that the lessors will cooperate and complete the registration in a timely manner. Our PRC Legal Advisors have advised us that failure to complete the registration and filing of lease agreements will not affect the validity of the lease agreements under PRC laws, but we may be subject to a maximum penalty of RMB10,000 for each non-registered lease if we fail to register such lease agreements within the time frame prescribed by the relevant PRC government authorities. As a result, any imposition of fines due to such failure may adversely affect our business operations and financial condition.

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

We are subject to a variety of Chinese environmental, occupational or safety regulations relating to the use, discharge and disposal of toxic or otherwise hazardous materials used in our production processes. Any failure or any claim that we have failed to comply with these regulations could cause delays in our production and capacity expansion and affect our Company's public image, either of which could harm our business. In addition, any failure to comply with these regulations could subject us to substantial fines or other liabilities or require us to suspend or adversely modify our operations. We may become subject to legislation, regulation, or treaty obligations designed to address global climate change, air quality in the PRC, and other environmental concerns. Compliance with any new rules could be costly, causing us to incur additional energy and environmental costs, as well as costs for defending and resolving legal claims.

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

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

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

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

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

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

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

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

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

RISKS RELATING TO DOING BUSINESS IN CHINA

Changes in China's or global economic, political or social conditions or government policies could have a material and adverse effect on our business and operations.

During the Track Record Period, all of our business operations were conducted in China. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a significant degree by political, economic and social conditions in China generally and by continued economic growth in China as a whole.

While the Chinese economy has experienced significant growth over the past decades, there can be no assurance that the growth would be maintained or equitable across sectors. The Chinese government has implemented various measures to encourage economic growth. Some of these measures may benefit the overall Chinese economy, but may not have the same effect on us.

In addition, the global economic, political and social conditions are evolving rapidly and subject to uncertainties. For example, health epidemics have caused significant downward pressure for the global economy. Geopolitical tension and conflicts, energy crisis, inflation risk, interest rate increases, instability in the financial system, and the tightening of monetary policy by the U.S. Federal Reserve impose new challenges and uncertainties on the global economy. It is unclear whether these challenges and uncertainties will be contained or resolved, and what effects they may have on the global political and economic conditions in the long term. Furthermore, sanctions and export control measures are unilaterally imposed by the U.S. or other jurisdictions from time to time. These measures are expected to have significant impact on the targeted countries, markets and/or entities. Chinese companies may be affected by such sanctions or export control measures. We may also be exposed to risks in dealing with business partners subject to sanctions or export controls. As a result, we could be required to incur additional costs to comply with these complicated regulations and measures and could face penalties for any violation, even if inadvertent.

We are subject to PRC laws and regulations that could require us to modify our current business practices and incur increased costs.

We are subject to extensive national, provincial and local governmental regulations, policies and controls, covering, among others and in addition to specific industry-related regulations, the following aspects: (i) consumer protection and product liability; (ii) cybersecurity, data security and protection of personal information; (iii) security laws and regulations; (iv) establishment of or changes in shareholder of foreign investment enterprises; (v) foreign exchange; and (vi) taxes, duties and fees.

The liabilities, costs, obligations and requirements associated with these laws and regulations may cause interruptions to our operations or impact our financial position and results of operations. Failure to comply with the relevant laws and regulations in our operations may result in various penalties, including, among others the suspension of our operations and thus adversely and materially affect our business, prospects, financial condition and results of operations. Additionally, there can be no assurance that the relevant government agencies will not change such laws or regulations or impose additional or more stringent laws or regulations. Compliance with such laws or regulations may require us to incur material capital expenditures or other obligations or liabilities. Legal requirements are frequently changed and subject to interpretation, and we are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. We may be required to make significant expenditures or modify our business practices to comply with existing or future laws and regulations, which may increase our costs and materially limit our ability to operate our business.

We are subject to PRC governmental controls on currency conversion, and fluctuations in Renminbi exchange rates may lead to foreign exchange losses and materially and adversely affect our ability to pay dividends to holders of our H Shares.

We expect that a substantial majority of our revenue will be denominated in Renminbi, which is currently not a fully freely convertible currency. A portion of our revenues may be converted into other currencies in order to meet our foreign currency obligations. For example, we need to obtain foreign currency to make payments of declared dividends, if any, on our H Shares. Shortages in availability of foreign currency may then restrict our ability to remit sufficient foreign currency to pay dividends or make other payments or otherwise to satisfy our foreign currency denominated obligations.

Under China's existing laws and regulations on foreign exchange, following the completion of the [**REDACTED**], we will be able to make dividend payments in foreign currencies by complying with certain procedural requirements and without prior approval from SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the licenses to carry out foreign exchange business. Approval from appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, there is no assurance that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of the PRC.

The value of the Renminbi against the U.S. dollar and other currencies fluctuates from time to time and is affected by a number of factors, such as changes in China's and international political and economic conditions and the fiscal and foreign exchange policies prescribed by the PRC government. With the development of foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further reforms to the exchange rate system, and the Renminbi could appreciate or depreciate significantly in value against the Hong Kong dollar or the U.S. dollar in the future.

The [**REDACTED**] from the [**REDACTED**] will be denominated in Hong Kong dollars. As a result, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currencies may result in the decrease in the value of our [**REDACTED**] from the [**REDACTED**]. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our H Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Any of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our H Shares in foreign currency terms.

Dividends payable to investors and gains on the sale of our H Shares may be subject to PRC income taxes.

Under applicable PRC tax laws, regulations and statutory documents, non-PRC resident individuals and enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares. Non-PRC individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) with respect to PRC source income or gains at a rate of 20% unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. We are required to withhold related tax from dividend payments. Pursuant to applicable regulations, domestic non-foreign-invested enterprises issuing shares in Hong Kong may generally, when distributing dividends, withhold individual income tax at the rate of 10%. However, withholding tax on distributions paid by us to non-PRC individuals may be imposed at other rates pursuant to applicable tax treaties (and up to 20% if no tax treaty is applicable) if the identity of the individual holder of H shares and the tax rate applicable thereto are known to us. There is uncertainty as to whether gains realized upon disposition of H shares by non-PRC individuals are subject to PRC individual income tax.

Non-PRC resident enterprises that do not have establishments or premises in the PRC, or that have establishments or premises in the PRC but their income is not related to such establishments or premises are subject to PRC EIT at the rate of 10% on dividends received from PRC companies and gains realized upon disposition of equity interests in the PRC companies pursuant to the EIT Law and other applicable PRC tax regulations and statutory documents, which may be reduced or eliminated under special arrangements or applicable treaties between the PRC and the jurisdiction where the non-resident enterprise resides.

Pursuant to applicable regulations, we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares (including HKSCC Nominees). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' verification.

There remains significant uncertainty as to the interpretation and application of the relevant PRC tax laws by the PRC tax authorities, including whether and how individual income tax or EIT on gains derived by holders of our H Shares from their disposition of our H Shares may be collected. If any such tax is collected, the value of our H Shares may be materially and adversely affected.

Any possible conversion of our Unlisted Domestic Shares into H Shares in the future could increase the supply of our H Shares in the market and negatively impact the market price of our H Shares.

According to the stipulations by the CSRC and the Articles of Association, all of our Unlisted Domestic Shares may be converted into H Shares, and such converted Shares may be [**REDACTED**] or traded on an overseas stock exchange. Any [**REDACTED**] or trading of the converted Shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such stock exchange. However, the PRC Company Law provides that in relation to the [**REDACTED**] of a company, the shares of that company which are issued prior to the [**REDACTED**] shall not be transferred within one year from the date of the [**REDACTED**]. Therefore, shares currently held on our Unlisted Domestic Share register may be traded, after the conversion, in the form of H Shares on the Stock Exchange after one year of the [**REDACTED**], which could further increase the supply of our H Shares in the market and could negatively impact the market price of our H Shares.

You may experience difficulties with effecting service of legal process and enforcing foreign judgments against us or our management.

We are a joint stock company incorporated under PRC laws with limited liability, and all of our assets are located in China. In addition, a majority of our Directors and Supervisors and all of our senior management personnel reside in China, and substantially all their assets are located in China. As a result, it may not be possible to effect service of process within the United States or elsewhere outside China upon us or most of our Directors, Supervisors and senior management personnel. Furthermore, China does not have treaties providing for the reciprocal enforcement of judgments of courts with the United States, the United Kingdom, Japan or many other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in China or Hong Kong of judgments of a court obtained in the United States and any of the other jurisdictions mentioned above may be difficult or impossible.

On July 14, 2006, the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by Courts of the Mainland and the Hong Kong Special Administration Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "2006 Arrangement"). Under the 2006 Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case pursuant to a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. It is not possible to enforce a judgment rendered by a Hong Kong court in China if the parties in dispute have not agreed to enter into a choice of court agreement in writing. In addition, the 2006 Arrangement has expressly provided for "enforceable final judgement," "specific legal relationship" and "written form." A final judgement that does not comply with the 2006 Arrangement may not be recognized and enforced in a PRC court.

On January 18, 2019, the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "2019 Arrangement"). Under the 2019 Arrangement, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the effective judgments in civil and commercial cases subject to the conditions set forth in the 2019 Arrangement. Although the 2019 Arrangement has been signed, it remains unclear when it will come into effect and the outcome and effectiveness of any action brought under the 2019 Arrangement may still be uncertain. We cannot assure you that an effective judgment that complies with the 2019 Arrangement can be recognized and enforced in a PRC court.

Fluctuations in the value of the RMB could have an adverse effect on your investment.

The value of RMB against Hong Kong dollar, U.S. dollar and other foreign currencies is affected by, among other things, changes in the PRC's foreign exchange policies and international economic and political developments. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which may result in further and more significant fluctuations in the value of RMB against Hong Kong dollar, U.S. dollar and other foreign currencies.

All of our revenue and expenses are denominated in RMB and fluctuations in exchange rates may adversely affect the value of our net asset and earnings. In addition, the dividends from our H Shares will be received in Hong Kong dollars. As a result, any appreciation of RMB against U.S. dollars, Hong Kong dollars or any other foreign currencies may result in a decrease in the value of the dividend earnings. Conversely, any depreciation of the RMB may adversely affect the value of our H Shares in foreign currency. Any significant fluctuation in the value of the RMB against foreign currencies could adversely affect us and the value of your investment in our H Shares.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our H Shares and an active [REDACTED] for our H Shares may not develop.

No public market currently exists for our H Shares. The initial [**REDACTED**] for our H Shares to the public will be the result of negotiations between our Company and the [**REDACTED**] (on behalf of the [**REDACTED**]), and the [**REDACTED**] may differ significantly from the [**REDACTED**] of the H Shares following the [**REDACTED**]. We have applied to the Stock Exchange for the [**REDACTED**] of, and permission to [**REDACTED**], the H Shares. A [**REDACTED**] on the Stock Exchange, however, does not guarantee that an active and liquid [**REDACTED**] for our H Shares will develop, or if it does develop, that it will be sustained following the [**REDACTED**], or that the [**REDACTED**] of the H Shares will rise following the [**REDACTED**].

The [REDACTED] and [REDACTED] volume of our H Shares may be volatile, which could result in substantial losses for investors who purchase our H Shares in the [REDACTED].

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

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

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

[REDACTED] will experience immediate and substantial dilution as a result of the [REDACTED].

[**REDACTED**] will pay a price per H Share in the [**REDACTED**] that substantially exceeds the per H Share value of our tangible assets after subtracting our total liabilities as of December 31, 2022. Therefore, purchasers of our H Shares in the [**REDACTED**] will experience a substantial immediate dilution in pro forma net tangible assets, and our existing Shareholders will receive an increase in the pro forma adjusted net tangible assets per Share on their Shares. As a result, if we were to distribute our net tangible assets to the Shareholders immediately following the [**REDACTED**], [**REDACTED**] would receive less than the amount they paid for their H Shares. For more information, see "Unaudited Pro Forma Financial Information" in Appendix II to this document.

The filing or regulatory review of the [REDACTED] by the CSRC or other PRC government authorities may be required under PRC laws.

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "Overseas Listing Trial Measures") and relevant supporting guidelines, which came into effect on March 31, 2023. The Overseas Listing Trial Measures comprehensively improve and reform the previous regulatory regime for overseas offering and listing of PRC domestic companies' securities and regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities. Any domestic company that is deemed to conduct overseas offering and listing activities shall file with the CSRC in accordance with the Overseas Listing Trial Measures.

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

Accordingly, our PRC Legal Advisors are of the view that we will be required to complete the filing procedures with the CSRC in connection with the [**REDACTED**] within three business days after our application is submitted. As the Overseas Listing Trial Measures are new, there remain substantial uncertainties as to their interpretation and implementation. We cannot assure you that we could meet such requirements or complete such filing in accordance with the Overseas Listing Trial Measures in a timely manner. Any failure may restrict our ability to complete the [**REDACTED**] or any future equity capital raising activities.

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

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

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

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

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

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

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

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

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

In preparation for the [**REDACTED**], our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong and, in normal circumstances, at least two of the issuer's executive directors must be ordinarily resident in Hong Kong.

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

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

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

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

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

JOINT COMPANY SECRETARIES

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

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

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

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

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

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

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

[REDACTED]

[**REDACTED**]

[REDACTED]

[**REDACTED**]

[REDACTED]

DIRECTORS

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

Independent non-executive Directors

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

SUPERVISORS

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

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

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor and [REDACTED]	**China International Capital Corporation Hong Kong Securities Limited** 29th Floor, One International Finance Centre 1 Harbour View Street Central, Hong Kong

[REDACTED]

Legal advisors to our Company	*As to Hong Kong and United States laws:* **Sidley Austin** Level 39, Two International Finance Centre 8 Finance Street Central Hong Kong *As to PRC laws:* **King & Wood Mallesons** 17th Floor, One ICC Shanghai International Commerce Center 999 Middle Huai Hai Road, Xuhui District Shanghai, PRC

Legal advisors to the Sole Sponsor and the [REDACTED]	*As to Hong Kong and United States laws:* **Baker & McKenzie** 14th Floor, One Taikoo Place 979 King's Road Quarry Bay Hong Kong *As to PRC laws:* **Global Law Office** 15 & 20/F, Tower 1, China Central Place No. 81 Jianguo Road Chaoyang District Beijing, PRC
Auditors and reporting accountants	**KPMG** *Certified Public Accountants* *Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance* 8/F Prince's Building 10 Chater Road, Central Hong Kong
Industry consultant	**Frost & Sullivan** Room 2504-2505 Wheelock Square No. 1717 Nanjing West Road Jing'an District Shanghai, PRC

[**REDACTED**]

CORPORATE INFORMATION

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

Remuneration and Evaluation Committee	Mr. Wen Chengge (溫承革) *(Chairman)* Mr. Ma Ming (馬明) Mr. Zhang Guangping (張廣平)
Nomination Committee	Mr. Zhao Heming (趙鶴鳴) *(Chairman)* Mr. Wen Chengge (溫承革) Mr. Li Yi (李一)
Strategy Committee	Mr. Li Zhen (李真) *(Chairman)* Mr. Zhang Guangping (張廣平) Mr. Li Yi (李一)

[**REDACTED**]

Compliance Advisor	**Somerley Capital Limited** 20th Floor, China Building 29 Queen's Road Central Hong Kong
Principal Bank	**Bank of China, Suzhou High-tech Development Zone Sub-Branch** F1, Jinhua Commercial Centre No. 100, Shishan Road Huqiu District, Suzhou Jiangsu Province PRC

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

SOURCES OF INFORMATION

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

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

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

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

THE IC MARKET IN CHINA

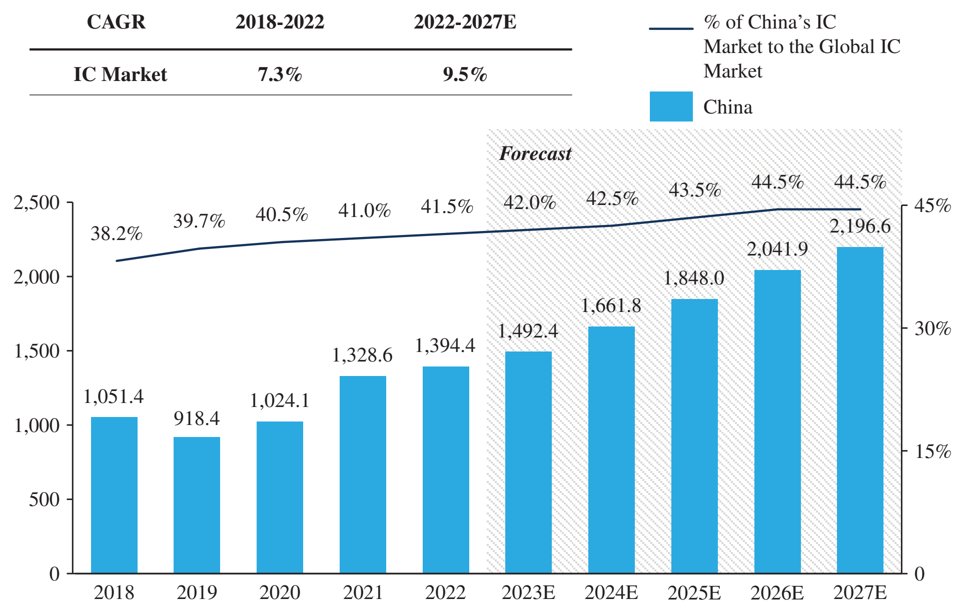
Overview

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

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

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

CAGR	2018-2022	2022-2027E
IC Market	7.3%	9.5%



Source: Frost & Sullivan Report

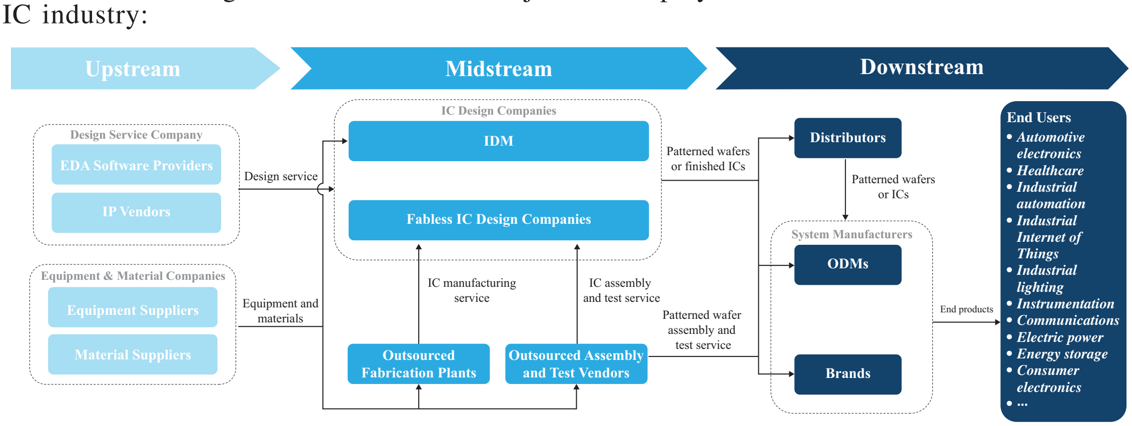
Note:

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

Value Chain of the IC Industry

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

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



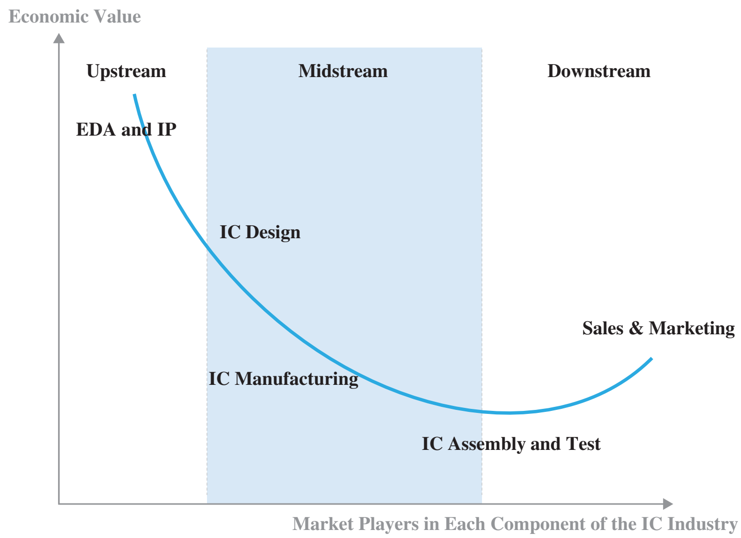
Source: Frost & Sullivan Report

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

IC design is at the core of the entire value chain with high economic value in that it directly affects the performance of IC products. Therefore, companies operating on the fabless model usually achieve higher profitability than most of the other market players on the value chain.

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

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



Source: Frost & Sullivan Report

EDA and IP: Cornerstones to IC Design

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

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

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

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

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

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

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

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

Market Segmentation

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

Segmentation by Delivery Form: Patterned Wafers and Finished ICs

Compared to traditional IC design companies that typically provide finished ICs, patterned wafer suppliers cater to the flexible needs of downstream customers. Without the assembly and test process, patterned wafers can be shipped to downstream customers after the design and manufacturing processes. These downstream customers primarily consist of IC design companies or system manufacturers who subsequently send the patterned wafers to OSAT vendors for assembly and test, after which finished IC products are produced.

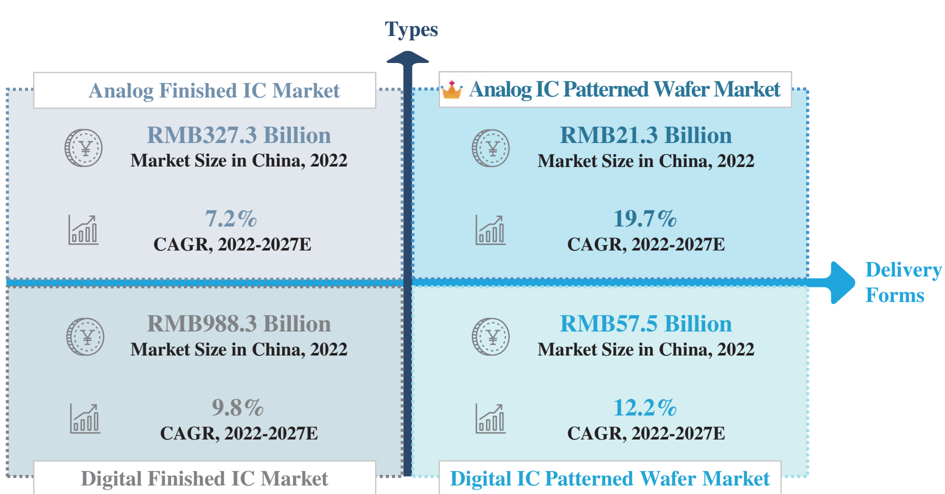
Segmentation by Type: Digital ICs and Analog ICs

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

Our Market Position in the IC Industry in China

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

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



Note:

(1) The chart above is for illustrative purposes only. Each of the depicted areas does not correspond to its actual market size.

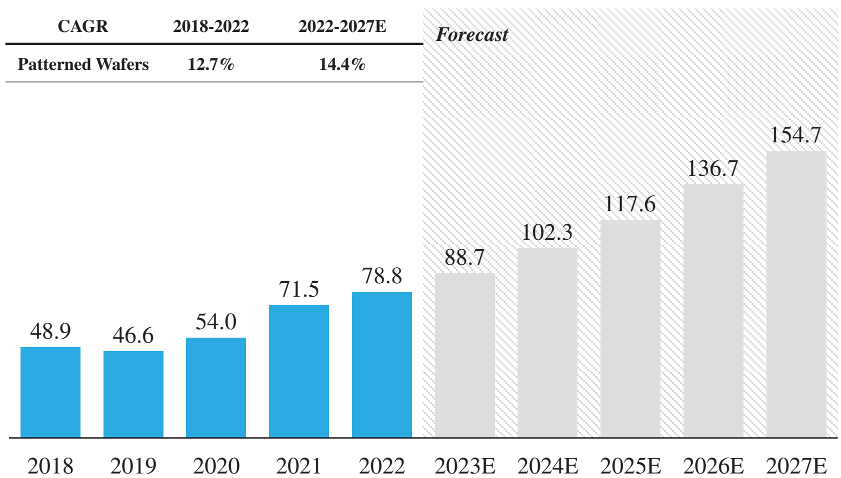
THE PATTERNED WAFER MARKET IN CHINA

Overview

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

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

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



Source: Frost & Sullivan Report

Competitive Landscape of the Patterned Wafer Market in China

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

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

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

Source: Frost & Sullivan Report

THE ANALOG IC MARKET IN CHINA

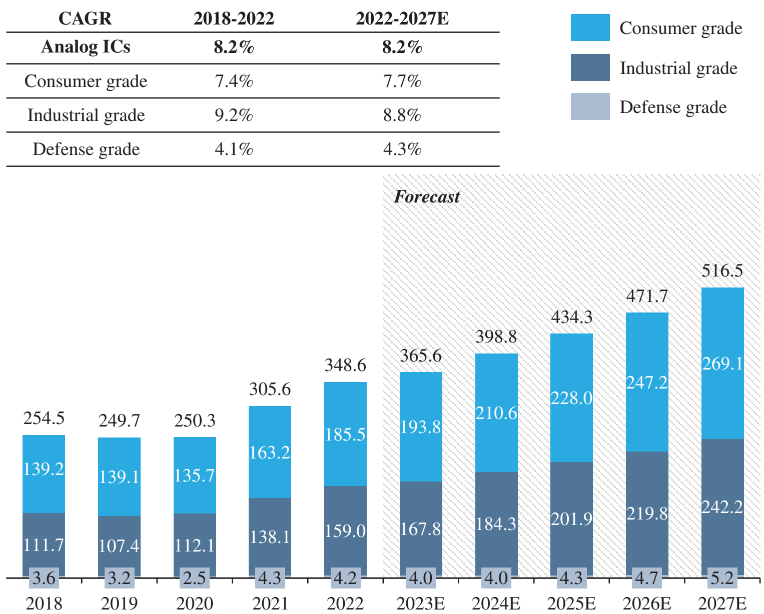
Overview

According to Frost & Sullivan, China has the largest market for analog ICs. Driven by the end market applications, the analog IC market in China is growing rapidly. The market size of the analog IC market in China increased from RMB254.5 billion in 2018 to RMB348.6 billion in 2022 at a CAGR of 8.2% from 2018 to 2022, and is expected to reach RMB516.5 billion in 2027 at a CAGR of 8.2% from 2022 to 2027. Analog ICs can be roughly divided into three categories, namely consumer grade, industrial grade and defense grade. Compared to the other categories, industrial grade analog IC market grows at the fastest pace from 2018 to 2022 and from 2022 to 2027, respectively, demonstrating great potentiality.

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

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

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



Source: Frost & Sullivan Report

Note:

(1) Consumer grade ICs are ICs that are able to work at a range of temperature conditions from 0°C to 70°C.

(2) Industrial grade ICs are ICs that are able to work at a range of temperature conditions from -40˚C to 85˚C.

(3) Defense grade ICs are ICs that are able to work at a range of temperature conditions from -55°C to 125°C.

The Industrial Grade Analog IC Market in China

Overview

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

Competitive Landscape of the Industrial Grade Analog IC Market in China

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

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

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

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

Source: Frost & Sullivan Report

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

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

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

● *Most competitive*
○ *Least competitive*

Note:

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

Source: Frost & Sullivan Report

THE ANALOG IC PATTERNED WAFER MARKET IN CHINA

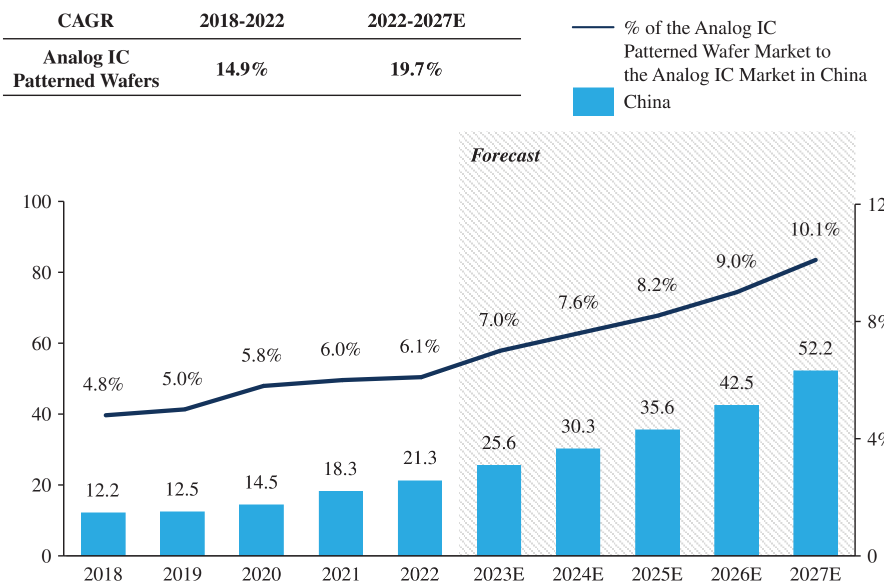
Overview

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

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

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

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



Source: Frost & Sullivan Report

Competitive Landscape of the Analog IC Patterned Wafer Market in China

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

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

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

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

Source: Frost & Sullivan Report

Market Drivers of the Analog IC Patterned Wafer Market in China

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

IC design companies play a vital role in the downstream market of analog IC patterned wafers. According to Frost & Sullivan, in 2022, the self-sufficiency rate of analog IC in China was only 13%. This presents significant potential for domestic analog IC design companies to step in and substitute imports to meet downstream customers' increasing demands. Driven by such demand along with supportive industry funding and favorable government policies, the number of IC design companies in China has grown rapidly over the past few years. As domestic IC design companies who cannot afford high R&D costs tend to cooperate with patterned wafer suppliers in the course of product development instead of performing in-house IC design to maintain a more efficient operation, the demand for analog IC patterned wafers correspondingly rises, making domestic analog patterned wafer providers more popular among downstream customers.

Patterned Wafers Effectively Meeting Flexible Packaging Demand

As packaging technology continues to evolve, advanced packaging techniques such as SiP and CoB have become more widely used. Compared to traditional packaging methods that use pin connections, SiP and CoB are mainly processed on wafers. Downstream customers who adopt these packaging techniques can avoid repetitive packaging of components and reduce production costs by purchasing patterned wafers. Furthermore, these techniques enable greater control over IC manufacturing process, leading to improved quality and consistency of the finished IC products, and in turn leading to an increasing demand for patterned wafers.

Intelligent and Electric Trends Boosting Analog IC Patterned Wafer Market

In the future, with the explosion of demand in emerging application fields such as the Internet of Things, artificial intelligence, electric vehicles, cloud computing and 5G communication, the analog IC patterned wafer industry is expected to maintain a high momentum in the medium and long run. In specific, the rising application of automotive electrification and the increasing demand for industrial energy conservation are expected to lead the upgrading of analog IC patterned wafers. The ongoing transition towards electrification and intelligence in the automotive industry is expanding the application limits of analog ICs in this field, subsequently increasing their value per vehicle. As new energy vehicles continue to gain popularity and industries undergo digital transformation, the analog patterned wafer market is likely to experience an upward trend.

Entry Barriers of the Analog IC Patterned Wafer Market in China

Design Efficiency Leading to Strong Competitive Edges

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

First Mover Advantages in Forming Economies of Scale

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

Maintaining an Extensive and Versatile Product Portfolio

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

Customer and Brand Recognition

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

Collaboration with Other Players in the Value Chain

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

Future Trends of the Analog IC Patterned Wafer Market in China

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

As market demand continues to change and technologies continue to upgrade, the ability for analog IC patterned wafers design companies to perform independent R&D activities is becoming increasingly important for their competitiveness. Analog IC patterned wafers design companies equipped with in-house EDA software and IP libraries can quickly improve design efficiency, thus reducing product development cycles and costs. As a results, it is expected that more and more IC design companies will choose to develop in-house EDA software and accumulate IP libraries.

Increasing Proportion of Industrial Grade Analog IC Patterned Wafers

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

Prominent Demand for Differentiated Patterned Wafer Design

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

THE PRC LAWS, REGULATIONS AND POLICIES

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

LAWS, REGULATIONS AND POLICIES RELATING TO THE IC INDUSTRY

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

According to the Notice of "14th Five-Year Plan" for the Development of Digital Economy (《"十四五"數字經濟發展規劃的通知》), promulgated by the State Council on December 12, 2021, during the "14th Five-Year Plan" period, the promotion of digital industrialization should be accelerated to make up for key technical shortcomings. Optimizing and innovating organizational methods such as "selecting the best candidates via open competition mechanism" ("揭榜掛帥"), focusing on breakthroughs in key core technologies in the fields of high-end chips, operating systems, industrial software, core algorithms and frameworks, and strengthening the integrated research and development of general-purpose processors, cloud computing systems, and key software technologies. In addition, the competitiveness of key links in the industrial chain should be improved, and the supply chain systems of key industries such as 5G, integrated circuits, new energy vehicles, artificial intelligence, and industrial Internet should be improved.

The National People's Congress (the "**NPC**") promulgated the Outline of the 14th Five-Year Plan for National Economic and Social Development and the Long-Range Objectives through the Year 2035 of the PRC on March 11, 2021, proposing to foster advanced manufacturing clusters and promote Industrial innovation and development of integrated circuits, aerospace, ship and ocean engineering equipment, robots, advanced rail transit equipment, advanced power equipment, construction machinery, high-end CNC machine tools, medicine, and medical equipment. Focusing on key areas such as high-end chips, operating systems, key algorithms for artificial intelligence, and sensors, and accelerating breakthroughs in research and development and iterative applications of basic theories, basic algorithms, and equipment materials. Strengthening the integrated research and development of general-purpose processors, cloud computing systems, and software core technologies. Accelerating the deployment of cutting-edge technologies such as quantum computing, quantum communication, neural chips, and DNA storage; strengthening cross-innovation in basic disciplines such as information science, life science, and materials; supporting the development of innovative consortia such as digital technology open source communities, and improving open source intellectual property rights and legal systems, encouraging enterprises to open software source code, hardware design and application services.

On July 27, 2020, the State Council announced Several Policies to Promote the High-quality Development of the IC Industry and the Software Sectors in the New Era (《新時期促進集成電路產業和軟件產業高質量發展的若干政策》), in order to further optimize the development environment of the integrated circuit industry and software sectors, deepen international cooperation in the industry, and enhance the industrial innovation capability and development quality, launch a series of supporting fiscal and taxation, investment and financing, research and development, import and export, talents, intellectual property rights, market application and international cooperation policies.

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

In June 2014, the State Council promulgated the Outline for Promoting the Development of the National Integrated Circuit Industry (《國家集成電路產業發展推進綱要》), which stated that the development goal of the integrated circuit industry is to reach an advanced international standard in the major links of the integrated circuit industry chain by 2030, with a number of enterprises entering the international first tier and achieving leapfrog development. The main tasks and development priorities are to focus on the development of integrated circuit design industry, accelerate the development of the integrated circuit manufacturing industry, enhance the development level of the advanced packaging and testing industry, and make breakthroughs in the key equipment and materials for integrated circuits.

LAWS AND REGULATIONS RELATING TO OVERSEAS [REDACTED]

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

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

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

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

LAWS AND REGULATIONS RELATING TO CYBERSECURITY AND DATA PROTECTION

Cybersecurity

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

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

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

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

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

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

Data Export Security Assessment

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

In order to guide and assist data processors in submitting data export security assessments in a standardized and orderly manner, the Cyberspace Administration of China prepared the Guidelines for Data Export Security Assessment Application (Version 1.0) in August 2022, which provide specific requirements for the method, process, and materials required for submitting a data export security assessment application.

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

According to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "FIL"), which was promulgated by the NPC on March 15, 2019 and came into effect on January 1, 2020, and the Implementation Rules for the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the "**Implementation Rules for the Foreign Investment Law**") promulgated by the State Council on December 26, 2019 and came into effect on January 1, 2020, the "foreign investment" refers to the investment activities in China carried out directly or indirectly by foreign natural persons, enterprises or other organizations. The State adopts the pre-entry national treatment and negative list management system for foreign investment. Pre-entry national treatment refers to the treatment accorded to foreign investors and their investments at the stage of investment entry which is no less favorable than the treatment accorded to domestic investors and their investments. Negative list management system refers to a special administrative measure for the entry of foreign investment in specific sectors as imposed by the PRC. Foreign investors are prohibited from investing in any areas specified in the negative list, and must meet the conditions listed in the negative list before investing in any restricted areas. Investments, profits, and other legitimate rights and interests of foreign investors in China are protected by law, and various national policies supporting the development of enterprises are equally applicable to foreign-funded enterprises. The State guarantees the equal participation of foreign-funded enterprises in the formulation of standards and strengthens the information disclosure and social supervision of standard formulation. The State also ensures that foreign-funded enterprises participate in government procurement activities through fair competition in accordance with the law, and that the products and services provided by foreign-invested enterprises in China are treated equally in government procurement according to the law. Except under special circumstances, the State shall not expropriate any overseas investment.

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

According to the Catalogue of Industries Encouraging Foreign Investment (2022 version) (《鼓勵外商投資產業目錄(2022年版)》), which was promulgated by NDRC and MOFCOM on October 26, 2022 and effective from January 1, 2023, as well as the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021 Edition) (《外商投資准入特別管理措施(負面清單)(2021年版)》) ("**Negative List**"), which was promulgated by NDRC and MOFCOM on December 27, 2021 and effective from January 1, 2022, foreign investment industries are divided into the Encouraged Industry Catalogue and the Negative List. The Negative List is further subdivided into the "Catalogue of Restricted Foreign Investment Industries" and the "Catalogue of Prohibited Foreign Investment Industries".

Industries that are not included in the Negative List are considered as permitted foreign investment industries. Foreign investors are encouraged to invest in integrated circuit design, manufacturing of integrated circuit packaging and testing equipment, new electronic components manufacturing and other industries in China.

In addition, according to the Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》) promulgated by NDRC and MOFCOM on December 19, 2022 and effective from January 18, 2021, foreign investments that have an actual or potential impact on national security are subject to security review in accordance with the provisions of the Measures for the Security Review of Foreign Investment. The State has established a mechanism for conducting security reviews of foreign investment, which is responsible for organizing, coordinating, and guiding such reviews. Foreign investors or relevant domestic parties who intend to invest in the following areas should proactively apply to the mechanism's office for a security review prior to implementation of the investment: (i) investment in defense, defense support and related sectors that have a bearing on national defense security, as well as investment in areas surrounding military and defense facilities; (ii) investment in important agricultural products, important energy and resources, major equipment manufacturing, important infrastructure, important transportation services, important cultural products and services, important information technology and Internet products and services, important financial services, key technologies, and other important sectors related to national security, while obtaining actual control over the invested enterprise.

LAWS AND REGULATIONS ON INTELLECTUAL PROPERTIES

Trademark

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

Moreover, according to the Trademark Law and the Regulation on the Implementation of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》), the trademark registrant may, by concluding a trademark licensing contract, authorize others to use the registered trademark. For licensed use of a registered trademark, the licensor shall file record of the licensing of the said trademark with the Trademark Office, while non-filing of the licensing of a trademark shall not be contested against a good faith third-party. The licensor shall supervise the quality of the goods on which the licensee uses the licensor's registered trademark, and the licensee shall guarantee the quality of the goods on which the registered trademark is used.

Patent

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

Copyright

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

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

Domain Names

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

Design of Integrated Circuit Layouts

In order to protect the proprietary rights of integrated circuit layout designs, encourage innovation in integrated circuit technology, and promote the development of science and technology, the State Council promulgated the Regulations on the Protection of Integrated Circuit Layout Designs (the "**Regulations on the Protection**") on April 2, 2001. According to the Regulations on the Protection, the owner of an integrated circuit layout design has exclusive rights to the design, so long as they comply with the provisions of the Regulations on the Protection. The exclusive rights to the layout design arise upon registration with the intellectual property administration department of the State Council, and layout designs that have not been registered are not protected by the Regulations on the Protection. The protection period for the exclusive rights of a layout design is 10 years, starting from the date of application for registration of the design or from the date of putting it into commercial exploitation somewhere in the world for the first time, whichever is earlier. However, whether or not the design is registered or commercially used, it is no longer protected by the Regulations on the Protection 15 years after the date of completion of the design.

REGULATIONS RELATING TO PROPERTY LEASING

Pursuant to the Law on Administration of Urban Real Estate of the People's Republic of China (《中華人民共和國城市房地產管理法》), which was promulgated by the SCNPC on July 5, 1994 and was latest amended on August 26, 2019, in case of house leasing, the lessor and lessee are required to enter into a written lease contract, containing such provisions as the leasing term, usage, rental and repair liabilities, as well as other rights and obligations of both parties, and go through registration and filing procedures with the real estate administration department.

In addition, according to the Management Measures for the Lease of Commercial Housing promulgated by the Ministry of Housing and Urban-Rural Development on December 1, 2010, and effective on February 1, 2011, the parties to a housing lease shall enter into a lease contract in accordance with the law, and shall agree in the lease contract on the handling of the housing when it is expropriated or demolished. Within 30 days after the conclusion of the housing lease contract, the parties to the lease shall go to the competent department of construction (real estate) of the people's government of the municipality, city or county where the leased housing is located to register and file the housing lease. The parties to the housing lease can also entrust others in writing to handle the lease registration and filing. In violation of the foregoing provisions, the competent construction (real estate) departments of the people's governments of the municipalities directly under the central government, cities and counties shall order rectification within a time limit. If rectification is not made by an individual within the time limit, a fine of less than RMB1,000 shall be imposed. If rectification is not made by an entity within the time limit, a fine of more than RMB1,000 but less than RMB10,000 shall be imposed.

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

Labor Contract

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

Social Insurance

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

Housing Provident Fund

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

LAWS AND REGULATIONS RELATING TO PRODUCT LIABILITY

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

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

LAWS AND REGULATIONS RELATING TO IMPORT AND EXPORT TRADE

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

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

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

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

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

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

LAWS AND REGULATIONS RELATING TO TAXATION

Enterprise Income Tax

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

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

Value-added Tax

Pursuant to the Provisional Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on December 13, 1993, last amended and became effective on November 19, 2017, and the Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the MOF on December 25, 1993, last amended on October 28, 2011 and became effective on November 1, 2011, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sale of services, intangible assets, real estate and the importation of goods within the territory of the PRC are taxpayers of value-added tax (the "VAT") and shall pay VAT in accordance with the laws. According to the Notice of the MOF and the State

Administration of Taxation on the Adjustment to VAT Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》) which was promulgated by the MOF and the STA on April 4, 2018 and came into effect on May 1, 2018, the original rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively. According to the Announcement on Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》), which was promulgated by the MOF, the STA and the General Administration of Customs on March 20, 2019 and became effective on April 1, 2019, the original rates of 16% or 10% applicable to the general VAT payers' sales activities or imports goods that are subject to VAT are adjusted to 13% or 9%, respectively.

Dividend Withholding Tax

Pursuant to the Arrangement between Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), which was promulgated on August 21, 2006 and effective from December 8, 2006, the withholding tax rate of no more than 5% applies to dividends paid by a PRC company to a Hong Kong resident, provided that the recipient is a company that holds at least 25% of the capital of the PRC company. The withholding tax rate of no more than 10% applies to dividends paid by a PRC company to a Hong Kong resident if the recipient is a company that holds less than 25% of the capital of the PRC company.

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

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

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

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

(4) other requirements provided by the STA.

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

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

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

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

Preferential Tax Policy for the Integrated Circuit Industry

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

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

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

OVERVIEW

Our Company's history could be traced back to 2010 when our Company was established by Mr. Li Zhen and Mr. Li Yi with their personal funds. We have since then been led by Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi, our co-founders and core management team. See "Directors, Supervisors and Senior Management" in this document for their background and industry experience. After over a decade of operations, we have developed into a leading provider of analog IC patterned wafers in China. We are the largest provider of analog IC patterned wafers in China in terms of revenue in 2022, according to Frost & Sullivan. Our patterned wafers enable flexible, expeditious and cost-effective development or manufacturing of high-performance industrial grade IC chips for a range of customers and end users, including IC design companies, distributors, brand-name manufacturers and ODMs. We offer approximately 300 diversified industrial grade analog IC patterned wafer products across seven categories, namely switching regulators, multi-channel ICs and PMICs, linear regulators, battery management ICs, monitoring and modulating ICs, driver ICs, and linear products, in the power management segment and the signal chain segment as of December 31, 2022. In 2020, 2021 and 2022, we successfully launched eight, 45 and 157 analog IC patterned wafer products, respectively, representing a CAGR of 343.0%, which is the fastest expansion of analog IC product offerings in China, according to Frost & Sullivan.

BUSINESS DEVELOPMENT MILESTONES

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

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

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

CORPORATE DEVELOPMENT

Our Company

Establishment and initial shareholding interests

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

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

Capital injection by Suzhou Technology Investment in 2013

Pursuant to a capital increase agreement entered into between our Company and Suzhou New District Venture Technology Investment Management Co., Ltd. (蘇州高新區創業科技投資管理有限公司) ("**Suzhou Technology Investment**"), an Independent Third Party, on September 11, 2013, the registered capital of our Company was increased by RMB588,900 to RMB5,888,900, with Suzhou Technology Investment making a capital contribution of RMB1,500,000 in our Company, of which RMB588,900 was contributed to the registered capital of our Company and RMB911,100 was treated as contribution to the capital reserve of our Company. The contribution amount was determined after arm's length negotiations between the parties after taking into consideration, among others, the historical financial performance of our Company, the revenue of our Company for the year ended December 31, 2012 and the business prospects of our Company, and was fully settled on January 15, 2021. The registration of the above capital increase was completed on October 18, 2013. For details of Suzhou Technology Investment, see "—Pre-[**REDACTED**] Investments" below.

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

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

Equity transfer in 2015

For the purpose of optimizing the shareholding structure of our Company, Mr. Li Zhen and Mr. Li Yi entered into equity transfer agreements with Backward Electronic and Backward Partnership, respectively, on August 26, 2015, pursuant to which (i) Mr. Li Zhen agreed to transfer 31.40% and 39.92% of the equity interest in our Company to Backward Partnership and Backward Electronic, respectively, at a consideration of nil and RMB2,350,700; and (ii) Mr. Li Yi agreed to transfer 11.03% of the equity interest in our Company at a consideration of RMB320,000 to Backward Electronic. The considerations were determined with reference to the paid-up portion of the equity interest transferred and fully settled on September 6, 2015. The registration of the transfers were completed on September 6, 2015.

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

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

On March 31, 2022, Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi (the "**Concert Parties**") entered into a concert party agreement (the "**Concert Party Agreement**"), pursuant to which the Concert Parties agreed and confirmed, among others, that from the date when they became direct and/or indirect Shareholders of our Company to such date when all of them cease to be directly or indirectly interested in our Company, they had been and would continue to be acting in concert. Pursuant to the acting in concert arrangements, the Concert Parties had consulted and would consult with each other and reach a unanimous consensus among themselves before the decision, implementation and agreement on material operation and development affairs and/or all voting at Board and Shareholders' meetings. In the event that they are unable to reach consensus on any matter presented, it shall be resolved by a simple majority vote, with each Concert Party entitled to one vote. As of the Latest Practicable Date, Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi were in aggregate, directly and indirectly through Backward Partnership and Backward Electronic, interested in approximately [32.38]% of the equity interest in our Company. Mr. Li Zhen, Mr. Zhang Guangping, Mr. Li Yi, Backward Partnership and Backward Electronic constitute the Single Largest Group of Shareholders of our Company.

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

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

Capital injection in 2015

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

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

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

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

Capital injection in 2017

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

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

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

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

Equity transfer and capital injections in 2020

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

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

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

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

Name of the Shareholder	**Percentage of shareholding** *(approx. %)*
Mr. Li Zhen	2.64
Mr. Li Yi	1.32

Name of the Shareholder	Percentage of shareholding *(approx. %)*
Backward Electronic	26.35
Backward Partnership	16.24
Ronglian Venture	7.15
Yuanhe Puhua	6.83
Guangfa Intelligent	5.69
Suzhou Technology Investment	5.17
Zhongke Quantum	3.76
Minyi Intelligent	3.41
Shanghai Yucheng	3.41
Taiyou Venture	2.96
Qilong Investment	1.98
Guangfa Environmental	1.88
Huiyi Ruijin	1.82
Hejiuxin	1.69
Heyuanxin	1.36
Jiangsu Huate	1.14
Minwen Investment	1.13
Nantong Zhouzhou	0.88
Taizhiyou	0.75
Xinyu Taiyi	0.75
Taisheng Technology	0.68
Huahui Taiyou	0.68
Haotian Hongsheng	0.33
Total	100

Equity transfers and capital injections in 2021

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

Pursuant to a series of equity transfer agreements dated April 6, 2021 between Mr. Li Zhen, Mr. Li Yi, our Company, Backward Partnership, Xinyu Jimu Ruiyuan Investment Consulting Center (Limited Partnership) (新余極目睿遠投資諮詢中心(有限合夥)) ("**Xinyu Jimu**"), Anji Chenfeng Enterprise Management Partnership (Limited Partnership) (安吉辰豐企業管理合夥企業(有限合夥)) ("**Anji Chenfeng**") and Zhongke Quantum, respectively, (i) Mr. Li Yi agreed to transfer 0.68% of the equity interest in our Company at a consideration of RMB3,000,000 to Xinyu Jimu; (ii) Backward Partnership agreed to transfer 2.05% of the equity interest in our Company at a consideration of RMB9,000,000 to Anji Chenfeng; and (iii) Backward Partnership agreed to transfer 0.68% of the equity interest in our Company at a consideration of RMB3,000,000 to Zhongke Quantum. The above considerations were determined after arm's length negotiations between the relevant parties and were fully settled on May 28, 2021. The registration of the above transfers were completed on June 10, 2021.

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

Pursuant to a series of equity transfer agreements dated from July to October, 2021 between Backward Electronic and Tsinghua University Education Foundation (清華大學教育基金會) ("**Tsinghua Foundation**"), Ronglian Venture and Suzhou Rongxiang Beiying Venture Capital Partnership (Limited Partnership) (蘇州融享貝贏創業投資合夥企業(有限合夥)) ("**Rongxiang Venture**"), Minwen Investment and Minyi Intelligent, and Qilong Investment and Nantong Zhouzhou, respectively, (i) Backward Electronic agreed to transfer 1% of the equity interest in our Company at nil consideration to Tsinghua Foundation, the registration of such transfer was completed on August 20, 2021; (ii) Ronglian Venture agreed to transfer 6.58% of the equity interest in our Company at a consideration of RMB52,814,477 to Rongxiang Venture, the registration of such transfer was completed on October 21, 2021; (iii) Minwen Investment agreed to transfer 1.04% of the equity interest in our Company at a consideration of RMB8,320,000 to Minyi Intelligent, the registration of such transfer was completed on October 21, 2021; and (iv) Qilong Investment agreed to transfer 2.12% of the equity interest in our Company at a consideration of RMB17,042,371 to Nantong Zhouzhou, the registration of such transfer was completed on October 27, 2021. The above considerations were determined after arm's length negotiations between the relevant parties and were fully settled on December 29, 2021.

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

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

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

Conversion into a joint stock limited liability company

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

Capital injection and capitalization of capital reserve in 2021

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

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

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

Name of the Shareholder	**Shares**	**Percentage of shareholding** *(approx. %)*
Mr. Li Zhen	1,049,632	2.33
Mr. Li Yi	252,800	0.56
Backward Electronic	10,062,573	22.36
Backward Partnership	5,380,535	11.96
Rongxiang Venture	2,846,352	6.33
Yuanhe Puhua	2,718,339	6.04
Runke Investment	2,718,339	6.04
Guangfa Intelligent	2,265,399	5.03

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

Equity transfers in 2023

Pursuant to the equity transfer agreements dated June 20, 2023 entered into between (i) Backward Electronic and (ii) BYD Company Limited (比亞迪股份有限公司) ("**BYD**") and Shenzhen Chuangqi Kaiying Venture Capital Partnership (Limited partnership) (深圳市創啟開盈創業投資合夥企業(有限合夥)) ("**Shenzhen Chuangqi**"), respectively, Backward Electronic agreed to transfer 4.81% and 0.02% of the equity interest in our Company to BYD and Shenzhen Chuangqi, respectively, at a consideration of RMB50 million and RMB250,000. The considerations were determined after arm's length negotiations between the relevant parties and were fully settled on June 21, 2023. For further details of BYD and Shenzhen Chuangqi's investments, see "– Pre-[**REDACTED**] Investments" below.

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

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

Our subsidiaries

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

ACQUISITION, MERGER AND DISPOSAL

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

PRC REGULATORY REQUIREMENTS

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

PRE-[REDACTED] INVESTMENTS

Overview

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

	Date of agreement	Shares subscribed/ acquired[1]	Total consideration *(RMB)*	Basis of consideration	Date of settlement of consideration	Cost per Share paid *(RMB)*	Discount to the [REDACTED][2]	Use of proceeds	Shareholding in our Company immediately after the [REDACTED][6]
Suzhou Technology Investment	September 11, 2013	2,059,740	1,500,000	Historical financial performance and business prospects of our Company after arm's length negotiations	January 15, 2021	0.73	[REDACTED]%	For our Company's daily expenses and supplementing our working capital[3]	[REDACTED]%
Zhongke Quantum	August 26, 2015	1,049,632	4,000,000		May 8, 2015	3.81	[REDACTED]%		[REDACTED]%
	April 28, 2017	448,393	3,000,000		June 29, 2017	6.69	[REDACTED]%		
	April 6, 2021	271,764	3,000,000		May 28, 2021	11.04	[REDACTED]%	N/A[4]	
	May 6, 2021	271,764	3,000,000		May 28, 2021	11.04	[REDACTED]%		
Nantong Zhouzhou	August 26, 2015	262,320	1,000,000		September 11, 2015	3.81	[REDACTED]%	For our Company's daily expenses and supplementing our working capital[3]	[REDACTED]%
	November 17, 2020	89,889	993,700		June 29, 2020	11.05	[REDACTED]%		
	October 22, 2021	918,471	17,042,371		December 29, 2021	18.56	[REDACTED]%	N/A[4]	
Taiyou Venture	August 26, 2015	1,180,792	4,500,000		September 11, 2015	3.81	[REDACTED]%	For our Company's daily expenses and supplementing our working capital[3]	[REDACTED]%
Guangfa Environmental	April 28, 2017	747,438	5,000,000		June 1, 2017	6.69	[REDACTED]%		[REDACTED]%
Hejiuxin	April 28, 2017	672,939	4,500,000		June 2, 2017	6.69	[REDACTED]%		[REDACTED]%
Taizhiyou	April 28, 2017	299,045	2,000,000		June 22, 2017	6.69	[REDACTED]%		[REDACTED]%
Xinyu Taiyi	April 28, 2017	299,045	2,000,000		June 26, 2017	6.69	[REDACTED]%		[REDACTED]%
Minyi Intelligent	June 16, 2020	1,359,170	15,000,000		July 10, 2020	11.04	[REDACTED]%		[REDACTED]%

	Date of agreement	Shares subscribed/ acquired[1]	Total consideration (RMB)	Basis of consideration	Date of settlement of consideration	Cost per Share paid (RMB)	Discount to the [REDACTED][2]	Use of proceeds	Shareholding in our Company immediately after the [REDACTED][6]
	September 25, 2021	448,393	8,320,000		September 28, 2021	18.56	[REDACTED]%	N/A[4]	
Huiyi Ruijin	August 16, 2020	724,704	8,000,000		July 31, 2020	11.04	[REDACTED]%	For our Company's daily expenses and supplementing our working capital[3]	[REDACTED]%
Heyuanxin	August 16, 2020	131,160	1,452,000		August 20, 2020	11.07	[REDACTED]%	N/A[4]	[REDACTED]%
	August 16, 2020	412,018	4,548,000		August 25, 2020	11.04	[REDACTED]%	For our Company's daily expenses and supplementing our working capital[3]	
Runke Investment	August 6, 2020	2,718,339	30,000,000		April 13, 2021	11.04	[REDACTED]%		[REDACTED]%
Jiangsu Huate	November 11, 2020	452,940	5,000,000		May 27, 2021	11.04	[REDACTED]%		[REDACTED]%
Taisheng Technology	November 17, 2020	271,764	3,000,000		December 23, 2020	11.04	[REDACTED]%		[REDACTED]%
Huahui Taiyou	November 17, 2020	271,764	3,000,000		December 17, 2020	11.04	[REDACTED]%		[REDACTED]%
Nanjing Turing	December 18, 2020	452,940	5,000,000		December 29, 2020	11.04	[REDACTED]%		[REDACTED]%
Guangfa Intelligent	June 16, 2020	2,265,399	25,000,000		June 22, 2020	11.04	[REDACTED]%		[REDACTED]%
Yuanhe Puhua	August 16, 2020	2,718,339	30,000,000		December 18, 2020	11.04	[REDACTED]%		[REDACTED]%
Anji Chenfeng	April 6, 2021	815,474	9,000,000		April 14, 2021	11.04	[REDACTED]%	N/A[4]	[REDACTED]%
Xinyu Jimu	April 6, 2021	271,841	3,000,000		April 13, 2021	11.04	[REDACTED]%	N/A[4]	[REDACTED]%
Tsinghua Foundation	July 16, 2021	432,692	Nil[5]	N/A[5]	N/A	N/A	[REDACTED]	N/A	[REDACTED]%

	Date of agreement	Shares subscribed/ acquired[1]	Total consideration *(RMB)*	Basis of consideration	Date of settlement of consideration	Cost per Share paid *(RMB)*	Discount to the [REDACTED][2]	Use of proceeds	Shareholding in our Company immediately after the [REDACTED][6]
Shanghai Yucheng	November 17, 2020	1,359,170	15,000,000	Historical financial performance and business prospects of our Company after arm's length negotiations	May 28, 2021	11.04	[REDACTED]%	For our Company's daily expenses and supplementing our working capital[3]	[REDACTED]%
Rongxiang Venture	October 19, 2021	2,846,352	52,814,477	Valuation of our Company, historical financial performance and business prospects of our Company after arm's length negotiations	November 17, 2021	18.56	[REDACTED]%	N/A[4]	[REDACTED]%
Fengyuan Juxin	November 30, 2021	1,730,769	40,000,000	Historical financial performance and business prospects of our Company after arm's length negotiations	December 1, 2021	23.11	[REDACTED]%		[REDACTED]%
Mr. Wei Yong	February 17, 2023	N/A[7]	10,002,000		March 26, 2023	N/A[7]	[REDACTED]	N/A[8]	[REDACTED]
Mr. Xiao Bin	February 17, 2023	N/A[7]	10,002,000		March 24, 2023	N/A[7]	[REDACTED]	N/A[8]	[REDACTED]

	Date of agreement	Shares subscribed/ acquired[1]	Total consideration (RMB)	Basis of consideration	Date of settlement of consideration	Cost per Share paid (RMB)	Discount to the [REDACTED][2]	Use of proceeds	Shareholding in our Company immediately after the [REDACTED][6]
BYD	June 20, 2023	2,163,462	50,000,000	Historical financial performance and business prospects of our Company, taking into account the liquidity discount in relation to the transfer of existing Shares, after arm's length negotiations	June 21, 2023	23.11	[REDACTED]%	N/A[4]	[REDACTED]%
Shenzhen Chuangqi	June 20, 2023	10,817	250,000		June 21, 2023	23.11	[REDACTED]%	N/A[4]	[REDACTED]%

Notes:

1. Having taken into account the capitalization of capital reserve of the Company in 2021.
2. The discount to the [**REDACTED**] is calculated based on the assumption that the [**REDACTED**] is HK$[**REDACTED**] per Share, being the mid-point of the indicative [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**].
3. As at the Latest Practicable Date, all the proceeds had been fully utilized.
4. Effected by way of acquisition of existing Shares, and therefore no proceeds were received by our Company.
5. The underlying 123,711 Shares were transferred to Tsinghua Foundation as an alumni donation made by Mr. Li Zhen and Mr. Zhang Guangping at nil consideration for charitable purpose.
6. Assuming that the [**REDACTED**] is not exercised.
7. On February 17, 2023, Backward Partnership entered into an investment agreement with, among others, Mr. Xiao Bin and Mr. Wei Yong, respectively, pursuant to which each of Mr. Xiao Bin and Mr. Wei Yong agreed to subscribe for the increased registered capital of Backward Partnership as limited partners at a subscription price of RMB10,002,000, of which RMB6,700 was contributed to the registered capital of Backward Partnership, and the remaining was treated as contribution to the capital reserve of Backward Partnership. Pursuant to the investment agreements, each of Mr. Xiao Bin and Mr. Wei Yong would hold 5.58% of the equity interest in Backward Partnership, equivalent to indirect interest in approximately 300,000 Shares of our Company, respectively.
8. Effected by way of subscribing for interests in Backward Partnership, and therefore no proceeds were received by our Company.

Strategic Benefits

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

Special Rights

Pursuant to the terms of their respective investments, certain of the Pre-[**REDACTED**] Investors were granted certain special rights in relation to our Company, including, among others, performance commitments, repurchase rights, preferential dividend distribution rights and anti-dilution rights. Such special rights were terminated with immediate effect pursuant to the supplemental agreement entered into, among others, our Company and the relevant Pre-[**REDACTED**] Investors dated December 22, 2021.

Background information of our Pre-[REDACTED] Investors

The background information of our Pre-[**REDACTED**] Investors is set out below:

Pre-[REDACTED] Investor	Background
Rongxiang Venture	**Rongxiang Venture** is a limited partnership established in the PRC on September 16, 2021. It is a private equity fund primarily engaged in venture capital investment in the PRC. Rongxiang Venture has previously invested in companies primarily engaged in manufacturing industry such as Shanghai Yingshuang Electric Machinery Co., Ltd. (上海贏雙電機科技股份有限公司) and wholesale and retail trade industry such as Beijing Winner Microelectronics Co., Ltd. (北京聯盛德微電子有限責任公司). As of the Latest Practicable Date, Rongxiang Venture was owned as to (i) 4.10% by Suzhou Hi-tech Venture Capital Group Rongxiang Investment Management Co., Ltd. (蘇州高新創業投資集團融享投資管理有限公司) as general partner, which was ultimately controlled by Mr. Kong Jianhua, one of our non-executive Directors, and (ii) 59.01% by Suzhou Hi-tech Venture Capital Group Co., Ltd. (蘇州高新創業投資集團有限公司), as limited partner which was ultimately controlled by Suzhou Huqiu District People's Government (蘇州市虎丘區人民政府) and (iii) 36.89% by other two limited partners. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, all of such limited partners were Independent Third Parties and none of them held more than one-third of the interest in Rongxiang Venture.

Pre-[REDACTED] Investor	Background
Yuanhe Puhua	**Yuanhe Puhua** is a limited partnership established in the PRC on January 25, 2018. It is a private equity fund primarily engaged in equity investment in the PRC. Yuanhe Puhua has previously invested in companies primarily engaged in wholesale and retail trade industry such as Shenzhen Longsys Electronics Co., Ltd. (深圳市江波龍電子科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 301308.SZ), information transmission, software, and information technology services industry such as JADARD TECHNOLOGY INC. (深圳天德鈺科技股份有限公司), a company listed on the Science and Technology Innovation Board (stock code: 688252.SH), scientific research and technical services industry such as Empyrean Technology Co., Ltd. (北京華大九天科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 301269.SZ). As of the Latest Practicable Date, Yuanhe Puhua was owned as to (i) 0.91% by Suzhou Zhixin Fangwei Investment Management Partnership (Limited Partnership) (蘇州致芯方維投資管理合夥企業(有限合夥)) as general partner, which was ultimately controlled by Ms. Liu Yue (劉越), an Independent Third Party, and (ii) 99.09% by other nine limited partners. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, all of such limited partners were Independent Third Parties and none of them held more than one-third of the interest in Yuanhe Puhua.

Pre-[REDACTED] Investor	Background
Runke Investment	**Runke Investment** is a limited partnership established in the PRC on August 28, 2019. It is a private equity fund primarily engaged in venture capital investment, equity investment, investment management and provision of investment-related consultancy services in the PRC. Runke Investment has previously invested in companies primarily engaged in manufacturing industry such as Shanghai Orient-chip Technology Co., Ltd. (上海燦瑞科技股份有限公司), a company listed on the Science and Technology Innovation Board (stock code: 688061.SH), Wuxi SI-POWER MICRO-ELECTRONICS Co., Ltd. (無錫硅動力微電子股份有限公司) and Guangdong MISUN Technology Co., Ltd. (廣東美信科技股份有限公司). As of the Latest Practicable Date, Runke Investment was owned as to (i) 0.50% by Runke Investment Management (Shanghai) Co., Ltd. (潤科投資管理(上海)有限公司) as general partner, which was owned as to 51.00% by China Resources Microelectronics Limited (華潤微電子有限公司), a company listed on Shanghai Stock Exchange (stock code: 688396.SH) and an Independent Third Party, and (ii) 99.50% by other seven limited partners. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, all of such limited partners were Independent Third Parties and none of them held more than one-third of the interest in Runke Investment.
Guangfa Intelligent	**Guangfa Intelligent** is a limited partnership established in the PRC on January 10, 2018. It is a private equity fund primarily engaged in equity investment in the PRC. Guangfa Intelligent has previously invested in companies primarily engaged in information transmission, software, and information technology services industry such as Guangdong Weide Information Technology Co., Ltd. (廣東緯德信息科技股份有限公司), a company listed on the Science and Technology Innovation Board (stock code: 688171.SH). As of the Latest Practicable Date, Guangfa Intelligent was owned as to (i) 20.00% by GF Xinde Investment Management Co., Ltd. (廣發信德投資管理有限公司) ("**GF Xinde**") as general partner, which was ultimately controlled by GF Securities Co., Ltd. (廣發證券股份有限公司) (stock code: 000776.SZ), an Independent Third Party, and (ii) 80.00% by other 17 limited partners. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, all of such limited partners were Independent Third Parties and none of them held more than one-third of the interest in Guangfa Intelligent.

Pre-[REDACTED] Investor	**Background**
Guangfa Environmental	**Guangfa Environmental** is a limited partnership established in the PRC on September 22, 2015. It is a private equity fund primarily engaged in environmental industrial investment, equity investment and provision of equity investment-related consultancy services in the PRC. Guangfa Environmental has previously invested in companies primarily engaged in hydraulic engineering, environment and public facilities management industry such as Qiaoyin City Management Co., Ltd. (僑銀城市管理股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002973.SZ) and information transmission, software, and information technology services industry such as Wuxi Guoxin Microelectronics System Co., Ltd. (無錫國芯微電子系統有限公司). As of the Latest Practicable Date, Guangfa Environmental was owned as to (i) 16.11% by GF Xinde as general partner, (ii) 34.64% by Shangpu Industrial Investment Development (Hengqin) Co., Ltd. (尚浦產投發展(橫琴)有限公司) as limited partner, which was ultimately controlled by Mr. Liu Xiangdong (劉響東), an Independent Third Party, and (iii) 49.25% by other 11 limited partners. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, all of such limited partners were Independent Third Parties and none of them held more than one-third of the interest in Guangfa Environmental.
Minyi Intelligent, Taiyou Venture, Taizhiyou, Xinyu Taiyi, Taisheng Technology and Huahui Taiyou	**Minyi Intelligent** is a limited partnership established in the PRC on January 23, 2018. It is a private equity fund primarily engaged in equity investment and industrial investment in the PRC. Minyi Intelligent has previously invested in companies primarily engaged in scientific research and technical services industry such as Shanghai Guoli Automotive Technology Co., Ltd. (上海果栗自動化科技有限公司) and Beijing Qingying Machine Vision Technology Co., Ltd. (北京清影機器視覺技術有限公司). As of the Latest Practicable Date, Minyi Intelligent was owned as to (i) 0.80% by Shanghai Guanrong Enterprise Management Co., Ltd. (上海冠融企業管理有限公司) as general partner, which was ultimately controlled by Mr. Wu Naiqi (吳乃奇), an Independent Third Party, (ii) 79.20% by Mr. Wu Naiqi as limited partner, and (iii) 20.00% by another limited partner. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, the limited partner was an Independent Third Party.

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

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

Pre-[REDACTED] Investor	Background
	Huahui Taiyou is a limited partnership established in the PRC on April 30, 2020. It is a private equity fund primarily engaged in venture capital investment, industrial investment and equity investment in the PRC. Huahui Taiyou has previously invested in companies primarily engaged in information transmission, software, and information technology services industry such as Zongmu Technology (Shanghai) Co., Ltd. (縱目科技(上海)股份有限公司) and Beijing Yunzhi Soft Communication Information Technology Co., Ltd. (北京雲智軟通信息技術有限公司), and scientific research and technical services industry such as Jiangsu Huaxing Laser Technology Co., Ltd. (江蘇華興激光科技有限公司). As of the Latest Practicable Date, Huahui Taiyou was owned as to (i) 1.43% by Tianjin Haihe Huahuitai Enterprise Management Partnership (Limited Partnership) (天津市海河華慧泰有企業管理合夥企業(有限合夥)) as general partner, the general partner of which was Taiyouxi Venture, (ii) 39.73% by Tianjin Haihe Industrial Fund Partnership (Limited Partnership) (天津市海河產業基金合夥企業(有限合夥)) as limited partner, which was ultimately controlled by Tianjin Municipal People' Government, and (iii) 58.84% by other seven limited partners. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, all of such limited partners were Independent Third Parties and none of them held more than one-third of the interest in Huahui Taiyou. Each of Minyi Intelligent, Taizhiyou and Huahui Taiyou is managed by Taiyouxi Venture. Ms. Yu Binyan is: (i) the executive director and manager of Taiyouxi Venture. Taiyi Investment is held as to 40% by Taiyouxi Venture. The general partner of Taiyou Venture is Taiyou Investment; and (ii) a 48.50% shareholder of Taisheng Technology, which holds a 46.18% interest in Taiyou Venture. As confirmed by each of Minyi Intelligent, Taiyou Venture, Taizhiyou, Xinyu Taiyi, Taisheng Technology and Huahui Taiyou, they are parties acting in concert in respect of the interests in our Company.

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

Pre-[REDACTED] Investor	Background
Fengyuan Juxin	**Fengyuan Juxin** is a limited partnership established in the PRC on February 2, 2021. It is a private equity fund primarily engaged in equity investment, investment management and assets management in the PRC. Fengyuan Juxin has previously invested in companies primarily engaged in scientific research and technical services industry such as Jiangsu Tianxinwei Semiconductor Equipment Co., Ltd. (江蘇天芯微半導體設備有限公司) and information transmission, software, and information technology services industry such as Mifei Technology (Shanghai) Co., Ltd. (彌費科技(上海)股份有限公司). As of the Latest Practicable Date, Fengyuan Juxin was owned as to (i) 0.17% by Fengyuan Investment (Pingtan) Co., Ltd. (馮源投資(平潭)有限公司) as general partner, which was ultimately controlled by Ms. Tang Zhilan (唐志蘭), an Independent Third Party, and (ii) 99.83% by other 36 limited partners. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, all of such limited partners were Independent Third Parties and none of them held more than one-third of the interest in Fengyuan Juxin.
Shanghai Yucheng	**Shanghai Yucheng** is a limited partnership established in the PRC on August 25, 2020. It is primarily engaged in management consultancy, marketing and public relationship services and technology consultancy in the PRC. As of the Latest Practicable Date, Shanghai Yucheng was owned as to (i) 2.00% by Ms. Zhu Shiqi (朱史琦), an Independent Third Party, as general partner, and (ii) 98.00% by other seven limited partners. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, all of such limited partners were Independent Third Parties and none of them held more than one-third of the interest in Shanghai Yucheng.
Nantong Zhouzhou	**Nantong Zhouzhou** is a limited partnership established in the PRC on July 21, 2015. It is primarily engaged in equity investment, industrial investment and provision of investment consultancy services in the PRC. As of the Latest Practicable Date, Nantong Zhouzhou was owned as to (i) 99.00% by Ms. Zhou Liping (周麗萍), an Independent Third Party, as general partner, and (ii) 1.00% by a limited partner, who was an Independent Third Party.

Pre-[REDACTED] Investor	**Background**
Anji Chenfeng	**Anji Chenfeng** is a limited partnership established in the PRC on March 3, 2021. It is primarily engaged in enterprise management consultancy in the PRC. As of the Latest Practicable Date, Anji Chenfeng was owned as to (i) 0.03% by Anji Qiushi Enterprise Management Co., Ltd. (安吉秋實企業管理有限責任公司) as general partner, which was ultimately controlled by Ms. Wang Hua (王華), an Independent Third Party, and (ii) 99.97% by Anji Lixin Business Management Partnership (Limited Partnership) (安吉勵欣企業管理合夥企業(有限合夥)), an Independent Third Party which was ultimately controlled by Ms. Wang Hua.
Huiyi Ruijin	**Huiyi Ruijin** is a limited partnership established in the PRC on July 13, 2020. It is a private equity fund primarily engaged in venture capital investment and business management in the PRC. As of the Latest Practicable Date, Huiyi Ruijin was owned as to (i) 1.00% by Suzhou Huiyi Equity Investment Management Partnership (Limited Partnership) (蘇州匯毅股權投資管理合夥企業(有限合夥)) as general partner, which was ultimately controlled by Mr. Yin Qulin (殷瞿林), an Independent Third Party, (ii) 55.25% by Ms. Lu Tian (陸甜), 37.5% by Jiaxing Qigang Jinhong Equity Investment Partnership (Limited Partnership) (嘉興棲港津鴻股權投資合夥企業(有限合夥)) which was ultimately controlled by Mr. Tang Liangxing (唐亮星), as limited partners, and (iii) 6.25% by another limited partner. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, all of such limited partners were Independent Third Parties.
Hejiuxin and Heyuanxin	**Hejiuxin** is a limited partnership established in the PRC on March 21, 2017. It is primarily engaged in venture capital investment and management, financial and information consultancy in the PRC. As of the Latest Practicable Date, Hejiuxin was owned as to (i) 0.11% by Suzhou Yihe Venture Capital Co., Ltd. (蘇州意合創業投資有限公司) ("**Suzhou Yihe**") as general partner, which was ultimately controlled by Ms. Ye Fengqiu (葉鳳秋), an Independent Third Party, and (ii) 55.44% by Mr. Yang Fan (楊凡) and 44.44% by Ms. Lv Yunhong (呂雲紅), as limited partners. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, all of such limited partners were Independent Third Parties.

Pre-[REDACTED] Investor	Background
	Heyuanxin is a limited partnership established in the PRC on July 30, 2020. It is primarily engaged in venture capital investment in the PRC. As of the Latest Practicable Date, Heyuanxin was owned as to (i) 20.00% by Suzhou Yihe as general partner, which was ultimately controlled by Ms. Ye Fengqiu, and (ii) 53.33% by Ms. Chen Xinmei (陳心美) as limited partner, and 26.67% by Ms. Ye Fengqiu. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, all of such limited partners were Independent Third Parties. As confirmed by each of Hejiuxin and Heyuanxin, they are parties acting in concert in respect of the interests in our Company.
Jiangsu Huate	**Jiangsu Huate** is a joint stock limited liability company established in the PRC on May 11, 2017. It is primarily engaged in integrated circuit manufacture in the PRC. As of the Latest Practicable Date, Jiangsu Huate was owned as to (i) 95.20% by Mr. Xu Jun (許軍), an Independent Third Party, as controlling shareholder, and (ii) 4.08% and 0.72% by Mr. Li Zhen and Mr. Li Yi, respectively.
Nanjing Turing	**Nanjing Turing** is a limited partnership established in the PRC on March 13, 2019. It is a private equity fund primarily engaged in equity investment in the PRC. Nanjing Turing has previously invested in companies primarily engaged in information transmission, software, and information technology services industry such as Hunan Shibite Robot Co., Ltd. (湖南視比特機器人有限公司) and Shirui (Hangzhou) Information Technology Co., Ltd. (視睿(杭州)信息科技有限公司). As of the Latest Practicable Date, Nanjing Turing was owned as to (i) 0.19% by Beijing Changfeng Hengchuang Investment Management Co., Ltd. (北京長風恒創投資管理有限公司) as general partner, which was ultimately controlled by Ms. Ma Xiaolan (馬小蘭), an Independent Third Party, and (ii) 99.81% by other 14 limited partners. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, all of such limited partners were Independent Third Parties and none of them held more than one-third of the interest in Nanjing Turing.

Pre-[REDACTED] Investor	Background
Tsinghua Foundation	**Tsinghua Foundation** is a national non-public foundation as initiated by the Ministry of Education of the People's Republic of China (中華人民共和國教育部), approved by the People's Bank of China and registered by the Ministry of Civil Affairs of the People's Republic of China (中華人民共和國民政部) in the PRC on January 25, 1994.
Xinyu Jimu	**Xinyu Jimu** is a limited partnership established in the PRC on June 28, 2020. It is a private equity fund primarily engaged in investment management, assets management, projects and industrial investment and investment consultancy in the PRC. Xinyu Jimu has previously invested in companies primarily engaged in manufacturing industry, such as Wuhan Yunling Optoelectronics Co., Ltd. (武漢雲嶺光電股份有限公司) and Suzhou Lieqi Intelligent Equipment Co., Ltd. (蘇州獵奇智能設備有限公司), and information transmission, software, and information technology services industry such as Dongfang Weiyin Technology Co., Ltd. (東方微銀科技股份有限公司). As of the Latest Practicable Date, Xinyu Jimu was owned as to (i) 0.02% by Hainan Xinhe Private Equity Fund Management Partnership (Limited Partnership) (海南芯禾私募基金管理合夥企業(有限合夥)) as general partner, which was ultimately controlled by Ms. Yang Jingting (楊景婷), an Independent Third Party, and (ii) 53.32% by Ms. Yang Jingting, and (iii) 46.66% by other five limited partners. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, all of such limited partners were Independent Third Parties and none of them held more than one-third of the interest in Xinyu Jimu.
Mr. Xiao Bin (肖斌)	**Mr. Xiao Bin** is an individual investor and has extensive investment experience in high-tech companies such as Sichuan Convenient Power Semiconductor Co., Ltd. (四川易沖科技有限公司), Xin Lian Environmental Protection Technology Co., Ltd. (鑫聯環保科技股份有限公司) and Nanjing Zhipu Technology Co., Ltd. (南京智譜科技有限公司). He is currently the legal representative and manager of Gain Supply Chain (Tianjin) Co., Ltd. (增益供應鏈(天津)有限公司), an investment holding company principally engaged in supply chain management. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, as of the Latest Practicable Date, Mr. Xiao Bin was an Independent Third Party.

Pre-[REDACTED] Investor	Background
Mr. Wei Yong (韋勇)	**Mr. Wei Yong** is the executive director of Suzhou Yongxin Holding Group Co., Ltd. (蘇州永鑫控股集團有限公司), a company principally engaged in investment management and relevant consulting services, and asset management. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, as of the Latest Practicable Date, Mr. Wei Yong was an Independent Third Party.
BYD	**BYD** is a joint stock company established in the PRC on February 10, 1995. It is principally engaged in automobile business which mainly includes new energy vehicles, handset components and assembly services, rechargeable batteries and photovoltaics business. It is dually listed on the Stock Exchange (stock code: 01211.HK) and the Shenzhen Stock Exchange (stock code: 002594.SZ). To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, as of the Latest Practicable Date, both BYD and Mr. Wang Chuanfu (王傳福), the controlling shareholder of BYD, were Independent Third Parties.
Shenzhen Chuangqi	**Shenzhen Chuangqi** is a limited partnership established in the PRC on September 8, 2020. It is principally engaged in investment activities in the PRC. As of the Latest Practicable Date, Shenzhen Chuangqi was owned as to (i) 0.0003% by Shenzhen Chuangqi Kaiying Business Service Co., Ltd. (深圳市創啟開盈商務服務有限公司) as general partner, which was ultimately controlled by Ms. Li Lu (李路) and Ms. Li Min (李敏), both Independent Third Parties, and (ii) 99.9997% by other ten limited partners. As confirmed by Shenzhen Chuangqi, Shenzhen Chuangqi is an employee co-investment platform of BYD. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, all of such limited partners were Independent Third Parties and none of them held more than one-third of the interest in Shenzhen Chuangqi.

To the best of our Directors' knowledge and belief after making due and careful enquiries, save for its/his Pre-[**REDACTED**] Investment and as disclosed above, each of the Pre-[**REDACTED**] Investors does not have any other relationship with our Company or any connected persons of our Company.

Compliance with Interim Guidance and Guidance Letters

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

LOCK-UP PERIOD AND PUBLIC FLOAT

Pursuant to applicable PRC Laws, within the 12 months following the [**REDACTED**], all Shareholders immediately prior to the [**REDACTED**] (including relevant Pre-[**REDACTED**] Investors) could not dispose of any Shares held by them.

All of the Unlisted Domestic Shares held by the existing Shareholders (representing [**REDACTED**]% of our Shares in issue immediately following the completion of the [**REDACTED**] (without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**])) will not be converted into H Shares and will not be [**REDACTED**] following the completion of the [**REDACTED**], and thus will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules.

No less than 25% of the total issued Shares will be held by the public upon completion of the [**REDACTED**] in accordance with Rule 8.08(1)(a) of the Listing Rules.

GUIDANCE RECEIVED FOR POTENTIAL [REDACTED]

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

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

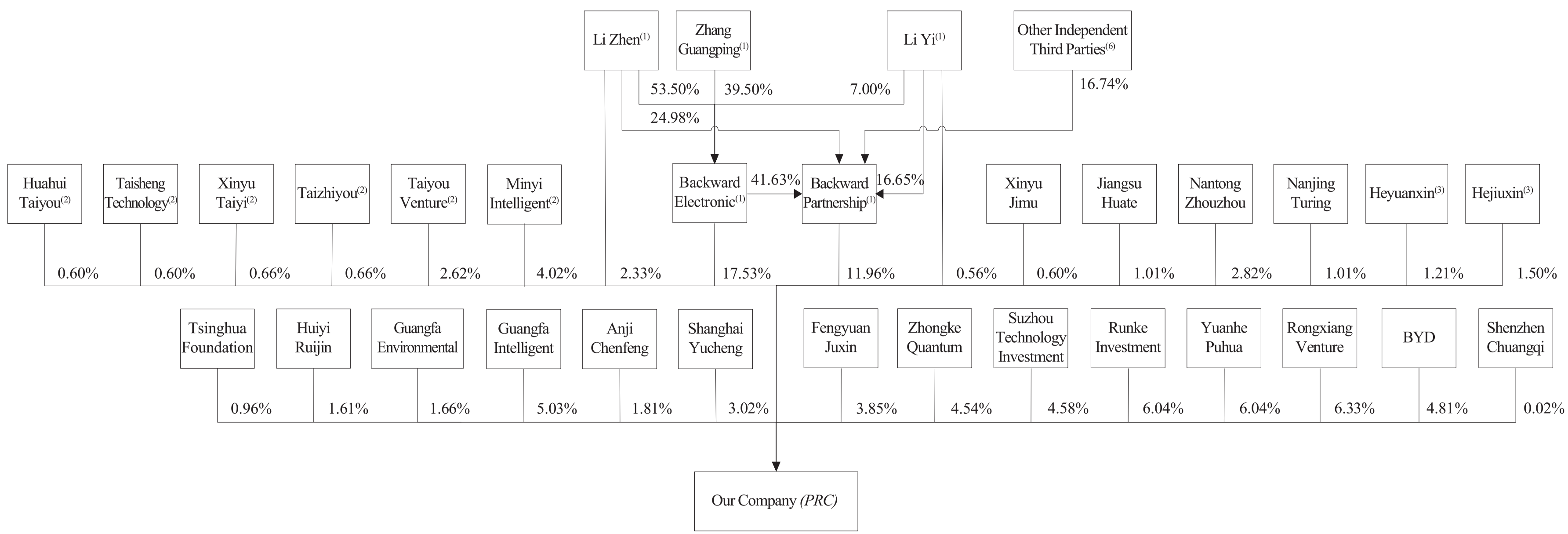
(ii) the [**REDACTED**] would give us a better platform to further develop our business; and

(iii) the [**REDACTED**] will further raise our brand awareness, business profile and thus, enhance our corporate image.

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

CORPORATE STRUCTURE IMMEDIATELY BEFORE THE [REDACTED]

The following diagram illustrates our shareholding structure immediately prior to the **[REDACTED]**:



Notes:

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

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

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

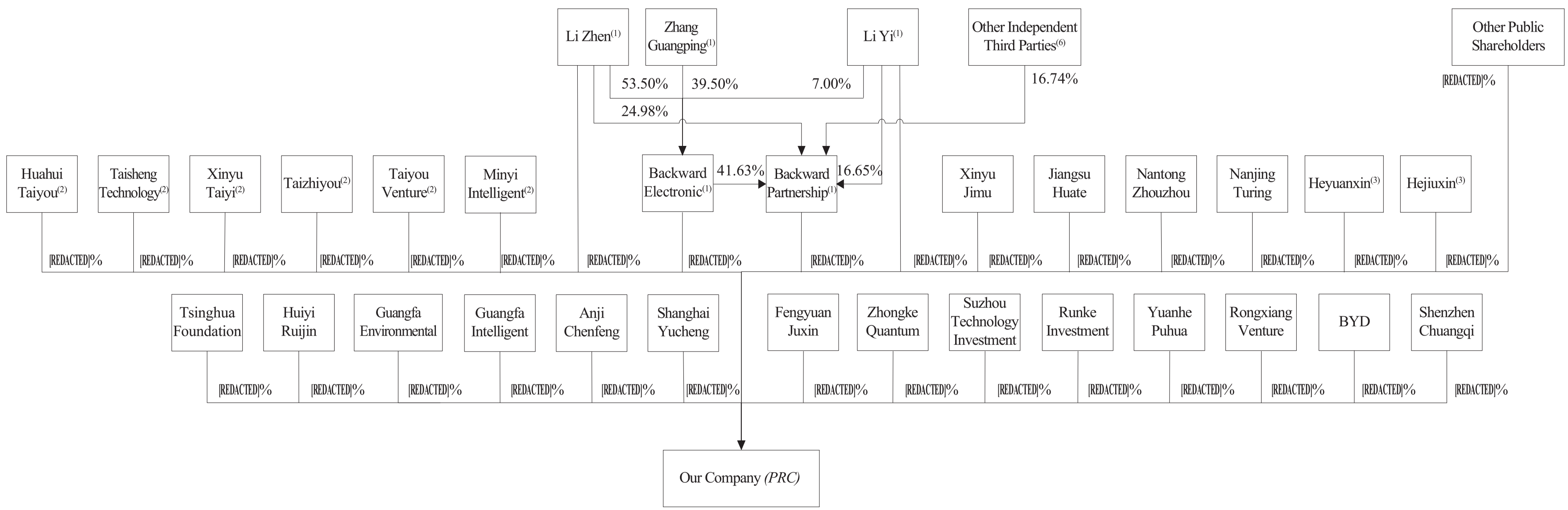
(4) See "– Pre-[**REDACTED**] Investments" above for details of the background of the Pre-[**REDACTED**] Investors.

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

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

CORPORATE STRUCTURE IMMEDIATELY AFTER THE [REDACTED]

The following diagram illustrates our shareholding structure immediately following the **[REDACTED]** (assuming the **[REDACTED]** is not exercised):



Notes:

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

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

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

(4) See "– Pre-[**REDACTED**] Investments" above for details of the background of the Pre-[**REDACTED**] Investors.

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

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

OVERVIEW

Who We Are

We are a leading provider of analog IC patterned wafers in China. Unlike traditional IC design companies, our deliverable products are analog IC patterned wafers with completed built-on circuits, which can then be fabricated into individual IC chips after simple and straightforward packaging and testing steps performed by our downstream customers. As one of the few IC design companies in the world that focus on patterned wafer designs, 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 become a leader in the Chinese patterned wafer market. We are the largest provider of analog IC patterned wafers in China in terms of revenue in 2022, according to Frost & Sullivan. Our patterned wafers enable flexible, expeditious and cost-effective development and manufacturing of high-performance industrial grade IC chips for a range of downstream customers, including chip design companies, commercial distributors, brand-name manufacturers and ODMs.

We offer approximately 300 diversified industrial grade analog IC patterned wafer products across seven categories, namely switching regulators, multi-channel ICs and PMICs, linear regulators, battery management ICs, monitoring and modulating ICs, driver ICs, and linear products, in the power management segment and the signal chain segment as of the Latest Practicable Date. In 2020, 2021 and 2022, we successfully launched eight, 45 and 157 analog IC patterned wafer products, respectively, representing a CAGR of 343.0%, which demonstrated the fastest expansion of analog IC product offerings in China, according to Frost & Sullivan. These new products had driven most of our revenue increase during the Track Record Period. Our products have empowered numerous downstream customers, including well-known brand-name manufacturers and industry-leading chip design companies, in various application fields, such as automotive electronics, healthcare, industrial automation, industrial Internet of Things, industrial lighting, instrumentation, communications, electric power, energy storage and high-end consumer electronics. During the Track Record Period, our sales generated from downstream customers who have cooperated with us for at least three years accounted for over 50% of our total sales.

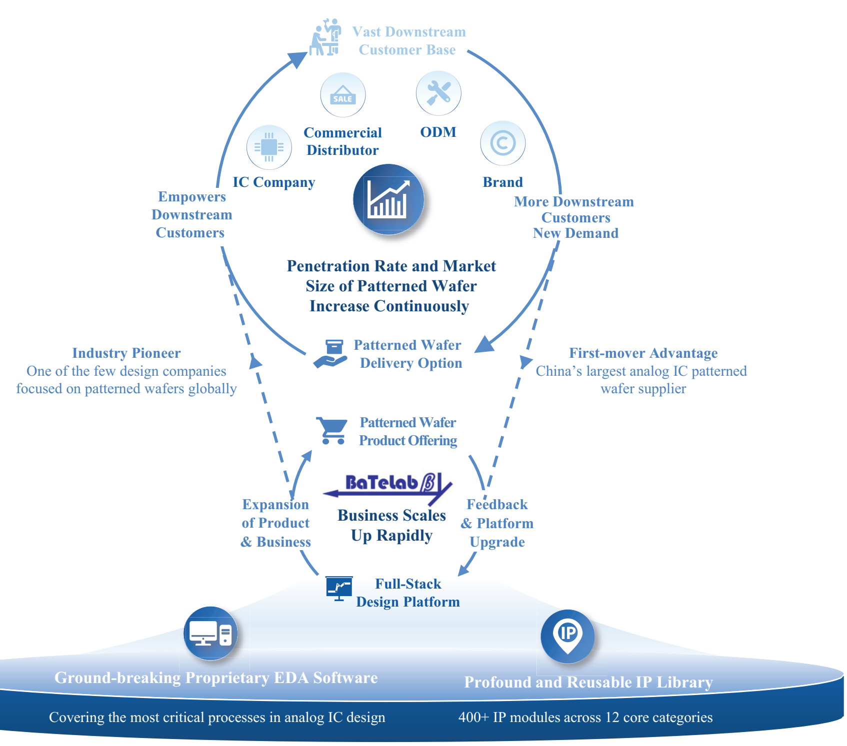
We have built China's first and only full-stack analog IC design platform, which provides a one-stop solution of analog IC design, enabling our effective product development and standardized high-performance patterned wafer delivery. Our platform has achieved technical breakthroughs in both EDA software 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.

- ***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.



Benefiting from our powerful platform and rich product offerings, our business scale has expanded rapidly without compromising profitability and operational efficiency, making us a leading 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%. Despite the high growth of revenue, we consistently maintained high gross profit margin at 54.9%, 56.4%, and 56.5% in 2020, 2021 and 2022, 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%, whereas our profit for the year 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%.

Market Opportunities

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

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

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

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

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

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

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

Our Values

We aspire to become a globally leading provider of all major series 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 simple and straightforward packaging and testing. It allows various downstream customers, including chip design companies, commercial distributors, brand-name manufacturers and ODMs, to significantly reduce development costs of IC chips, helping them launch new chip products in a cost-effective manner. By adopting patterned wafers, our downstream customers can reallocate the funds saved from reduced R&D expenditure to other core products or marketing activities.

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

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

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

COMPETITIVE STRENGTHS

Leader and Pioneer in China's Patterned Wafer Industry

We are a leader and pioneer in the patterned wafer industry in China, leading the commercialization of analog IC patterned wafers.

We are one of the few IC design companies globally that focus on patterned wafers. 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 an industry-leading provider of industrial grade analog IC products. 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 China's first and only full-stack analog IC design platform. Our analog IC design platform has the following differentiated advantages:

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

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

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

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

Ever-expanding High-Performance Industrial Grade Product Portfolio

Leveraging our full-stack design platform, we offer diversified high-performance industrial grade products. As of the Latest Practicable Date, we had nearly 300 patented layouts and offer approximately 300 industrial grade patterned wafers that cover a total of seven 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 segment and the signal chain segment. The vast majority of chips made from our analog IC patterned wafers have an operating temperature range of -45~85°C, and over 75% of these chips can achieve performance metrics comparable to those of leading international manufacturers. Our products in core categories, such as the DC-DC converters and battery management products, have achieved industry-leading 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 and 157 analog IC patterned wafer products launched in 2020, 2021 and 2022, respectively. Over 70% of the 100+ industrial grade analog IC patterned wafer products that we are developing are expected to be completed within one year. We are ready to capture every market opportunity as it emerges. For instance, we strategically target the new energy sector ahead of the industry. In 2019, we launched the world's first battery management analog IC patterned wafer specifically developed for e-bikes, and the chips produced therefrom have been adopted by and bulk shipped to multiple well-known e-bike brands. Furthermore, we have independently developed multiple analog IC patterned wafer products to meet the demands of the automotive industry. Certain of our products have successfully passed the AEC-Q100 certification and we are gradually preparing for volume production for leading domestic automotive brands.

Diversified and Loyal Downstream Customer Base

Our patterned wafers can be readily made into IC chips after simple 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 high-end 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 Pioneering 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 December 31, 2022, our R&D team comprises 65 members, who on average are only 28 years old. Our R&D personnel efficiency is industry-leading, with annual revenue driven by each member reaching RMB5.5 million in 2022, which is about 20% higher than the industry average in the same year.

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 technology. These upgrades will improve our R&D efficiency and accuracy and enhance our research on the manufacturing process of patterned wafers, which will help improve the compatibility of our design with the manufacturing process and the quality and performance of our products.

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 global leader in all major categories of analog IC solutions.

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

Broaden Our Customer Base and Deepen the Relationships with Customers

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

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.

Pursue Strategic Investments and Acquisitions

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

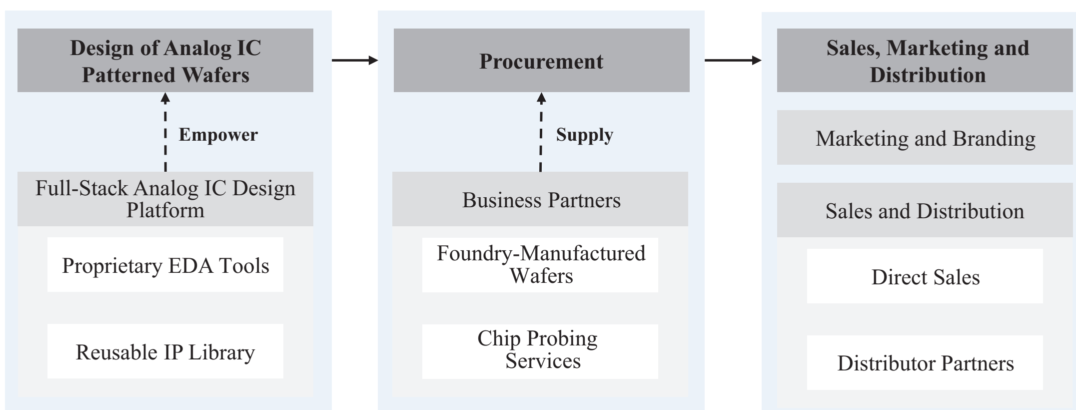
We primarily focus on targets with differentiated proprietary insights in processing technologies, IP, and IC design. Through strategic investments and acquisitions, we aim to expand our technology portfolio, improve our product quality, and increase our addressable market to accelerate our revenue growth.

OUR BUSINESS MODEL

We are a leading provider of analog IC patterned wafers 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 leading standards. Empowered by proprietary EDA software tools and reusable IP library, we have effectively improved the product design efficiency, and are able to supply downstream customers with quality products.

We operate on 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, which provides us with an effective way to secure foundries' manufacturing capacity with relatively competitive prices by leveraging its foundry supplier base. We also partner with a major chip probing service provider for inspection and testing on the delivered foundry-manufactured wafers. 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:



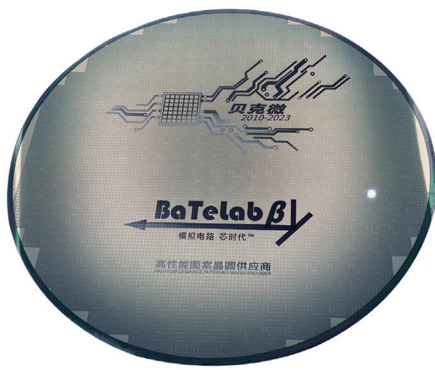
OUR PRODUCT OFFERINGS

Overview

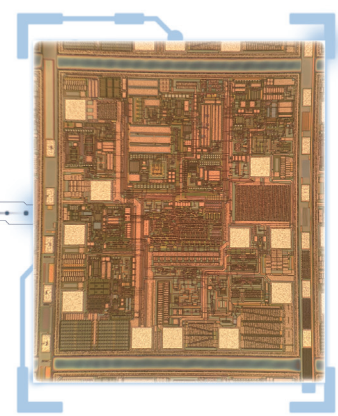
The integrated circuit, or IC, is a miniature electronic device or component that combines multiple transistors to form a complete electronic circuit. Serving as the fundamental building blocks and central components of the global information technology industry, IC products can be further divided into analog ICs and digital ICs by function. 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. Each piece of our patterned wafers contains a number of dies, which can be easily turned into chip products after subsequent packaging and testing by downstream customers. Our patterned wafers are adapted to commonly used IC package types, including SOT, SOP and DFN, and advanced IC packaging technologies, including SiP. 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 automation, industrial Internet of Things, industrial lighting, instrumentation, communications, electric power, energy storage and high-end consumer electronics.

The following pictures illustrate our patterned wafers:



An eight-inch patterned wafer(1)



A die on the eight-inch patterned wafer

Note:

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

We perform design of our patterned wafer products leveraging our full-stack analog IC design platform, which equips us with strong design capabilities and a semi-automatic way of design. Our analog IC design platform enables our products to encompass multiple processing technologies, providing us with significant latitude and flexibility to design and optimize a range of basic integrated analog IC building-block components. By importing detailed technical processing parameters into our EDA software tools, we are able to design, generate and verify new IP modules or improve our existing IP modules compatible with these processing technologies. Such a module and circuit design process informed by the processing technologies that will be used to manufacture the actual circuits leads to better design and high-performance final products. As of the Latest Practicable Date, we had built up a broad product portfolio covering approximately 300 analog IC patterned wafer products that are integral and critical components to a wide variety of electronic equipment, consisting of two major categories, or seven sub-categories, of industrial grade analog ICs.

Power Management Products

Our power management products help downstream customers manage power across different voltage and/or current levels, including AC-DC and DC-DC switching regulators, multi-channel ICs and PMICs, linear regulators, battery management ICs, monitoring and modulating ICs, and driver ICs.

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

- *Multi-channel ICs and PMICs*. Our scalable multi-channel ICs and PMICs realize functions including voltage converters and regulators, battery chargers, battery meters, LED drivers, real-time clocks, power sequencers, and power controls. Our multi-channel ICs and PMICs can be used for multiple types of motherboards, medical or handheld portable instruments.

- *Linear regulators*. Our linear regulators produce a regulated output voltage that features a stable supply voltage with low self-loss, powering sensitive analog systems and extending battery life. Our linear regulators can be used on battery chargers, switching power supply regulators, microprocessor power supply devices, and personal digital devices including Bluetooth earphones and headphones, laptops and digital cameras.

- *Battery management ICs*. Our battery management ICs provide for battery monitoring and protection to ensure safe use of battery and improve battery's service life, making it easier for downstream customers to design efficient, long-lasting and reliable battery-powered applications. Our battery management ICs are typically used on battery-powered electric equipment such as electric vehicles and e-bikes, backup battery systems and mobile radios.

- *Monitoring and modulating ICs*. Our monitoring and modulating ICs monitor the system voltage or current signals to ensure that the system voltage and current are within the specified safety range. Typical use scenarios of our monitoring and modulating ICs include hot-swap power supply, redundant power supply, laptop power supply, load protection and anti-surge lightning strike for computers, servers, and communication equipment.

- *Driver ICs*. Our driver ICs can maximize current limit, enable thermal protection and ultra-high efficiency while minimizing power losses, and allow the circuit to perform fast turn-on and turn-off, which helps achieve good picture quality in consumer electronics, industrial and automotive applications and makes it easier for downstream customers to design efficient, reliable and power-dense systems. Our driver ICs can be used for LCD bias, OLED monitors, and high-power high-efficiency flyback power supply equipment.

Signal Chain Products

Our signal chain products include products that sense, condition and measure real-world signals to allow information or signal to be transferred or converted for further processing and control. Our signal chain products are all linear products.

- *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

We base our pricing strategies for patterned wafer products according to a range of factors, including R&D costs, production costs, industries in which the downstream customers engage, use scenarios and market sizes. We also take into consideration prices of domestic and international competitive products.

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 and RMB352.5 million in 2020, 2021 and 2022, respectively, the details of which are set forth as follows:

	Year ended December 31,						
	2020		**2021**		**2022**		
	Sales Amount *(RMB'000)*	%	**Sales Amount** *(RMB'000)*	%	**Sales Amount** *(RMB'000)*	%	**CAGR**
Power management products	**87,075**	**98.1**	**192,899**	**90.7**	**294,797**	**83.6**	**84.0%**
Switching regulators	28,453	32.1	99,445	46.8	149,500	42.4	129.2%
Multi-channel ICs and PMICs	44,362	50.0	79,832	37.5	109,794	31.1	57.3%
Others(1)	14,260	16.1	13,622	6.4	35,503	10.1	57.8%
Signal chain products	**1,645**	**1.9**	**19,812**	**9.3**	**57,713**	**16.4**	**492.3%**
Linear products	1,645	1.9	19,812	9.3	57,713	16.4	492.3%

Note:

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

During the Track Record Period, the number of products we sold amounted to 17.1 million, 37.4 million and 87.5 million in 2020, 2021 and 2022, respectively, the details of which are set forth as follows:

	Year ended December 31,						
	2020		2021		2022		
	Sales Volume		Sales Volume		Sales Volume		CAGR
	('000)	*%*	*('000)*	*%*	*('000)*	*%*	
Power management products	**16,966**	**99.0**	**34,220**	**91.5**	**72,880**	**83.3**	**107.3%**
Switching regulators	10,240	59.7	26,354	70.5	53,729	61.4	129.1%
Multi-channel ICs and PMICs	1,226	7.2	1,895	5.1	3,495	4.0	68.8%
Others[(1)]	5,500	32.1	5,971	16.0	15,656	17.9	68.7%
Signal chain products	**177**	**1.0**	**3,183**	**8.5**	**14,596**	**16.7**	**808.1%**
Linear products	177	1.0	3,183	8.5	14,596	16.7	808.1%

Note:

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

During the Track Record Period, we generally experienced constant increases in both the sales amount and the sales volume of all of our six sub-categories of power management products, which resulted from the continuous launch of new products in each of the six sub-categories and an increasing demand from our downstream customers, and was in line with our business growth. In addition, we experienced some fluctuations in the percentage of each type of power management products during the Track Record Period, which was primarily due to a shift in our product mix. During the Track Record Period, the sales amount of our linear products boosted due to the continuous launch of new products. We experienced a constant increase in the sales volume of our signal chain products, which was in line with our business growth.

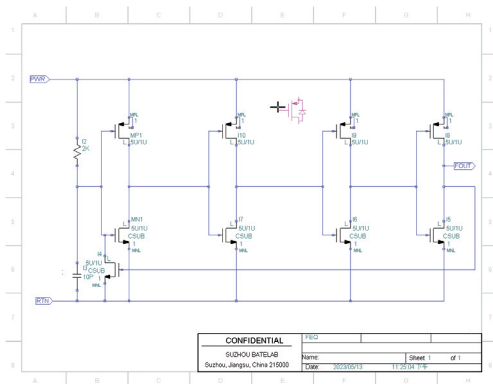
OUR ANALOG IC DESIGN PLATFORM

According to Frost & Sullivan, we are the first and only IC design company in China equipped with a full-stack analog IC design platform, which differentiates us from other IC design companies. 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. Moreover, our successful breakthrough of the two underlying technical barriers, EDA software development and IP module design, has enabled us with large-scale design capability, and effectively lowered our internal barrier to IC design.

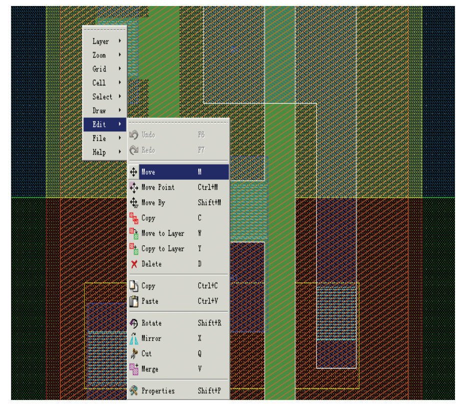
Proprietary EDA Software Tools

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. According to Frost & Sullivan, we are the only analog IC design company in China equipped with proprietary EDA software tools. Our proprietary EDA software lays a solid foundation for our analog IC design and effectively lowers our internal barrier to analog IC design, presenting a competitive advantage for us.

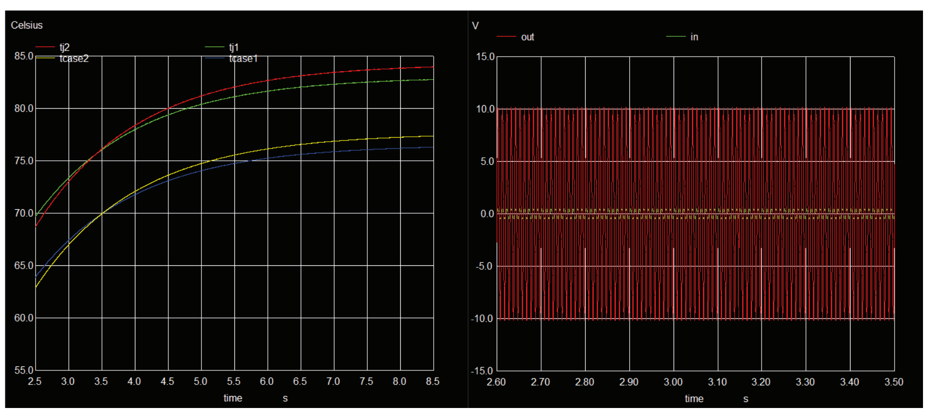
The following figures demonstrate our schematic editor, layout editor and IC simulation tool on our EDA software:



Schematic editor



Layout editor



IC simulation tool

Our EDA software tools support the following functions:

- *Graphical layout design*. We use EDA-assisted pre-compiled programs to convert coded text into graphical flow chart during layout design. Specifically, we replace plain text editing with assignment to graphical variables, which helps lower the difficulty in layout design and accelerate the entire process.

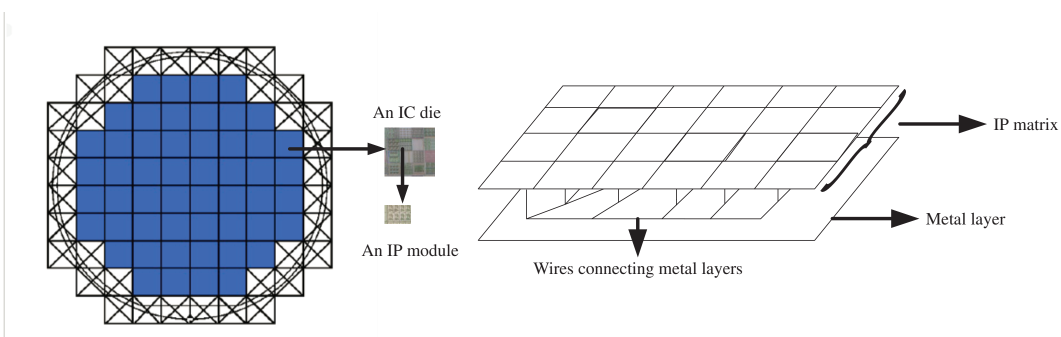
- *Assisted IC design based on machine learning*. We perform machine learning of the IC topology diagrams derived from historical IC designs. Based on the output results of machine learning, we can quickly make a simulation judgment on the modifications of IC topology or parameters, or optimize circuit designs. As a result, not only is our EDA software adaptable to our R&D personnel's working habits, it also helps improve the efficiency of IC design.

- *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

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

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



A patterned wafer
(illustrative)

An IC die
(illustrative)

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

Advantages of Our Analog IC Design Platform

We have achieved the following advantages from our analog IC design platform, empowering and maximizing our analog IC design capabilities:

- *Full-stack analog IC design capabilities.* 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. In particular, leveraging machine learning technology, our EDA software can reduce the computational resources required to run a circuit verification simulation and provide optimization recommendations for circuit design, effectively improving our design efficiency. 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 without full-stack analog IC design capabilities, 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 300 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 simulation.* We feed circuit designs, which can consist of our multiple IP modules, into our EDA tools for system-level simulation and performance modeling. During the design, in order to optimize circuit performance, different IP modules can be readily retrieved from the IP library for simulation trials. The performance modeling and simulation process provides us with an opportunity to analyze the availability and compatibility of our existing IP modules with the desired analog IC products and can prompt us to broaden, improve and refine our IP library.

DESIGN, RESEARCH AND DEVELOPMENT

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

Our Design Activities

Our design activities usually start with a detailed design planning, upon confirmation of which we evaluate the functionality and feasibility of the new product design, conduct verification of our design on the finished product sample, and eventually tape out of our analog ICs.

- *Design planning.* At this stage, we analyze market trends, regulatory requirements and competing products or products in related areas and formulate a preliminary product specification. We aim to address the needs of downstream customers as well as our own design initiatives, taking into consideration market opportunities and our market strategies.

- *Design development.* Upon completion of the new product design planning, we transform the product specification into engineering requirements, followed by developing and assembling hardware components in order to achieve the desired function and performance of the new product.

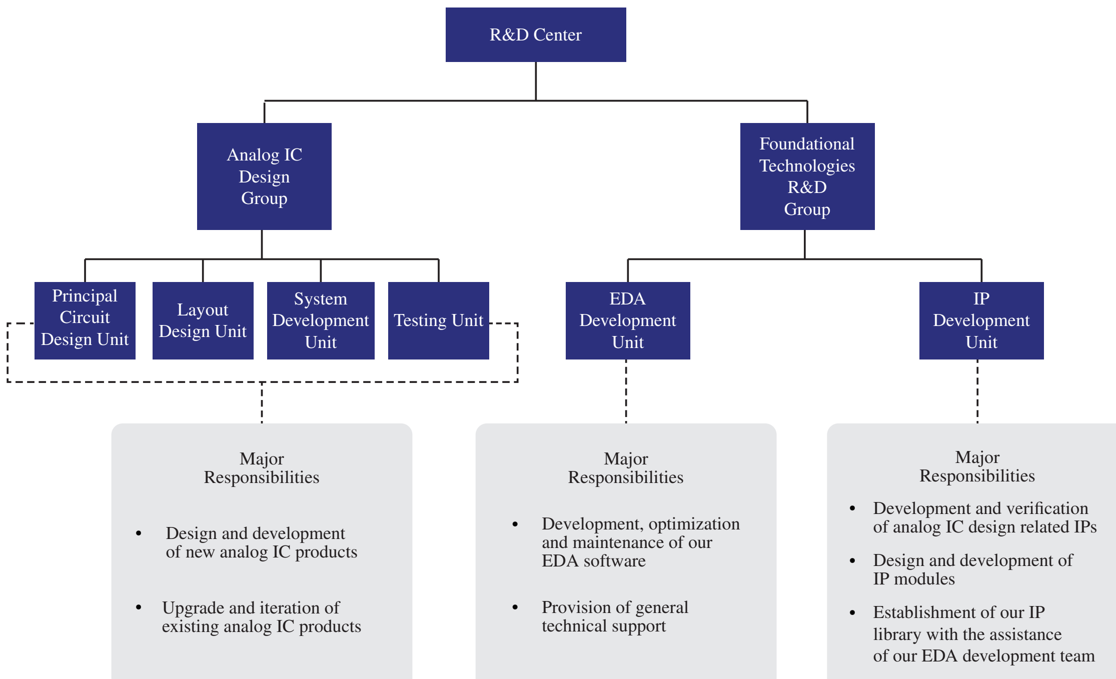
- *Design verification.* At this stage, we conduct several verification tests, covering functionality, stability and operability of the new product. The goal at this stage is to evaluate and confirm our initial design plan and to ensure the design satisfies the needs of downstream customers and conforms to our design initiatives.

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

Our R&D Team

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

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



We maintain and manage our analog IC design group following a "matrix" model. Horizontally, we maintain four functional units, each focusing on a particular R&D field. Vertically, we select a certain number of engineers from each of the functional units to form different project teams. Considering the broad range of our analog IC patterned wafer products, we generally maintain several product lines to carry out day-to-day design and R&D of different types of products. For each product line, 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.

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 December 31, 2022, we had 65 R&D members, of which 41 members 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 Pioneering Spirit and Extensive Experience."

PROCUREMENT

We operate on 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 on the fabless model focus on the design process, and outsource the IC manufacturing to foundries. The fabless model allows us to maximize our design resources and capabilities with limited and efficient capital commitment.

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

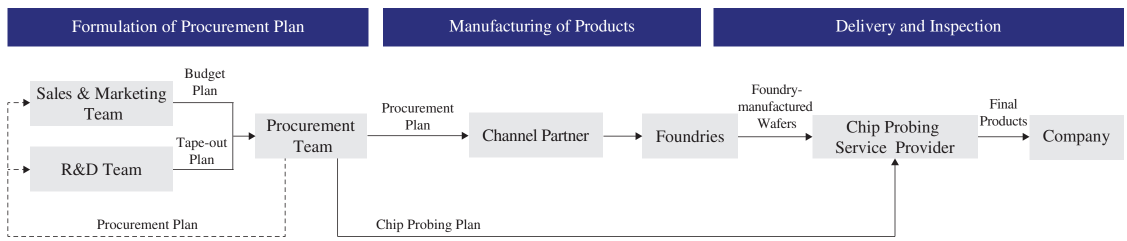
Our procurement process generally includes three phases, namely, formulation of procurement plan, manufacturing of products, and delivery and inspection.

- *Formulation of procurement plan*. In this stage, our sales and marketing team determines budget plans, and our R&D team forms tape-out plans, both of which are submitted to our procurement team for subsequent formulation of overall procurement plans. The procurement team then distributes the procurement plans to the sales and marketing team and R&D team for collaborative execution.

- *Manufacturing of products*. Following our procurement plans, we turn to our wafer channel partner for procurement of wafers which will be manufactured by third-party foundries. The wafers we procure have been built with our designed analog circuits.

- *Delivery and inspection*. We usually request the manufactured patterned wafers to be delivered to our escrow warehouse located at the chip probing service provider's plant, upon which we will arrange for subsequent inspection and chip probing on the delivered products.

The following flowchart illustrates our procurement process:



OUR SUPPLIERS

Our suppliers primarily include companies with business operations in R&D, manufacturing or sales of wafers and relevant components and devices, chip verification design, test development, application development and testing equipment development. During the Track Record Period, our purchases from our five largest suppliers accounted for 98.6%, 99.1% and 97.5% of our total purchases in 2020, 2021 and 2022, respectively, while our purchase from the largest supplier accounted for 87.9%, 89.4% and 75.7% of our total purchases, respectively, for the same years. 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 90% of the purchase amount.

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

For the year ended December 31, 2020

Ranking	Supplier	Nature of Purchase	Principal business	Listing status	Year of commencement of business relationship with us	Purchase amount *(RMB'000)*	Percentage of total purchase
1.	Supplier A	Wafers for sale	R&D, design and testing of electronic circuits and sales of electronic products	Private	2018	78,561	87.9%
2.	Supplier B	Chip probing services	Sales of semiconductor devices, IC R&D, and provision of technical services	Private	2018	7,912	8.9%
3.	Supplier C	Aluminum electrolytic capacitors	R&D, manufacture and sales of aluminum electrolytic capacitors	Private	2019	1,007	1.1%

Ranking	Supplier	Nature of Purchase	Principal business	Listing status	Year of commencement of business relationship with us	Purchase amount *(RMB'000)*	Percentage of total purchase
4.	Supplier D	Wafers for R&D purpose and masks	Provision of wafer foundry services	Listed on the Korea Stock Exchange	2019	364	0.4%
5.	Supplier E	Microcontroller units	Provision of sales agency services and supply chain management of computer components	Private	2019	224	0.3%
	Total					88,068	98.6%

For the year ended December 31, 2021

Ranking	Supplier	Nature of Purchase	Principal business	Listing status	Year of commencement of business relationship with us	Purchase amount *(RMB'000)*	Percentage of total purchase
1.	Supplier A	Wafers for sale	R&D, design and testing of electronic circuits and sales of electronic products	Private	2018	122,257	89.4%
2.	Supplier B	Chip probing services	Sales of semiconductor devices, IC R&D, and provision of technical services	Private	2018	10,701	7.8%
3.	Supplier F	Equipment	Sales of automobiles and automobile parts, and provision of related services	Private	2021	1,108	0.8%
4.	Supplier G	Wafers for R&D purpose and masks	R&D, design and manufacture of ICs	Private	2018	850	0.6%
5.	Supplier D	Wafers for R&D purpose and masks	Provision of wafer foundry services	Listed on the Korea Stock Exchange	2019	698	0.5%
	Total					135,614	99.1%

For the year ended December 31, 2022

Ranking	Supplier	Nature of Purchase	Principal business	Listing status	Year of commencement of business relationship with us	Purchase amount *(RMB'000)*	Percentage of total purchase
1.	Supplier A	Wafers for sale	R&D, design and testing of electronic circuits and sales of electronic products	Private	2018	214,836	75.7%
2.	Supplier H	Wafer manufacturing equipment for R&D purpose	Sales of IC technology services, materials and spare parts	Private	2021	40,972	14.4%
3.	Supplier B	Chip probing services	Sales of semiconductor devices, IC R&D, and provision of technical services	Private	2018	13,480	4.8%
4.	Supplier I	Wafer bonding equipment for R&D purpose	Sales of electronic products and accessories, communication equipment, hardware and machinery	Private	2022	4,032	1.4%
5.	Supplier G	Wafers for R&D purpose and masks	R&D, design and manufacture of ICs	Private	2018	3,472	1.2%
	Total					276,792	97.5%

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 were Independent Third Parties.

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.

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 as of the Latest Practicable Date.

Relationship with Supplier A

Overview

During the Track Record Period, we primarily procured foundry-manufactured wafers from Supplier A. In 2020, 2021 and 2022, our purchases from Supplier A were RMB78.6 million, RMB122.3 million and RMB214.8 million, respectively, representing 87.9%, 89.4% and 75.7%, respectively, of our total purchases for the same years. Supplier A has maintained long-term relationships with various foundries, achieving economy of scale. Leveraging Supplier A's foundry supplier base, we are able to secure stable foundries' manufacturing capacity with relatively competitive prices.

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.

As our procurement of foundry-manufactured wafers primarily derived from Supplier A during the Track Record Period, if our relationship with Supplier A is terminated, interrupted, or modified in any way adverse to us, there may be material interruptions to our operations and business. See "Risk Factors – Risks Relating to Our Business and Industry – We procured foundry-manufactured wafers from a commercial patterned wafer channel partner during the Track Record Period. Any decrease in purchase from, or loss of, our wafer channel partner would have negative impacts on our results of operations."

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, (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. According to Frost & Sullivan, there are other patterned wafer channel partners in the market with similar operational scales and foundry supplier bases as Supplier A. In the event that Supplier A no longer works with us, we believe we are able to find alternative patterned wafer channel partners in a timely and efficient manner.

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.

- *Duration*. Each of the framework agreements is effective for one year and will be automatically renewed for another one year upon two months' prior written notice before its expiration.

- *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.

- *Termination*. 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 December 31, 2022, our sales and marketing team consisted of nine 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, our distribution costs were RMB0.8 million, RMB1.8 million and RMB3.6 million, respectively, accounting for 0.9%, 0.8% and 1.0%, respectively, of our revenue for the corresponding periods.

Our Direct Sales

We directly acquire new direct customers primarily through (i) customer referrals, (ii) attending activities, exhibitions and conferences, and (iii) direct marketing efforts. During the Track Record Period, our sales generated from direct customers amounted to RMB4.3 million, RMB20.5 million and RMB69.8 million, respectively, accounting for 4.8%, 9.6% and 19.8%, respectively, of our revenue for the corresponding periods. The increasing revenue contribution from our direct customers during the Track Record Period demonstrated our efforts in direct sales and marketing.

Our Distribution Channels

During the Track Record Period, we primarily sold and marketed our patterned wafer products through third-party professional distributors. Our distributor partners are able to flexibly provide packaging services on our patterned wafers according to downstream customers' demand, or directly resell our products to their customers. For the years ended December 31, 2020, 2021 and 2022, our total sales to distributors amounted to RMB84.4 million, RMB192.2 million, and RMB282.7 million, respectively, accounting for 95.2%, 90.4% and 80.2%, respectively, of our revenue for the corresponding periods. We partnered with five distributors in 2020. In 2021, we terminated our relationship with three distributors due to commercial reasons. From 2021 and onwards, the number of our distributors remained unchanged as two, namely Arrow, a global leading distributor, and Customer A, a local patterned wafer 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." 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, it is in line with industry practice for analog IC design companies like us to collaborate with 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.

OUR CUSTOMERS

Our customers primarily include companies principally engaged in sales of electronic components, integrated appliances and modular circuits. During the Track Record Period, revenue contributed from our five largest customers accounted for 99.9%, 99.9% and 100.0% of our total revenue in 2020, 2021 and 2022, respectively, while the largest customer contributed 54.1%, 54.7% and 44.3% of our total revenue, respectively, for the same years. During the Track Record Period, we generally granted a credit term ranging from 30 to 90 days to our customers.

The following tables set out the details of our five largest customers in each year based on the revenue contributed from them during the Track Record Period:

For the year ended December 31, 2020

Ranking	Customer	Nature of revenue	Principal business	Listing status	Year of commencement of business relationship with us	Revenue	Percentage of total revenue
						(RMB'000)	
1.	Customer A	Patterned wafers	Technology development and sales of integrated appliances and modular circuits	Private	2020	47,995	54.1%
2.	Arrow	Patterned wafers	Sales of electronic components and provision of enterprise computing solutions	Listed on the New York Stock Exchange (parent company)	2018	26,245	29.6%
3.	Customer C*	Patterned wafers	Sales of ICs and communication equipment	Private	2018	9,897	11.1%
4.	Customer D	Patterned wafers	R&D, production, processing and sales of industrial equipment and electronic products	Private	2019	4,295	4.8%
5.	Customer E	Patterned wafers	Sales of ICs and other electronic products	Private	2019	283	0.3%
	Total					88,715	99.9%

* Customer C 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.

For the year ended December 31, 2021

Ranking	Customer	Nature of revenue	Principal business	Listing status	Year of commencement of business relationship with us	Revenue	Percentage of total revenue
						(RMB'000)	
1.	Customer A	Patterned wafers	Technology development and sales of integrated appliances and modular circuits	Private	2020	116,393	54.7%
2.	Arrow	Patterned wafers	Sales of electronic components and provision of enterprise computing solutions	Listed on the New York Stock Exchange (parent company)	2018	75,804	35.6%
3.	Customer D	Patterned wafers	R&D, production, processing and sales of industrial equipment and electronic products	Private	2019	15,515	7.3%
4.	Customer F	Patterned wafers	Sales of electronic components and provision of agent services	Private	2021	4,957	2.3%
5.	Customer G	Patterned wafers	R&D and sales of smart home appliances, industrial equipment and electronic components	Listed on the Shenzhen Stock Exchange (parent company)	2021	21	0.01%
	Total					212,690	99.9%

For the year ended December 31, 2022

Ranking	Customer	Nature of revenue	Principal business	Listing status	Year of commencement of business relationship with us	Revenue	Percentage of total revenue
						(RMB'000)	
1.	Arrow	Patterned wafers	Sales of electronic components and provision of enterprise computing solutions	Listed on the New York Stock Exchange (parent company)	2018	156,094	44.3%
2.	Customer A	Patterned wafers	Technology development and sales of integrated appliances and modular circuits	Private	2020	126,585	35.9%
3.	Customer F	Patterned wafers	Sales of electronic components and provision of agent services	Private	2021	39,849	11.3%
4.	Customer D	Patterned wafers	Research and development, production, processing and sales of industrial equipment and electronic products	Private	2019	29,982	8.5%
5.	–	–	–	–	–	–	–
	Total					352,510	100%

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 were Independent Third Parties.

During the Track Record Period, we did not have any material disputes with the aforementioned customers nor did we receive any material complaints from such customers.

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 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. See "– Sales, Marketing and Distribution of Our Products – Our Distribution Channels." In 2020, 2021 and 2022, 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 and RMB282.7 million, respectively, representing 83.7%, 90.4% and 80.2%, respectively, of our total revenue for each year, and 87.9%, 100.0% and 100.0%, respectively, of our total sales to distributors in the same years. 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 portion of our revenue was derived from our distributor partners, including Arrow and Customer A, a local patterned wafer distributor, 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,					
	2020		**2021**		**2022**	
	Sales Amount	**Contribution to Revenue**	**Sales Amount**	**Contribution to Revenue**	**Sales Amount**	**Contribution to Revenue**
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Total sales amount	**74.2**	**83.7**	**192.2**	**90.4**	**282.7**	**80.2**
– Arrow	26.2	29.6	75.8	35.6	156.1	44.3
– Customer A	48.0	54.1	116.4	54.7	126.6	35.9

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. 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 quite a few distributors in the market with similar operational scales and downstream customer bases as Arrow or Customer A. In the event that Arrow or Customer A no longer works with us, we believe we are able to develop new distributor partners as customers or strength cooperation with existing customers in a timely and efficient manner.

Key Terms of Agreements with Our Two Largest Customers

We have entered into framework distribution agreements with Arrow and Customer A. The key terms and conditions of our framework distribution agreements with Arrow and 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 our two largest customers.

- *Selling prices.* The prices of our products are set forth in our price list in effect as of the date of the agreements. In the event of a price increase, our two largest customers 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. Our two largest customers use their best efforts to promote the distribution of our products and provide timely delivery of products to their customers. They are 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 instructions. 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 our two largest customers.

- *Duration*. Our framework agreement with Arrow remains effective until either party intends to terminate. Our framework agreement with Customer A is effective for one year and will be automatically renewed for another one year upon two months' prior written notice before its expiration.

- *Goods return.* Our two largest customers may negotiate with us on return of defective products. We shall conduct investigation and will only agree with such return if the issue of the defective product originates from us.

- *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.

- *Termination*. 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 our service term, both parties shall negotiate amicably. If an agreement cannot be reached, the parties have the right to sue.

QUALITY MANAGEMENT

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

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

INVENTORY MANAGEMENT

Our inventories primarily consist of raw materials and finished goods. See "Financial Information – Discussion of Certain Items of Statements of Financial Position – Inventories." We have taken measures to optimize our inventory level. We standardize our inventory management through our digital warehousing system across our escrow warehouse at our chip probing service provider's plant located in Shanghai. Each of the inventories is given an unique identification code at the time of storage and we keep track of all inventories at all stages.

We conduct regular inventory check every six months, and conduct spot checks from time to time to ensure smooth operation within the warehouses. As a product cycle usually lasts for several months, we adjust our inventory plan in time according to our sales plan and inventory storage.

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 95 patents, 292 proprietary rights of IC layout design, 17 software copyrights and 72 trademarks in China. We had also filed applications for 17 patents, 20 IC layout proprietary rights and 33 trademarks in China and Hong Kong, and 16 patents under the Patent Cooperation Treaty (PCT) as of the same date. 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."

In this regard, we rely primarily on a combination of patents, trademarks, trade secrets, and unfair competition laws and contractual rights, such as confidentially 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.

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.

DATA PRIVACY AND INFORMATION SECURITY RISK MANAGEMENT

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

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

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

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

During the Track Record Period, we did not experience any breach of confidential information of users or any other user information related incidents which could cause a material adverse effect on our business, financial condition or results of operations.

COMPETITION

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

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

EMPLOYEES

As of December 31, 2022, we had 107 full-time employees, all of whom were based in China. The following table sets forth the number of our employees by function as of December 31, 2022:

Function	Number of employees
Senior management	2
R&D	65
Sales and marketing	9
Business operations and administration	31
Total	107

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

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

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

Social Insurance and Housing Provident Fund Contribution

During the Track Record Period and up to the Latest Practicable Date, we did not make full social insurance and housing provident fund contribution for our employees in accordance with relevant laws and regulations. For the years ended December 31, 2020, 2021 and 2022, the aggregate shortfall in such contribution amounted to approximately RMB0.4 million, RMB2.1 million and RMB2.2 million, respectively. 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 relevant local social insurance and housing provident fund bureaus 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. It is also confirmed that we had not had social insurance or housing provident fund contributions in arrears.

Our Directors are of the view that the abovementioned issues in relation to the contribution of social insurance and housing provident funds would not have a material adverse effect on our business, results of operations or financial condition, considering that: (i) we had not been imposed of any administrative penalties for not paying the social insurance premiums and housing provident funds in full, 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 and proper examinations and inspections conducted by our PRC Legal Advisors; (iii) as of the Latest Practicable Date, there were no pending disputes or controversies between the Company and its employees in connection with labor and employment matters including in respect of social insurance and housing provident fund contribution; and (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, the Company had not received any objections from any employees or authorities in relation to labor and employment, social insurance or housing provident funds.

Based on the above, our Directors are of the view that 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 funds contribution 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. In particular, 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 provide internal training for our Directors, members of senior management and employees on the relevant laws and regulations.

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 three properties in the PRC with an aggregate GFA of approximately 4,000 sq.m. from third parties. These properties were used primarily as premises of offices, 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 two of our leased properties in China. 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." for details. The lease agreements for our leased properties had not been registered as required, primarily due to the lack of cooperation from our lessors in registering the relevant lease agreements. We will take all practicable and reasonable steps to ensure that such leases are registered. To minimize the potential negative impact of the non-registered leases on our operations, we continue to communicate with such lessors to seek their cooperation to complete the registration process. As advised by our PRC Legal Advisors, the lack of registration of the lease agreements does not affect the validity of such 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. As of the Latest Practicable Date, we had not received any such request or suffered any such fine from the relevant government authorities. Our Directors are of the view that the failure to complete the filing of such lease agreements does not have any material or adverse effect on our business operations or financial conditions. We undertake to cooperate fully to facilitate the registration of lease agreements once we receive any requirements from relevant government authorities.

INSURANCE

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

AWARDS AND RECOGNITIONS

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

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

LICENSES, PERMITS AND APPROVALS

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We believe our continued growth rests on integrating social values into our business and are committed to being a responsible corporate citizen. We are committed to promoting corporate social responsibility and sustainable development and integrating it into all major aspects of our business operations. 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"). 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 diversity and public interests.

Governance regarding Environmental, Social and Climate-related Risks

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.

Furthermore, our Directors closely follow and monitor the latest requirements regarding ESG disclosure and regulatory compliance. For instance, 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 environmental, social and climate-related 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. Our Directors will review the results from the assessment and conclude on the issues that we shall focus on.

Metrics and Targets on Environmental, Social and Climate-related Risks

Major parameters and measurable metrics we use to assess and manage our environmental, social and climate-related 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.

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, as advised by our PRC Legal Advisors and, up to the Latest Practicable Date, to the best knowledge of our Directors, we had not been subject to any fines or other penalties due to non-compliance with environmental regulations.

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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.

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.

BOARD OF DIRECTORS

Upon completion of the [**REDACTED**], our Board will consist of nine Directors comprising three executive Directors, two non-executive Directors and four independent non-executive Directors. The powers and duties of the Board include determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposal for profit distributions and exercising other powers, functions and duties as conferred by the Articles. We [have entered] into a service agreement with each of our executive Directors and a letter of appointment with each of our non-executive Directors and independent non-executive Directors.

Members of the Board

The table below shows certain information in respect of the members of our Board:

Name	Age	Time of joining our Company	Position(s) in our Company	Date of appointment as Director	Key responsibilities	Relationship with other Director(s) and Senior Management
Executive Directors						
Mr. Li Zhen (李真)	[37]	November 12, 2010	Executive Director and chairman of the Board	November 12, 2010	Strategic planning and business management of our Company	Cousin of Mr. Li Yi
Mr. Zhang Guangping (張廣平)	[38]	November 12, 2010	Executive Director and general manager	December 15, 2015	Overall operation and management of our Company	N/A
Mr. Li Yi (李一)	[44]	November 12, 2010	Executive Director, deputy general manager, head of the financial department and joint company secretary	December 15, 2015	Daily operations, financial management and company secretarial matters of our Company	Cousin of Mr. Li Zhen

Name	Age	Time of joining our Company	Position(s) in our Company	Date of appointment as Director	Key responsibilities	Relationship with other Director(s) and Senior Management
Non-executive Directors						
Mr. Kong Jianhua (孔建華)	[39]	December 15, 2015	Non-executive Director	December 15, 2015	Provision of guidance for the overall development of our Company	N/A
Mr. Zhou Yufeng (周雨楓)	[34]	November 12, 2021	Non-executive Director	November 12, 2021	Provision of guidance for the overall development of our Company	N/A
Independent non-executive Directors						
Mr. Zhao Heming (趙鶴鳴)	[65]	November 12, 2021	Independent non-executive Director	November 12, 2021	Provision of independent advice to the Board	N/A
Mr. Wen Chengge (溫承革)	[54]	November 12, 2021	Independent non-executive Director	November 12, 2021	Provision of independent advice to the Board	N/A
Mr. Ma Ming (馬明)	[45]	November 12, 2021	Independent non-executive Director	November 12, 2021	Provision of independent advice to the Board	N/A
Ms. Kang Yuanshu (康元書)	[37]	[●]	Independent non-executive Director	[●]	Provision of independent advice to the Board	N/A

Executive Directors

Mr. Li Zhen (李真), aged [37], is our co-founder. He was appointed as our executive Director on November 12, 2010. He was appointed as the chairman of the Board on December 15, 2015. Mr. Li Zhen served as the head of our R&D department from November 2010 to January 2023. Mr. Li Zhen is primarily responsible for the strategic planning and business management of our Company.

Mr. Li Zhen possesses over 12 years of experience in the IC design industry. After obtaining his master's degree in the United States, Mr. Li Zhen returned to China in 2010 to start his own business, exploring and leading the continuous innovation of efficient analog IC design and patterned wafer delivery business model. Led by Mr. Li Zhen, our management team on average possesses over eight years of experience in enterprise management, product development and marketing.

Mr. Li Zhen studied in the Basic Science Class of Tsinghua University (清華大學) in the PRC in 2004, majoring in mathematics and physics of the department of physics. He was later admitted as a regular student for fall term 2005-2006 from Tsinghua University to Massachusetts Institute of Technology in the United States in September 7, 2005, and obtained his bachelor's degree in electronic science and engineering in June 2009 and his master's degree in electrical engineering and computer science in February 2010. Mr. Li Zhen was recognized as Leading Talent in Science and Technology Innovation and Entrepreneurship of Suzhou New District (Class A) (蘇州高新區科技創新創業領軍人才(A類)) by the CPC Working Committee of Suzhou New District (中共蘇州高新區工作委員會) in September 2010 and Leading Talent in Innovation and Entrepreneurship of Gusu District (姑蘇創新創業領軍人才) by Suzhou Municipal People's Government (蘇州市人民政府) in July 2012.

Mr. Li Zhen was previously the supervisor of the following company which was established in the PRC and was dissolved on a voluntary basis:

Name of company	Nature of business	Date of dissolution	Method of dissolution	Reasons for dissolution
Huizhou Backward Microelectronics Co., Ltd. (惠州貝克瓦特微電子有限公司)	Dormant	September 23, 2020	Deregistered	Never commenced business

Mr. Li Zhen confirmed that the aforementioned company was solvent prior to its dissolution and that, as of the Latest Practicable Date, no claims had been made against him and he was not aware of any threatened or potential claims made against him and there were no outstanding claims and/or liabilities as a result of the dissolution of such company.

Mr. Zhang Guangping (張廣平), aged [38], is our co-founder. He was our Supervisor from November 2010 to September 2013. He served as our sales director from November 2010 to January 2021. Mr. Zhang Guangping was appointed as our Director on December 15, 2015 and our general manager on January 15, 2021. He was re-designated as our executive Director on April 27, 2023. Mr. Zhang Guangping is primarily responsible for the overall operation and management of our Company.

Mr. Zhang Guangping obtained his bachelor's degree in mathematics and physics from Tsinghua University (清華大學) in the PRC in July 2008.

Mr. Zhang Guangping was previously the executive director and general manager of the following company which was established in the PRC and was dissolved on a voluntary basis:

Name of company	Nature of business	Date of dissolution	Method of dissolution	Reasons for dissolution
Huizhou Backward Microelectronics Co., Ltd. (惠州貝克瓦特微電子有限公司)	Dormant	September 23, 2020	Deregistered	Never commenced business

Mr. Zhang Guangping confirmed that the aforementioned company was solvent prior to its dissolution and that, as of the Latest Practicable Date, no claims had been made against him and he was not aware of any threatened or potential claims made against him and there were no outstanding claims and/or liabilities as a result of the dissolution of such company.

Mr. Li Yi (李一), aged [44], is our co-founder. He served as our general manager from November 2010 to January 2021. He has been serving as our Director since December 15, 2015, the deputy general manager and the head of our financial department since January 15, 2021, the secretary of the Board since November 12, 2021. He was re-designated as our executive Director on April 27, 2023. Mr. Li Yi was appointed as a joint company secretary on June 1, 2023. Mr. Li Yi is primarily responsible for the daily operations, financial management and company secretarial matters of our Company and assisting the operation of the Board.

From August 2002 to July 2003, Mr. Li Yi worked at Jiangsu Vocational College of Business (江蘇商貿職業學院) (formerly known as Jiangsu Nantong Vocational Supply and Marketing School (江蘇省南通供銷學校)), where he was primarily responsible for education and teaching. From March 2004 to September 2008, he worked at Jiangsu Suzhou Steel Group Co., Ltd. (江蘇蘇鋼集團有限公司), an industrial company, where he was primarily responsible for accounting affairs.

Mr. Li Yi obtained his bachelor's degree in accounting from Shanxi University of Finance and Economics (山西財經大學) in the PRC in July 2002.

Mr. Li Yi was previously the legal representative and executive director of the following company which was established in the PRC and was dissolved on a voluntary basis:

Name of company	Nature of business	Date of dissolution	Method of dissolution	Reasons for dissolution
Nanjing Micromodule Integrated Circuit Co., Ltd. (南京微模族集成電路有限公司)	Dormant	June 25, 2018	Deregistered	Cessation of business

Mr. Li Yi confirmed that the aforementioned company was solvent prior to its dissolution and that, as of the Latest Practicable Date, no claims had been made against him and he was not aware of any threatened or potential claims made against him and there were no outstanding claims and/or liabilities as a result of the dissolution of such company.

Non-executive Directors

Mr. Kong Jianhua (孔建華) ("**Mr. Kong**"), aged [39], was appointed as our Director on December 15, 2015 and redesignated as our non-executive Director on April 27, 2023. Mr. Kong is primarily responsible for the provision of guidance for the overall development of our Company.

Since December 2017, he has served as the director and general manager at Suzhou High-tech Venture Capital Group Rongxiang Investment Management Co., Ltd. (蘇州高新創業投資集團融享投資管理有限公司), a venture capital company, where he is primarily responsible for the overall management. Mr. Kong also holds directorship in several technology, manufacture and other companies concurrently, including Shanghai Yingshuang Electric Machinery Co., Ltd. (上海贏雙電機科技股份有限公司), Suzhou Zhizhu Telecommunication Technology Co., Ltd. (蘇州智鑄通信科技股份有限公司) and Jiangsu Tiangong Information Technology Co., Ltd. (江蘇天弓信息技術有限公司), etc., where he is primarily responsible for the overall management of the aforementioned companies.

Mr. Kong obtained his bachelor's degree in English from China University of Mining and Technology (中國礦業大學) in the PRC in July 2005 and his master's degree in laws from Peking University (北京大學) in the PRC in July 2008.

Mr. Kong was previously the director of the following company which was established in the PRC and was dissolved on a voluntary basis:

Name of company	Nature of business	Date of dissolution	Method of dissolution	Reasons for dissolution
Changzhou Be-star Machinery Co., Ltd. (常州貝斯塔德機械股份有限公司)	Dormant	July 16, 2021	Deregistered	Cessation of business

Mr. Kong confirmed that the aforementioned company was solvent prior to its dissolution and that, as of the Latest Practicable Date, no claims had been made against him and he was not aware of any threatened or potential claims made against him and there were no outstanding claims and/or liabilities as a result of the dissolution of such company.

Mr. Zhou Yufeng (周雨楓), aged [34], was appointed as our Director on November 12, 2021 and redesignated as our non-executive Director on April 27, 2023. Mr. Zhou Yufeng is primarily responsible for the provision of guidance for the overall development of our Company.

From February 2017 to December 2021, he served as the executive director of Shanghai Newbuild Information Technology Co., Ltd. (上海紐建信息科技有限公司), an information technology company, where he was primarily responsible for the overall management. From March 2019 to December 2019, he worked at Shanghai Junyuan Enterprise Development Co., Ltd. (上海君遠企業發展有限公司), a company principally engaged in enterprise management and business information consulting, where he served as the supervisor mainly responsible for supervising the operation. He has been serving as the vice president at Runke Investment Management (Shanghai) Co., Ltd. (潤科投資管理(上海)有限公司), a company principally engaged in investment management and consulting. Since February 2022, he has been serving as the director of Xianhai (Shanghai) Quantum Technology Co., Ltd. (弦海(上海)量子科技有限公司), a technology company, where he is primarily responsible for the overall management.

Mr. Zhou Yufeng obtained his bachelor's degree in engineering from City University of Hong Kong in July 2011 in Hong Kong. He obtained his master's degree in science from University of Oxford in the United Kingdom in November 2014.

Mr. Zhou Yufeng was previously the executive director of Shanghai Tongwu Cloud Computing Co., Ltd. (上海仝物雲計算有限公司) and the manager of Gewu (Shanghai) Information Technology Co., Ltd. (格霧(上海)信息科技有限公司), which were both established in the PRC and dissolved on a voluntary basis. Details of these companies are as follows:

Name of company	Nature of business	Date of dissolution	Method of dissolution	Reasons for dissolution
Shanghai Tongwu Cloud Computing Co., Ltd.	Dormant	March 31, 2021	Deregistered	Cessation of business
Gewu (Shanghai) Information Technology Co., Ltd.	Dormant	May 6, 2021	Deregistered	Cessation of business

Mr. Zhou Yufeng confirmed that the aforementioned companies were solvent prior to their dissolution and that, as of the Latest Practicable Date, no claims had been made against him and he was not aware of any threatened or potential claims made against him and there were no outstanding claims and/or liabilities as a result of the dissolution of such companies.

Independent Non-executive Directors

Mr. Zhao Heming (趙鶴鳴) ("**Mr. Zhao**"), aged [65], was appointed as our independent Director on November 12, 2021 and re-designated as our independent non-executive Director on April 27, 2023. Mr. Zhao is primarily responsible for the provision of independent advice to the Board.

Mr. Zhao joined Soochow University (蘇州大學) in 1993 and served as the assistant professor from 1993 to 1999. He was then appointed as the professor in 1999 and the doctoral supervisor in 2002, and currently serves as the professor, the doctoral supervisor and the dean of the department of information engineering. He has been engaged in teaching and scientific research in the field of speech signal processing, intelligent computing, and digital signal processing systems. Mr. Zhao served as a member of the Jiangsu Provincial People's Political Consultative Conference (江蘇省人民政治協商會議) from February 2003 to January 2018. Mr. Zhao is currently a member of the National Signal Processing Society (全國信號處理學會), a standing director of Jiangsu Electronic Society (江蘇省電子學會), and the president of Suzhou Electronic Society (蘇州市電子學會). In addition, he is also an editorial board member of the "Acta Acustica" (《聲學學報》), the "Journal of Electronics & Information Technology" (《電子與信息學報》) and the "Journal of Signal Processing" (《信號處理學報》).

In addition to the working experience above, Mr. Zhao has been an independent director in the following listed companies, where he was responsible for providing independence advice to the board of directors:

Period of directorship	Name of entity	Principal business activities
From March 2007 to May 2013	New SEA UNION Technology Group Co., Ltd. (新海宜科技集團股份有限公司)	A technology company listed on the Shenzhen Stock Exchange (stock code: 002089)
From December 2011 to November 2017	Suzhou TFC Optical Communication Co., Ltd. (蘇州天孚光通信股份有限公司)	A technology company listed on the Shenzhen Stock Exchange (stock code: 300394)
From September 2014 to June 2019 and since June 2022	Suzhou Anjie Technology Co., Ltd. (蘇州安潔科技股份有限公司)	A technology company listed on the Shenzhen Stock Exchange (stock code: 002635)

Mr. Zhao obtained his bachelor's degree in physics from Soochow University (蘇州大學) (formerly known as Jiangsu Normal College (江蘇師範學院)) in the PRC in January 1982. He has obtained the independent director qualification certificate from Shenzhen Stock Exchange (深圳證券交易所) in April 2008.

Mr. Wen Chengge (溫承革) ("**Mr. Wen**"), aged [54], was appointed as our independent Director on November 12, 2021 and re-designated as our independent non-executive Director on April 27, 2023. Mr. Wen is primarily responsible for the provision of independent advice to the Board.

Mr. Wen has been serving as the associate professor of the School of Business in Suzhou University of Science and Technology (蘇州科技大學) since June 2000, where he is primarily responsible for scientific research and teaching.

Mr. Wen obtained his bachelor's degree in electromechanical foreign trade from Chongqing University (重慶大學) in the PRC in July 1990. He obtained a master's degree in business administration in July 1999 and a doctor's degree in enterprise management in June 2007 from Renmin University of China (中國人民大學) in the PRC.

Mr. Wen was previously the supervisor of the following company which was established in the PRC and was dissolved on a voluntary basis:

Name of company	Nature of business	Date of dissolution	Method of dissolution	Reasons for dissolution
Suzhou Anjia Enterprise Management Consulting Co., Ltd. (蘇州安嘉企業管理諮詢有限公司)	Dormant	February 17, 2013	Deregistered	Cessation of business

Mr. Wen confirmed that the aforementioned company was solvent prior to its dissolution and that, as of the Latest Practicable Date, no claims had been made against him and he was not aware of any threatened or potential claims made against him and there were no outstanding claims and/or liabilities as a result of the dissolution of such company.

Mr. Ma Ming (馬明) ("**Mr. Ma**"), aged [45], was appointed as our independent Director on November 12, 2021 and re-designated as our independent non-executive Director on April 27, 2023. Mr. Ma is primarily responsible for the provision of independent advice to the Board.

Mr. Ma joined Ningxia Tianhua Accounting Firm (Co., Ltd.) (寧夏天華會計師事務所(有限公司)) ("**Ningxia Tianhua**") in October 2003, where he served as the director and deputy chief accountant from May 2018 to April 2022. Ningxia Tianhua was transferred into a partnership enterprise and renamed as Tianhua (Ningxia) Accounting Firm (Special General Partnership) (天華(寧夏)會計師事務所(特殊普通合伙)) in May 2022 and Mr. Ma has been serving as the managing partner and deputy chief accountant since then. Apart from the aforementioned working experience, he also has been the director of Ningxia Zhengyetong Management Consulting Co., Ltd. (寧夏正業通管理諮詢有限公司), a management consulting company, since May 2018 and Ningxia Construction Investment Group Co., Ltd. (寧夏建設投資集團有限公司), a company principally engaged in housing construction, project contracting of municipal infrastructure and investment management, from March 2017 to November 2019, where he was primarily responsible for the provision of guidance for the overall business development.

Mr. Ma obtained his bachelor's degree in accounting from Shanxi University of Finance and Economics (山西財經大學) in the PRC in June 2002. Mr. Ma has obtained the certified public accountant certificate (註冊會計師證書) issued by the MOF in October 2004 and the legal professional qualification certificate (法律職業資格證書) issued by the Ministry of Justice of the PRC (中華人民共和國司法部) in March 2012.

Ms. Kang Yuanshu (康元書) ("Ms. Kang"), aged [37], was appointed as our independent non-executive Director on [●]. Ms. Kang is primarily responsible for the provision of independent advice to the Board.

Ms. Kang joined Q8 Aviation in 2008. Q8 Aviation is one of the world's leading jet fuel marketers, providing fuel to airlines at airports across Europe, Africa, the Middle East and the Far East. She consecutively served as the new business analyst from October 2008 to February 2011, the aviation business co-ordinator from March 2011 to May 2014, the assistant account manager from June 2014 to December 2014, the account manager from January 2015 to February 2022 and the senior account manager since March 2022, where she is primarily responsible for directing marketing and sales affairs in throughout Asia and Australasia areas.

Ms. Kang obtained her bachelor's degree in arts from the University of Sheffield in the United Kingdom in June 2007. She obtained her master's degree in science from the City University of London in the United Kingdom in February 2009.

Ms. Kang was previously the director of the following company which was established in Hong Kong and was dissolved on a voluntary basis:

Name of company	Nature of business	Date of dissolution	Method of dissolution	Reasons for dissolution
Sky Alliance Trading (HK) Limited (天聯貿易(香港)有限公司)	Dormant	April 3, 2020	Deregistered	Never commenced business

Ms. Kang confirmed that the aforementioned company was solvent prior to its dissolution and that, as of the Latest Practicable Date, no claims had been made against her and she was not aware of any threatened or potential claims made against her and there were no outstanding claims and/or liabilities as a result of the dissolution of such company.

SUPERVISORS

In accordance with the PRC Company Law, all joint stock companies are required to establish a supervisory committee, responsible for supervising the directors and senior management on fulfilling their respective duties, financial performance, internal control management and risk management of the corporation. The Supervisory Committee consists of three members comprising one employee representative Supervisor, and two shareholder representative Supervisors.

The detailed information of our Supervisors is listed below.

Name	Age	Time of joining our Company	Existing position in our Company	Date of appointment as Supervisor	Responsibilities
Mr. Zhou Taotao (周韜韜)	[28]	June 30, 2017	President of the Supervisory Committee and shareholder representative Supervisor	June 30, 2017	Presiding the work of the Supervisory Committee, supervising the Board and the senior management of our Company
Mr. Chen Xingyu (陳星宇)	[28]	November 17, 2020	Shareholder representative Supervisor	November 17, 2020	Supervising the Board and the senior management of our Company
Mr. Zhou Cheng (周承)	[33]	July 1, 2012	Employee representative Supervisor	May 16, 2021	Supervising the Board and the senior management of our Company

Mr. Zhou Taotao (周韜韜), aged [28], was appointed as the president of our Supervisory Committee and the Supervisor on November 12, 2021. Mr. Zhou Taotao is primarily responsible for presiding the work of the Supervisory Committee, supervising the Board and the senior management of our Company. He joined our Company in June 2017 and has been serving as a business assistant, where he is primarily responsible for assisting the business activities of our Company since then.

Mr. Zhou Taotao graduated from Tianping College of Suzhou University of Science and Technology (蘇州科技大學天平學院) in the PRC in June 2017, majoring in environmental engineering.

Mr. Chen Xingyu (陳星宇) ("**Mr. Chen**"), aged [28], was appointed as a Supervisor on November 17, 2020. Mr. Chen is primarily responsible for presiding the work of the Supervisory Committee, supervising the Board and the senior management of our Company.

Mr. Chen has been serving as the manager of the investment business department at Suzhou High-tech Venture Capital Group Small and Medium sized Enterprise Development Management Co., Ltd. (蘇州高新創業投資集團中小企業發展管理有限公司) since August 2017, where he is primarily responsible for daily management of the investment projects.

Mr. Chen also holds directorship concurrently in several technology companies including Suzhou Longyou Shanhai Network Technology Co., Ltd. (蘇州龍遊山海網絡科技有限公司) and Lanscientific Co., Ltd. (蘇州浪聲科學儀器有限公司), where he is primarily responsible for overall management. Mr. Chen has also been serving as the supervisor in several technology companies concurrently including Zhongke Wanxun Intelligent Technology (Suzhou) Co., Ltd. (中科萬勛智能科技(蘇州)有限公司) and Suzhou Hi Tech Investment Center Co., Ltd. (蘇州高新科技招商中心有限公司), where he is primarily responsible for supervising the operation of the relevant companies.

Mr. Chen obtained his bachelor's degree in engineering management from Tianping College of Suzhou University of Science and Technology (蘇州科技大學天平學院) in the PRC in June 2017.

Mr. Zhou Cheng (周承), aged [33], was appointed as the employee representative Supervisor on May 16, 2021. Mr. Zhou Cheng is primarily responsible for supervising the Board and the senior management of our Company. Mr. Zhou Cheng joined our Company in July 2012 and has been serving as the EDA engineer and system engineer since then, where he is primarily responsible for research and development work.

Mr. Zhou Cheng obtained his bachelor's degree in electronic information science and technology from Suzhou University of Science and Technology (蘇州科技大學) in the PRC in June 2012.

Save as disclosed above, each of our Directors and Supervisors has confirmed that there is no other information in relation to his/her appointment which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and that there are no other matters need to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

Mr. Zhang Guangping (張廣平), aged [38], is the general manager of our Company. For the biographical details of Mr. Zhang Guangping, please refer to "– Board of Directors – Executive Directors" in this section.

Mr. Li Yi (李一), aged [44], is the deputy general manager, secretary of the Board and head of the financial department of our Company. For the biographical details of Mr. Li Yi, please refer to "– Board of Directors – Executive Directors" in this section.

Save as disclosed above, none of our Directors, Supervisors or senior management has any directorships in listed companies during the three years immediately prior to the date of this document.

JOINT COMPANY SECRETARY

Mr. Li Yi (李一), aged [44], was appointed as our joint company secretary on June 1, 2023. For details of Mr. Li Yi, please refer to "– Board of Directors – Executive Directors" in this section.

Mr. Cheung Kai Cheong Willie (張啟昌) ("Mr. Cheung"), aged [48], was appointed as our joint company secretary on June 1, 2023, with his appointment taking effect on the date of [**REDACTED**]. Mr. Cheung is a senior manager of SWCS Corporate Services Group (Hong Kong) Limited ("**SWCS**") where he is primarily responsible for assisting listed companies in professional company secretarial work.

Mr. Cheung has been serving as the company secretary of various companies listed on the Stock Exchange since joining SWCS including, among others, CALB Group Co., Ltd. (stock code: 3931), Excellence Commercial Property & Facilities Management Group Limited (stock code: 6989) and Shinsun Holdings (Group) Co., Ltd. (stock code: 2599). Prior to joining SWCS, he served as the company secretary and finance manager of Silkwave Inc (formerly known as Global Flex Holdings Limited and CMMB Vision Holdings Limited), a company listed on the Stock Exchange (stock code: 471) from August 2008 to June 2014. Mr. Cheung is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom.

Mr. Cheung obtained a Bachelor Degree of Arts (Honors) in Accounting and Finance from University of Glamorgan in the United Kingdom in June 1996.

BOARD COMMITTEES

The Board has established the Audit Committee, the Nomination Committee, the Remuneration and Evaluation Committee and the Strategy Committee and delegated various responsibilities to these committees, which assist the Board in discharging its duties and overseeing particular aspects of our Company's activities.

Audit Committee

Our Audit Committee was established on April 26, 2022. The written terms of reference of our Audit Committee are in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of Part 2 of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee include, but are not limited to, (i) reviewing and supervising our financial reporting process and internal control system of our Company, risk management and internal audit; (ii) making recommendations to the Board on the appointment, reappointment and removal of the external auditor; (iii) providing advice and comments to our Board; and (iv) performing other duties and responsibilities as may be assigned by our Board.

The Audit Committee consists of three members, namely Mr. Ma Ming, Mr. Zhao Heming and Mr. Wen Chengge. The chairman of the Audit Committee is Mr. Ma Ming, who is an independent non-executive Director of our Company and has the appropriate professional qualifications or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

Nomination Committee

We have established a Nomination Committee on April 26, 2022 with written terms of reference in compliance with paragraph B.3 of the CG Code as set out in Appendix 14 of the Listing Rules. The primary duties of the Nomination Committee include, but are not limited to (i) reviewing the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes to the composition of the Board; (ii) identifying, selecting or making recommendations to the Board on the selection of individuals nominated for directorship, and ensure the diversity of the Board members; (iii) assessing the independence of our independent non-executive Directors; and (iv) making recommendations to the Board on relevant matters relating to the appointment, reappointment and removal of our Directors and succession planning for our Directors.

The Nomination Committee consists of three members, namely Mr. Zhao Heming, Mr. Wen Chengge and Mr. Li Yi. The chairman of the Nomination Committee is Mr. Zhao Heming.

Remuneration and Evaluation Committee

We have established a Remuneration and Evaluation Committee on April 26, 2022 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of the CG Code as set out in Appendix 14 of the Listing Rules. The primary duties of the Remuneration and Evaluation Committee include, but are not limited to (i) establishing, reviewing and providing advices to the Board on our policy and structure concerning remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration; (ii) determining the terms of the specific remuneration package of each executive Director and senior management; and (iii) reviewing and approve performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time-to-time.

The Remuneration and Evaluation Committee consists of three members, namely Mr. Wen Chengge, Mr. Ma Ming and Mr. Zhang Guangping. The chairman of the Remuneration and Evaluation Committee is Mr. Wen Chengge.

Strategy Committee

We have established a Strategy Committee on April 26, 2022 with written terms of reference. The primary duties of the Strategy Committee include, but are not limited to (i) reviewing and commenting on the overall development and strategy planning of our Company and advising the Board on related matters; (ii) reviewing and commenting on the operational, investment, financing plans and advising the Board on related matters; and (iii) supervising the implementation of the plans and the corporate government matters and advising the Board.

The Strategy Committee consists of three members, namely Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi. The chairman of the Strategy Committee is Mr. Li Zhen.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in supporting the attainment of our Company's strategic objectives and sustainable development. Our Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to talents, skills, gender, age, ethnicity, experience, independence and knowledge. We will select potential Board candidates based on merit and his/her potential contribution to our Board while taking into account our board diversity policy and other factors. We will also take into consideration our own business model and specific needs from time to time. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on our Board.

Our Directors have a balanced mix of knowledge and skills, including electronic science, mathematics, physics, engineering, business management, strategic planning, accounting and financial management, investment, law and corporate governance, etc. They obtained degrees in various majors including electronic science and engineering, computer science, mathematics and physics, accounting, business administration and law, etc. We have four independent non-executive Directors with different industry backgrounds, representing more than one third of the members of the Board. our Directors are of a wide range of age, from [34] years old to [65] years old. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of the Board satisfies the Board diversity policy.

We will continue to implement measures and steps to promote and enhance gender diversity at all levels of our Company. We will select potential Board candidates based on merit and his/her potential contribution to the Board while taking into account the Board diversity policy and other factors. Our Company will also take into consideration our own business model and specific needs from time to time. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.

Our Nomination Committee is responsible for ensuring the diversity of our Board members. After [**REDACTED**], our Nomination Committee will review the board diversity policy and its implementation from time to time to ensure its implementation and monitor its continued effectiveness, and the same will be disclosed in our corporate governance report in accordance with the Listing Rules after [**REDACTED**]. Our Directors recognize the particular importance of gender diversity. Our Board currently comprises one female Director and nine male Directors. We will continue to take steps to promote and enhance gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors and Supervisors receive compensation from our Company in the form of salaries, allowances, benefits in kind, discretionary bonuses and retirement scheme contributions.

The remuneration (including Directors' fees, salaries, allowances, benefits in kind, discretionary bonuses and retirement scheme contributions) recorded for our Directors and Supervisors in aggregate for the three years ended December 31, 2022 were RMB0.95 million, RMB2.85 million and RMB4.03 million, respectively.

The remuneration (including salaries, allowances, benefits in kind, discretionary bonuses and retirement scheme contributions) recorded for our Company's five highest paid individuals included three, three and two Directors and Supervisors for the three years ended December 31, 2022, respectively. The remuneration recorded for our Company's five highest paid individuals (who are not a director or supervisor) for the three years ended December 31, 2022 were RMB2.25 million, RMB2.06 million and RMB4.65 million, respectively.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining our Company as a compensation for loss of office in respect of the year ended December 31, 2020, 2021 and 2022.

None of our Directors and Supervisors had waived or agreed to waive any remuneration during the Track Record Period. Under the current arrangements, the aggregate remuneration (including salaries, allowances, benefits in kind, performance related bonuses and contributions to a pension scheme) of our Directors and Supervisors for the year ending December 31, 2023 is estimated to be no more than approximately RMB5.38 million in aggregate.

The Board will review and determine the remuneration and compensation packages of our Directors, Supervisors and senior management and will, following the [**REDACTED**], receive recommendation from our Remuneration and Evaluation Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and Supervisors and performance of our Company.

Save as disclosed above, no other payments had been made, or are payable, by any member of our Company to our Directors and Supervisors during the Track Record Period. For additional information on our Directors and Supervisors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to notes 8 and 9 in the Accountants' Report set out in Appendix I to this document.

COMPLIANCE ADVISOR

Our Company has appointed Somerley Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. The material terms of the compliance advisor's agreement entered into between our Company and the compliance advisor are as follows:

(a) the compliance advisor shall provide our Company with services including guidance and advice as to compliance with the requirement of the Listing Rules and other applicable laws, rules, codes and guidelines, and accompany our Company to any meetings with the Stock Exchange;

(b) our Company may terminate the appointment of the compliance advisor by giving a no less than 30 days' prior written notice to the compliance advisor. Our Company will exercise such right in compliance with Rule 3A.26 of the Listing Rules. The compliance advisor will have the right to terminate its appointment as compliance advisor under certain specific circumstances and upon notification of the reason of its resignation to the Stock Exchange; and

(c) during the period of appointment, our Company must consult with, and if necessary, seek advice from the compliance advisor on a timely basis in the following circumstances:

i. before the publication of any regulatory announcement, circular or financial report;

ii. where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

iii. where we propose to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this document or where our business activities, developments or results materially deviate from any forecast, estimate, or other information in this document; and

iv. where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or [**REDACTED**] of our Shares.

The term of the appointment shall commence on the [**REDACTED**] and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the [**REDACTED**].

CORPORATE GOVERNANCE CODE

Our Company recognizes the importance of incorporating elements of good corporate governance in our management structure and internal control procedures so as to achieve effective accountability. We have adopted the code provisions stated in the Corporate Governance Code. We are committed to the view that the Board should include a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors so that there is a strong independent element on the Board that can effectively exercise independent judgment.

Our Company strive to achieve the high standards of corporate governance and will comply with the Corporate Governance Code in Appendix 14 to the Listing Rules. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year.

OVERVIEW

Our Company was established in the PRC as a limited liability company on November 12, 2010, and converted into a joint stock company with limited liability on November 15, 2021. As of the Latest Practicable Date and immediately following the [**REDACTED**] (without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**]), Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi, by virtue of the Concert Party Agreement entered into among them and together with Backward Electronic and Backward Partnership, will hold in aggregate approximately [**REDACTED**]% and [**REDACTED**]%, respectively, of our Company's total share capital. See the section headed "History, Development and Corporate Structure" in this document for details of the concert party arrangement. Accordingly, Mr. Li Zhen, Mr. Zhang Guangping, Mr. Li Yi, Backward Electronic and Backward Partnership constitute a group of our Single Largest Group of Shareholders under the Listing Rules.

Each of Backward Electronic and Backward Partnership is an investment holding entity with no business activity. Details of their respective shareholding structure immediately before and after the [**REDACTED**] are set forth in the sections headed "History, Development and Corporate Structure" in this document. Mr. Li Zhen is our executive Director and chairman of the Board. Mr. Zhang Guangping is our executive Director and general manager. Mr. Li Yi is our executive Director, deputy general manager and head of the financial department. See the section headed "Directors, Supervisors and Senior Management" in this document for the biographical information of Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi.

INTERESTS OF THE SINGLE LARGEST GROUP OF SHAREHOLDERS AND OUR DIRECTORS IN OTHER BUSINESS

Our Single Largest Group of Shareholders and our Directors confirmed that as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Company, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

We believe that we are capable of carrying on our business independently of our Single Largest Group of Shareholders and their respective close associates (other than our Company) after [**REDACTED**] for the following reasons:

Management Independence

Our Board comprises three executive Directors, two non-executive Directors and four independent non-executive Directors. Save for (i) the three executive Directors, namely Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi, being members of the Single Largest Group of Shareholders, and (ii) Mr. Li Zhen and Mr. Li Yi serving as the supervisor and the executive director, respectively, of Backward Electronic which is an investment holding entity with no business activity, there is no overlap of directors and members of the senior management between our Company and our Single Largest Group of Shareholders and their respective close associates.

Despite the overlapping roles assumed by Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi as mentioned above, when performing their duties in our Company, Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi have been and will continue to be supported by the separate and independent board which comprises six other board members including four independent non-executive Directors. We believe that our Board as a whole is able to perform its roles in our Company independently and that our Company is capable of managing our business independently from the Single Largest Group of Shareholders and their respective close associates.

Each of our Directors is aware of his/her fiduciary duties as a Director, which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interests. In the event that there is an actual or potential conflict of interest arising out of any transaction to be entered into between our Company and any of the Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. We have also adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Company and the Single Largest Group of Shareholders which would support our independent management. For details, see "– Corporate Governance Measures" in this section.

All of the other Directors are independent of Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi, and decisions of the Board require the approval of a majority vote from the Board.

In addition, our Board comprises nine Directors, including four independent non-executive Directors, which represent more than one-third of the members of our Board. Our independent non-executive Directors have extensive experience in corporate management and governance, and they are appointed to ensure that our Board will only make decisions after due consideration of independent and impartial opinions. Certain matters of our Company must always be referred to the independent non-executive Directors for review.

Based on the reasons above, our Directors are of the view that our Company is capable of managing our business independently from our Single Largest Group of Shareholders and their respective close associates after the [**REDACTED**].

Operational Independence

We do not rely on the Single Largest Group of Shareholders and their respective close associates for our research and business development, staffing, logistics, administration, finance, internal audit, information technology, sales and marketing, or company secretarial functions.

R&D

We have our own R&D department and personnel which are independent of our Single Largest Group of Shareholders. All members of our in-house R&D team are full-time employees of our Company and do not hold any position in our Single Largest Group of Shareholders or their respective close associates. In addition, our Company owns over 80 registered patents in the PRC and over proprietary 200 layout designs of integrated circuits which are necessary for our R&D and operations. With such independent R&D department, an experienced and independent R&D team, independent supporting manufacturing capabilities and self-owned patents, our Directors believe that we have all the requisite resources to carry on our R&D process independently.

Licenses, permits and approvals

As of the Latest Practicable Date, as advised by our PRC Legal Advisors, we had obtained all material licenses and permits required for our business operations (i.e. business license) in the PRC and such business license had remained in full effect.

Access to customers, suppliers and business partners

We have independent access to our customers, our suppliers as well as our business partners. Our customers and suppliers bases are unrelated to our Single Largest Group of Shareholders and/or their respective close associates.

Operational facilities and administration

We have independent R&D department, office and other operational facilities in Suzhou and Shanghai which are under leases between our Company and independent third parties and are unrelated to our Single Largest Group of Shareholders.

In addition, we have a full-time management team and staff to carry out our own administration and operation independently from our Single Largest Group of Shareholders and their respective close associates. All key administrative functions have been and will be carried out by our own without reliance or the support of our Single Largest Group of Shareholders and their respective close associates.

Employees

As of the Latest Practicable Date, all of our full-time employees were recruited independently from our Single Largest Group of Shareholders and their respective close associates and primarily through both internal referrals and external sources such as campus recruitment, recruiting websites and third-party recruiters.

Based on the reasons above, our Directors are of the view that we have full rights to make all decisions on, and to carry out, our own business operations independently from our Single Largest Group of Shareholders and their respective close associates and will continue to do so after the [**REDACTED**].

Financial Independence

We have an independent financial system and make financial decisions according to our Company's own business needs. We have internal control and accounting systems and an independent accounting and finance department for discharging the treasury function. We do not expect to rely on our Single Largest Group of Shareholders or their close associates for financing after the [**REDACTED**] as we expect that our working capital will be funded by cash flows generated from operating activities, bank loans as well as the [**REDACTED**] from the [**REDACTED**].

In addition, we are capable of obtaining financing from independent third parties without relying on any guarantee or security provided by our Single Largest Group of Shareholders or their respective associates. As of the Latest Practicable Date, our Company did not have any outstanding loans, advances or balances due to or from our Single Largest Group of Shareholders or their respective close associates or financial assistance arrangement with our Single Largest Group of Shareholders or their respective close associates, and our Company had not provided any guarantee in respect of any loans of our Single Largest Group of Shareholders and their respective close associates and vice versa. During the Track Record Period and as of the Latest Practicable Date, we had received a series of Pre-[**REDACTED**] Investments from third party investors independently. For details of the Pre-[**REDACTED**] Investments, see the section headed "History, Development and Corporate Structure" in this document.

Based on the above, our Directors believe that we are able to maintain financial independence and would not place undue reliance on our Single Largest Group of Shareholders and their close associates.

DEED OF NON-COMPETITION

Each of our Single Largest Group of Shareholders [has entered] into a Deed of Non-competition in favor of our Company, pursuant to which each of them has unconditionally and irrevocably undertaken to our Company that it will not, and will procure its close associates (save for members of our Company and its subsidiaries) not to directly or indirectly be involved in, interested in or undertake any business that directly or indirectly competes, or may compete, with our business which includes the provision of Analog IC Patterned Wafers (referred to as the "**Restricted Businesses**"), or hold shares or interest in any company or business that competes or may compete directly or indirectly with the business engaged by us from time to time, or conduct any Restricted Businesses, except where our Single Largest Group of Shareholders and their close associates hold less than 30% of interest of any company, which is engaged in any business that is or may be in competition with any business engaged by any member of our Company and its subsidiaries and they do not possess the right to control the board of directors of such company.

The Deed of Non-Competition will lapse automatically if our Single Largest Group of Shareholders together ceases to control, whether directly or indirectly, 20% or above of our Shares with voting rights or our H Shares cease to be [**REDACTED**] on the Stock Exchange.

CORPORATE GOVERNANCE MEASURES

Our Company expects to comply with the provisions of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules, which sets out principles of good corporate governance.

Each of our Single Largest Group of Shareholders has confirmed that it fully comprehends its obligations to act in our Shareholders' best interests as a whole. Our Directors recognize the importance of good corporate governance in protection of our Shareholders' interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Company and the Single Largest Group of Shareholders:

(a) as part of our preparation for the [**REDACTED**], we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provided that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her associates have a material interest nor shall such Director be counted in the quorum present at the meeting;

(b) a Director with material interests shall make full disclosure in respect of matters that may have conflict or potentially conflict with any of our interest and abstain from the board meetings on matters in which such Director or his/her associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is permitted under the Listing Rules;

(c) we are committed that our Board should include a balanced composition with not less than one-third of independent non-executive Directors to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. We [have appointed] four independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. For details of our independent non-executive Directors, see "Directors, Supervisors and Senior Management – Board of Directors – Independent non-executive Directors" in this Document;

(d) we have appointed Somerley Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to Directors' duties and corporate governance;

(e) our Company has established internal control mechanisms to identify connected transactions. Upon and after the [**REDACTED**], if our Company enters into connected transactions with our Single Largest Group of Shareholders or any of their associates, our Company will comply with the applicable Listing Rules; and

(f) as required by the Listing Rules, our independent non-executive Directors shall review any continuing connected transactions annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favorable to us than those available to or from independent third parties and on terms that are fair and reasonable and in the interests of our Shareholders as a whole.

Based on the above, our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest between our Company and the Single Largest Group of Shareholders, and to protect minority Shareholders' interests after the [**REDACTED**].

So far as our Directors are aware, the following persons will, immediately prior to and following the completion of the [**REDACTED**] (without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**]), have interests or short positions in our Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the nominal value of any types of our issued voting shares of our Company.

		Shares held as of the date of this document and immediately prior to the completion of the [REDACTED](1)			Shares held immediately following the completion of the [REDACTED](1)		
Name of Shareholder	**Nature of interest**	**Type of Shares(2)**	**Number of Shares**	**Percentage of shareholding in the total issued share capital** *(approx..)*	**Type of Shares(2)**	**Number of Shares**	**Percentage of shareholding in the total issued share capital** *(approx..)*
Mr. Li Zhen	Beneficial owner	Unlisted Domestic Shares	1,049,632 (L)	2.33%	Unlisted Domestic Shares	[**REDACTED**] (L)	[**REDACTED**]%
	Interest in controlled corporation(3)	Unlisted Domestic Shares	13,268,829 (L)	29.49%	Unlisted Domestic Shares	[**REDACTED**] (L)	[**REDACTED**]%
	Interest held jointly with other persons(4)	Unlisted Domestic Shares	252,800 (L)	0.56%	Unlisted Domestic Shares	[**REDACTED**] (L)	[**REDACTED**]%
Mr. Zhang Guangping	Interest held jointly with other persons(4)	Unlisted Domestic Shares	14,571,261 (L)	32.38%	Unlisted Domestic Shares	[**REDACTED**] (L)	[**REDACTED**]%
Ms. Zhang Jingwen (張婧雯)	Interest of spouse(4)	Unlisted Domestic Shares	14,571,261 (L)	32.38%	Unlisted Domestic Shares	[**REDACTED**] (L)	[**REDACTED**]%
Mr. Li Yi	Beneficial owner	Unlisted Domestic Shares	252,800 (L)	0.56%	Unlisted Domestic Shares	[**REDACTED**] (L)	[**REDACTED**]%
	Interest held jointly with other persons(4)	Unlisted Domestic Shares	14,318,461 (L)	31.82%	Unlisted Domestic Shares	[**REDACTED**] (L)	[**REDACTED**]%
Backward Electronic	Beneficial owner	Unlisted Domestic Shares	7,888,294 (L)	17.53%	Unlisted Domestic Shares	[**REDACTED**] (L)	[**REDACTED**]%
	Interest in controlled corporation(3)	Unlisted Domestic Shares	5,380,535 (L)	11.96%	Unlisted Domestic Shares	[**REDACTED**] (L)	[**REDACTED**]%

		Shares held as of the date of this document and immediately prior to the completion of the [REDACTED][1]			Shares held immediately following the completion of the [REDACTED][1]		
Name of Shareholder	**Nature of interest**	**Type of Shares[2]**	**Number of Shares**	**Percentage of shareholding in the total issued share capital** *(approx..)*	**Type of Shares[2]**	**Number of Shares**	**Percentage of shareholding in the total issued share capital** *(approx..)*
	Interest held jointly with other persons[4]	Unlisted Domestic Shares	1,302,432 (L)	2.89%	Unlisted Domestic Shares	**[REDACTED]** (L)	**[REDACTED]**%
Backward Partnership	Beneficial owner	Unlisted Domestic Shares	5,380,535 (L)	11.96%	Unlisted Domestic Shares	**[REDACTED]** (L)	**[REDACTED]**%
	Interest held jointly with other persons[4]	Unlisted Domestic Shares	9,190,726 (L)	20.42%	Unlisted Domestic Shares	**[REDACTED]** (L)	**[REDACTED]**%
GF Securities Co., Ltd.	Interest in controlled corporations[5]	Unlisted Domestic Shares	3,012,837 (L)	6.69%	Unlisted Domestic Shares	**[REDACTED]** (L)	**[REDACTED]**%
Suzhou Huqiu District People's Government	Interest in controlled corporation[6]	Unlisted Domestic Shares	4,906,092 (L)	10.90%	Unlisted Domestic Shares	**[REDACTED]** (L)	**[REDACTED]**%
Minyi Intelligent[8]	Beneficial owner	Unlisted Domestic Shares	1,807,563 (L)	4.02%	Unlisted Domestic Shares	**[REDACTED]** (L)	**[REDACTED]**%
	Interest held jointly with other persons[7]	Unlisted Domestic Shares	2,322,410 (L)	5.16%	Unlisted Domestic Shares	**[REDACTED]** (L)	**[REDACTED]**%
Taiyou Venture[9]	Beneficial owner	Unlisted Domestic Shares	1,180,792 (L)	2.62%	Unlisted Domestic Shares	**[REDACTED]** (L)	**[REDACTED]**%
	Interest held jointly with other persons[7]	Unlisted Domestic Shares	2,949,181 (L)	6.56%	Unlisted Domestic Shares	**[REDACTED]** (L)	**[REDACTED]**%
Taizhiyou[10]	Beneficial owner	Unlisted Domestic Shares	299,045 (L)	0.66%	Unlisted Domestic Shares	**[REDACTED]** (L)	**[REDACTED]**%
	Interest held jointly with other persons[7]	Unlisted Domestic Shares	3,830,928 (L)	8.52%	Unlisted Domestic Shares	**[REDACTED]** (L)	**[REDACTED]**%
Xinyu Taiyi	Beneficial owner	Unlisted Domestic Shares	299,045 (L)	0.66%	Unlisted Domestic Shares	**[REDACTED]** (L)	**[REDACTED]**%

		Shares held as of the date of this document and immediately prior to the completion of the [REDACTED][1]			Shares held immediately following the completion of the [REDACTED][1]		
Name of Shareholder	**Nature of interest**	**Type of Shares[2]**	**Number of Shares**	**Percentage of shareholding in the total issued share capital** *(approx..)*	**Type of Shares[2]**	**Number of Shares**	**Percentage of shareholding in the total issued share capital** *(approx..)*
	Interest held jointly with other persons[7]	Unlisted Domestic Shares	3,830,928 (L)	8.52%	Unlisted Domestic Shares	**[REDACTED]** (L)	**[REDACTED]**%
Taisheng Technology	Beneficial owner	Unlisted Domestic Shares	271,764 (L)	0.60%	Unlisted Domestic Shares	**[REDACTED]** (L)	**[REDACTED]**%
	Interest held jointly with other persons[7]	Unlisted Domestic Shares	3,858,209 (L)	8.58%	Unlisted Domestic Shares	**[REDACTED]** (L)	**[REDACTED]**%
Huahui Taiyou[11]	Beneficial owner	Unlisted Domestic Shares	271,764 (L)	0.60%	Unlisted Domestic Shares	**[REDACTED]** (L)	**[REDACTED]**%
	Interest held jointly with other persons[7]	Unlisted Domestic Shares	3,858,209 (L)	8.58%	Unlisted Domestic Shares	**[REDACTED]** (L)	**[REDACTED]**%

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

(2) Unlisted Domestic Shares and H Shares are regarded as two different types of Shares for the purpose of Part XV of the SFO.

(3) The general partner of Backward Partnership is Backward Electronic, which is in turn owned as to 53.50% by Mr. Li Zhen. By virtue of the SFO, Mr. Li Zhen is deemed to be interested in the Shares held by each of Backward Electronic and Backward Partnership.

(4) Pursuant to the Concert Party Agreement, Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi agreed and confirmed, among others, that from the date when they became direct and/or indirect Shareholders of our Company to such date when all of them cease to be directly or indirectly interested in our Company, they had been and would continue to be acting in concert. Pursuant to the Concert Party Agreement, the Concert Parties had consulted and would consult with each other and reach a unanimous consensus among themselves before the decision, implementation and agreement on material operation and development affairs and/or all voting at Shareholders' meetings. In the event that they are unable to reach consensus on any matter presented, it shall be resolved by a simple majority vote, with each Concert Party entitled to one vote. For details of the Concert Party Agreement, please see the section headed "History, Development and Corporate Structure". By virtue of the SFO, each of Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi together with their respective investment holding companies (being Backward Electronic and Backward Partnership) are deemed to be interested in the Shares held by each other. Ms. Zhang Jingwen is the spouse of Mr. Zhang Guangping and is deemed to be interested in all the Shares held by Mr. Zhang Guangping by virtue of the SFO.

(5) The general partner for both Guangfa Intelligent and Guangfa Environmental is GF Xinde. By virtue of the SFO, GF Xinde is deemed to be interested in the Shares held by Guangfa Intelligent and Guangfa Environmental. GF Xinde is ultimately controlled by GF Securities Co., Ltd. (廣發證券股份有限公司) (stock code: 000776.SZ).

(6) As of the Latest Practicable Date, Suzhou Technology Investment was owned as to 57.93% by Suzhou Overseas Students Entrepreneurship Park Co., Ltd., which was ultimately controlled by Suzhou Huqiu District People's Government. Rongxiang Venture was owned as to 59.01% by Suzhou Hi-tech Venture Capital Group Co., Ltd. as limited partner, which was ultimately controlled by Suzhou Huqiu District People's Government. By virtue of the SFO, Suzhou Huqiu District People's Government is deemed to be interested in the Shares held by Suzhou Technology Investment and Rongxiang Venture.

(7) As confirmed by each of Minyi Intelligent, Taiyou Venture, Taizhiyou, Xinyu Taiyi, Taisheng Technology and Huahui Taiyou, they are parties acting in concert in respect of the interests in our Company. By virtue of the SFO, each of Minyi Intelligent, Taiyou Venture, Taizhiyou, Xinyu Taiyi, Taisheng Technology and Huahui Taiyou is deemed to be interested in the Shares held by each other.

(8) As of the Latest Practicable Date, Minyi Intelligent was owned as to (i) 0.80% by Shanghai Guanrong Enterprise Management Co., Ltd. as general partner, which was ultimately controlled by Mr. Wu Naiqi, and (ii) 79.20% by Mr. Wu Naiqi as limited partner. By virtue of the SFO, Mr. Wu Naiqi is deemed to be interested in the Shares held by Minyi Intelligent.

(9) As of the Latest Practicable Date, Taiyou Venture was owned as to (i) 0.95% by Taiyou Investment as general partner, which was ultimately controlled by Ms. Li Yifang, and (ii) 46.18% by Taisheng Technology as limited partner, which in turn was owned as to (i) 10% by Ms. Yu Zhaoxia as general partner, and (ii) 48.50% by Ms. Yu Binyan and 41.50% by Mr. Yu Tianyi as limited partners. By virtue of the SFO, each of Ms. Li Yifang, Ms. Yu Zhaoxia, Ms. Yu Binyan and Mr. Yu Tianyi is deemed to be interested in the Shares held by Taiyou Venture.

(10) As of the Latest Practicable Date, Taizhiyou was owned as to (i) 0.51% by Taiyouxi Venture as general partner, which was ultimately controlled by Mr. Yu Longwen. By virtue of the SFO, Mr. Yu Longwen is deemed to be interested in the Shares held by Taizhiyou.

(11) As of the Latest Practicable Date, Huahui Taiyou was owned as to 39.73% by Tianjin Haihe Industrial Fund Partnership (Limited Partnership) as limited partner, which was ultimately controlled by Tianjin Municipal People' Government. By virtue of the SFO, Tianjin Municipal People' Government is deemed to be interested in the Shares held by Huahui Taiyou.

Save as disclosed above and in the paragraph headed "Statutory and General Information – C. Further Information About Directors, Supervisors and Substantial Shareholders – 1. Disclosure of Interests" in Appendix VI to this document, our Directors are not aware of any person who will, immediately following the completion of the [**REDACTED**] (without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**]), have interests or short positions in any Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

As of the Latest Practicable Date, the registered share capital of our Company was RMB45,000,000, divided into 45,000,000 Unlisted Domestic Shares, with a nominal value of RMB1.00 each.

Assuming the [**REDACTED**] is not exercised, the share capital of our Company immediately after the completion of the [**REDACTED**] will be as follows:

Number of Shares	**Description of Shares**	**Approximate percentage to total share capital**
[**REDACTED**]	Unlisted Domestic Shares in issue	[**REDACTED**]%
[**REDACTED**]	H Shares to be issued under the [**REDACTED**]	[**REDACTED**]%
[**REDACTED**]	**Total**	100.00%

Assuming the [**REDACTED**] is exercised in full, the share capital of our Company immediately after the completion of the [**REDACTED**] will be as follows:

Number of Shares	**Description of Shares**	**Approximate percentage to total share capital**
[**REDACTED**]	Unlisted Domestic Shares in issue	[**REDACTED**]%
[**REDACTED**]	H Shares to be issued under the [**REDACTED**]	[**REDACTED**]%
[**REDACTED**]	**Total**	100.00%

The above table assumes that the [**REDACTED**] has become unconditional and the H Shares are issued pursuant to the [**REDACTED**].

RANKING

Upon the completion of the [**REDACTED**], our Shares will consist of Unlisted Domestic Shares and H Shares. Unlisted Domestic Shares and H Shares are all ordinary Shares in the share capital of our Company and are regarded as the same class of Shares under the Articles of Association.

Unlisted Domestic Shares and H Shares shall carry the same rights in all other respects and, in particular, will rank equally for dividends or distributions declared, paid or made. All dividend for H Shares will be denominated and declared in Renminbi, and paid in Hong Kong dollars or Renminbi, whereas all dividends for Unlisted Domestic Shares will be paid in Renminbi. Other than cash, dividends could also be paid in the form of shares or a combination of cash and shares.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company will have only one class of Shares upon completion of the [**REDACTED**], namely ordinary shares, and each carry the same rights in all respects with the other Shares. For details of circumstances under which our Shareholders' general meeting and class Shareholders' meeting are required, see "Summary of Articles of Association" in Appendix V to this document.

[**REDACTED**] Approval by the Stock Exchange

We [have applied] to the Stock Exchange for the approval for the granting of [**REDACTED**] of, and permission to [**REDACTED**], our H Shares to be issued pursuant to the [**REDACTED**] (including any H Shares which may be issued pursuant to the exercise of the [**REDACTED**]).

TRANSFER OF SHARES ISSUED PRIOR TO [REDACTED]

The PRC Company Law provides that in relation to the [**REDACTED**] of a company, the shares issued prior to the [**REDACTED**] shall not be transferred within a period of one year from the date on which the publicly [**REDACTED**] shares are [**REDACTED**] on any stock exchange. Accordingly, Shares issued by our Company prior to the [**REDACTED**] shall be subject to such statutory restriction and not be transferred within a period of one year from the [**REDACTED**].

For details of the lock-up undertaking given by our Single Largest Group of Shareholders to the Stock Exchange, see "[**REDACTED**]" in this document.

INCREASE IN SHARE CAPITAL

As advised by our PRC Legal Advisors, pursuant to the Articles of Association and subject to the requirements of relevant PRC laws and regulations, our Company, upon the [**REDACTED**] of our H Shares, is eligible to enlarge its share capital by issuing either new H Shares or new unlisted Domestic Shares on condition that such proposed issuance shall be approved by a special resolution of Shareholders in general meeting conducted in accordance with the provisions of the Articles of Association and that such issuance complies with the Listing Rules and other relevant laws and regulations of Hong Kong. To adopt a special resolution of Shareholders at general meeting, more than the two thirds votes represented by the Shareholders (including proxies) present at the general meeting must be exercised in favor of the resolution. See "– Ranking" in this section.

REGISTRATION OF SHARES NOT [REDACTED] ON THE OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, an overseas [**REDACTED**] company is required to register its shares that are not [**REDACTED**] on the overseas stock exchange with CSDC within 15 Business Days upon the [**REDACTED**] and provide a written report to the CSRC regarding the centralized registration and deposit of its Unlisted Domestic Shares as well as the current [**REDACTED**] and [**REDACTED**] of shares.

SHAREHOLDERS' APPROVAL FOR THE [REDACTED]

Approval from holders of the Shares is required for the Company to issue H Shares and seek the [**REDACTED**] of H Shares on the Stock Exchange. The Company has obtained such approval at the Shareholders' general meeting held on May 15, 2023.

The following discussion and analysis should be read in conjunction with our financial information included in the Accountants' Report in Appendix I to this document, together with the accompanying notes. Our financial statements have been prepared in accordance with HKFRSs, which may differ in certain aspects from generally accepted accounting principles in other jurisdictions. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this document, including the sections headed "Risk Factors" and "Business."

For the purposes of this section, unless the context otherwise requires, references to 2020, 2021 and 2022 refer to our fiscal years ended December 31 of such years.

OVERVIEW

We are a leading provider of analog IC patterned wafers in China. Our deliverable products are analog IC patterned wafers with completed built-on circuits, which can then be fabricated into individual IC chips after simple and straightforward packaging and testing steps performed by our downstream customers. During the Track Record Period, our revenue was primarily generated from sales of power management products and signal chain products. We offer approximately 300 diversified industrial grade analog IC patterned wafer products across seven categories, namely switching regulators, multi-channel ICs and PMICs, linear regulators, battery management ICs, monitoring and modulating ICs, driver ICs, and linear products, in the power management segment and the signal chain segment as of the Latest Practicable Date.

We achieved robust business growth during the Track Record Period. Our revenue increased from RMB88.7 million in 2020 to RMB212.7 million in 2021, and further to RMB352.5 million in 2022, representing a CAGR of 99.3%. In addition, our gross profit increased from RMB48.7 million in 2020 to RMB120.0 million in 2021, and further to RMB199.3 million in 2022, representing a CAGR of 102.2%. During the same periods, we maintained high gross profit margin at 54.9%, 56.4% and 56.5%, respectively. Our net profit increased from RMB14.0 million in 2020 to RMB57.0 million in 2021, and further to RMB95.3 million in 2022, representing a CAGR of 160.9%.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial performance are principally affected by the following factors:

Our ability to diversify product offerings and expand our product mix

Our ability to offer diversified analog IC patterned wafer products is one of the most important factors affecting our results of operations and financial condition. Our success depends on our ability to anticipate industry trends and develop analog IC patterned wafer products with high-performance and differentiated IC design that meet the evolving demand of our downstream customers in various application fields. Due to our continuous R&D efforts, we successfully launched eight, 45 and 157 analog IC patterned wafer products in 2020, 2021 and 2022, respectively. As of the Latest Practicable Date, we successfully taped out more than 300 types of analog IC patterned wafers. Our products have empowered numerous downstream customers, including well-known brand-name manufacturers and industry-leading chip design companies, in various application fields, such as automotive electronics, healthcare, industrial automation, industrial Internet of Things, industrial lighting, instrumentation, communications, electric power, energy storage and high-end consumer electronics. With an ever-expanding high-performance industrial grade product portfolio, we are able to respond quickly to changing market conditions and remain profitable.

The mix of analog IC patterned wafer products that we provide is also among the primary factors that affect our revenue and profitability. During the Track Record Period, we primarily derived our revenue from the sale of seven sub-categories of industrial grade power management products and signal chain products, namely switching regulators, multi-channel ICs and PMICs, linear regulators, battery management ICs, monitoring and modulating ICs, driver ICs, and linear products. During the Track Record Period, our gross profit margin increased from 54.9% in 2020 to 56.4% in 2021, and remained stable at 56.5% in 2022. Our product mix may fluctuate significantly in response to the technological changes in the industries and markets to which our products are sold, and the changes in market demand and market competition. If there are any significant changes in our product mix, our gross profit margin will be affected by the changes in gross profit margin attributable to each type of product. As a result, our financial condition and results of operations may be materially and adversely affected.

Continuous investment in R&D facilities and talents

Leveraging our full-stack analog IC design platform, we primarily focus on the design and provision of industrial grade analog IC patterned wafers that have achieved reliability and stability in accordance with internationally leading standards. Empowered by proprietary EDA software tools and reusable IP library, we have effectively improved the product design efficiency, and are able to supply downstream customers with quality products. To extend our technology leadership in the analog IC design industry, we have made, and will continue to make, significant investments in upgrading our design capabilities and R&D infrastructure. In 2020, 2021 and 2022, we incurred R&D expenses of RMB28.4 million, RMB47.6 million and RMB84.9 million, respectively. Going forward, we will continue to invest resources in R&D to support the long-term growth of our business.

The growth of our business depends largely on our R&D talents. Based on the full-stack design platform, we have established a comprehensive R&D system and training mechanism to cultivate R&D team from scratch, which has broken through the bottleneck of experienced talents in the field of analog IC design and ensured sustainable supply of talent. As of December 31, 2022, our R&D team comprises 65 members, who on average are only 28 years old. Our R&D personnel efficiency is industry-leading, with annual revenue driven by each member reaching RMB5.5 million in 2022, which is about 20% higher than the industry average in the same year. We will continue to invest resources to attract more talented R&D personnel and further improve our full-stack design platform.

Our ability to expand and efficiently manage our sales network

During the Track Record Period, we primarily sold and marketed our patterned wafer products in the PRC through third-party professional distributors. In 2020, 2021 and 2022, our revenue generated from sales to distributors amounted to RMB84.4 million, RMB192.2 million and RMB282.7 million, respectively, accounting for 95.2%, 90.4% and 80.2%, respectively, of our revenue for the corresponding periods. Through our distribution channels, we are able to focus on the design aspects of analog IC patterned wafers and optimize our design capabilities. As a result, our ability to expand and efficiently manage our sales and distribution network remains critical to our business and financial performance. In particular, we have established cooperation with a global leading distributor, Arrow, and a local patterned wafer distributor, Customer A, to match our comprehensive marketing strategies. See "Business – Sales, Marketing and Distribution of our Products." We plan to optimize and expand our sales and distribution network and to further expand our downstream customer base in the PRC. During the Track Record Period, our sales generated from direct customers increased from 4.8% in 2020 to 9.6% in 2021 and further to 19.8% in 2022, primarily due to our increased efforts in direct sales and marketing. In the future, we will continue to deepen our relationship with existing distributors and direct customers, and expand sales channels to attract new customers in key targeted industries.

Relationship with our major suppliers

We operate on a "fabless" model, and focus on the design process and outsource IC manufacturing to foundries. During the Track Record Period, we established strong and long-term cooperation with a commercial patterned wafer channel partner for procurement of foundry-manufactured wafers with completed built-on circuits designed by us. See "Business – Our Business Model." Therefore, our ability to maintain long-term stable business relationship with our wafer channel partner to provide us with quality and price competitive foundry-manufactured wafers on a timely basis is crucial for our business development and results of operations. Although we have entered into a framework supply agreement with our third-party wafer channel partner, we cannot assure you that the supply of foundry-manufactured wafers is not interrupted or delayed due to any circumstances and the terms of supply are acceptable to us. It will also take time to establish new or alternative supplier relationships to ensure a steady supply in a timely and cost-efficient manner. In those circumstances, we may not be able to offer analog IC patterned wafer products demanded by our customers, or to offer them in sufficient quantities and at prices acceptable to them. As a result, our business, financial condition and results of operations will be materially and adversely affected.

BASIS OF PRESENTATION

Our Company was incorporated as a limited liability company in the PRC on November 12, 2010, and was converted into a joint stock limited liability company in November 2021. For more details, please see "History, Development and Corporate Structure" in this document.

Our historical financial information has been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (the "**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

We have identified various accounting policies that are significant to the preparation of our financial information, and the understanding of our financial condition and results of operations. Details of which are disclosed in note 2 of the Accountants' Report in Appendix I to this document.

Our Directors are required to make judgements, estimates and assumptions that affect our application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on our historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed by our management on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Details of which are disclosed in note 3 of the Accountants' Report in Appendix I to this document.

The following paragraphs discuss, among others, our critical accounting policies, estimates and judgements applied in preparing our financial information:

Revenue recognition

Income is classified by us as revenue when it arises from the sale of goods, the provision of services or the use by others of our assets under leases in the ordinary course of our business. We are the principal for our revenue transactions and recognize revenue on a gross basis, including the sale of electronic products that are sourced externally. In determining whether we act as a principal or as an agent, we consider whether we obtain control of the products before they are transferred to the customers. Control refers to our ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Revenue is recognized when control over a product or service is transferred to the customer, at the amount of promised consideration to which we are expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts. For sale of goods and provision of services, revenue is recognized when the customer takes possession of and accepts the products.

Inventories

Inventories are carried at the lower of cost and net realizable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

Trade and other receivables

A receivable is recognized when we have an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. Trade receivables that do not contain a significant financing component are initially measured at their transaction price. All receivables are subsequently stated at amortized cost, using the effective interest method and including an allowance for credit losses.

Our management determines the loss allowance for expected credit losses on trade and other receivables based on an assessment of the present value of all expected cash shortfalls. These estimates are based on the information about past events, current conditions and forecasts of future economic conditions. Our management reassesses the loss allowance at the end of each Track Record Period.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets forth a summary of our statements of profit or loss and other comprehensive income, with line items in absolute amounts and as a percentage of our revenue during the Track Record Period:

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

Revenue

Revenue by Business Line

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

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

Note:

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

Our power management products help downstream customers manage power across different voltage and/or current levels, including AC-DC and DC-DC switching regulators, multi-channel ICs and PMICs, linear regulators, battery management ICs, monitoring and modulating ICs, and driver ICs. During the Track Record Period, the types of power management products we sold increased from 61 in 2020 to 84 in 2021, and further to 232 in 2022. Revenue generated from sales of power management products accounted for 98.1%, 90.7% and 83.6%, respectively, of our revenue in 2020, 2021 and 2022.

Our signal chain products include products that sense, condition and measure real-world signals to allow information or signal to be transferred or converted for further processing and control. Our signal chain products are all linear products. During the Track Record Period, the types of signal chain products we sold increased from one in 2020 to 23 in 2021, and further to 32 in 2022. Revenue generated from sales of signal chain products accounted for 1.9%, 9.3% and 16.4%, respectively, of our revenue in 2020, 2021 and 2022.

We base our pricing strategies for patterned wafer products according to a range of factors, including R&D costs, production costs, industries in which the downstream customers engage, use scenarios and market sizes. We also take into consideration prices of domestic and international competitive products. Revenue from sales of power management products and signal chain products is primarily driven by sales volume and unit selling price. Benefiting from the growing demand from our downstream customers and the trend of replacing imported analog IC products with price-competitive domestic substitute in the PRC, as well as our continuous R&D efforts to develop new types of analog IC patterned wafers, our sales volume of power management products and signal chain products increased steadily during the Track Record Period. The average unit selling price of power management products and signal chain products had fluctuated during the Track Record Period primarily due to our product mix change.

Revenue by Sales Channel

The following table sets forth a breakdown of our revenue by sales channel, in absolute amounts and as a percentage of our revenue, during the Track Record Period:

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

For sales made to our customers, we generally recognize revenue when our products have been delivered to and accepted by our customers. Our revenue from sales to distributors contributed a significant portion of our total revenue during the Track Record Period. The proportion of our revenue generated from direct sales increased from 4.8% in 2020 to 9.6% in 2021, and further to 19.8% in 2022, primarily due to our increased efforts in sales and marketing to attract direct customers.

Cost of Sales

Our cost of sales of power management products and signal chain products consists primarily of material costs. As we operate on a "fabless" model, we focus on the design process and outsource the IC manufacturing to third parties. Our material costs represented our procurement costs of untested foundry-manufactured wafers.

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

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

Gross Profit and Gross Profit Margin

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

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

During the Track Record Period, we maintained high gross profit margin due to (i) the high entry barriers for our competitors to provide similar industrial grade analog IC patterned wafers with high reliability and stability. As a result, there were limited competing products in the domestic market; and (ii) we provided high-performance industrial grade analog IC patterned wafers cost-effectively with our full-stack analog IC design platform. Our overall gross profit and gross profit margin largely depend on our product mix. The gross profit margin of our products varies due to different technical specifications, functions, pricing strategy, market supply and demand.

Our gross profit margin increased slightly from 54.9% in 2020 to 56.4% in 2021, primarily due to changes in our product mix as we provided more types of analog IC patterned wafer products in 2021. Our gross profit margin remained stable at 56.4% in 2021 and 56.5% in 2022.

Other Income and Net Gain

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

Our R&D service income mainly consist of income derived from an entrusted R&D agreement, in which we provided R&D services. Our government grants primarily include industry-specific subsidies granted by the local government authorities in China to encourage R&D projects. The establishment of the incentive programs and grant of such subsidies are subject to the government's discretion and the receipt of such subsidies is thus unpredictable. There are no unfulfilled conditions relating to such government grants recognized. Our government grants that were non-recurring in nature caused the fluctuations in the amount of other income and net gain.

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

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

Distribution Costs

Our distribution costs primarily consist of (i) employee benefits expenses, which mainly include salaries and welfare of our sales and marketing staff; and (ii) travel and entertainment expenses. In 2020, 2021 and 2022, our distributions costs only accounted for 0.9%, 0.8% and 1.0% of our revenue, respectively, as we primarily sold and marketed our patterned wafer products through third-party professional distributors during the Track Record Period.

The following table sets forth the components of our distribution costs during the Track Record Period:

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

Administrative Expenses

Our administrative expenses primarily consist of (i) employee benefits expenses, which mainly include salaries and welfare of our senior management and business operations and administration staff; (ii) consultation and agency fees, which mainly arising from the engagement of professional service providers for potential A-share listing in the PRC; (iii) depreciation and amortization; (iv) travel and entertainment expenses; (v) impairment loss; and (vi) office expenses, which mainly include property management fees and other general office expenses.

The following table sets forth a breakdown of the components of our administrative expenses during the Track Record Period:

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

Note:

(1) Others mainly include patent annual fee.

R&D Expenses

Our R&D expenses primarily consist of (i) material costs for R&D projects; and (ii) employee benefits expenses, which mainly include salaries and welfare of our R&D staff. The following table sets forth a breakdown of the components of our R&D expenses during the Track Record Period:

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

Note:

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

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

Finance Costs

Our finance costs primarily consist of (i) interest on loans and borrowings, which mainly include interest on short-term bank loans and other borrowings; (ii) interest on lease liabilities; and (iii) interest on financial instruments issued to investors, mainly arising from financial instruments issued to investors with preferred rights. We entered into an agreement with our investors to terminate the financial instruments issued to investors in December 2021. The following table sets forth a breakdown of the components of our finance costs during the Track Record Period:

	Year ended December 31,					
	2020		2021		2022	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
Interest on						
– loans and borrowings	1,263	31.4	650	16.8	1,403	85.0
– lease liabilities	15	0.4	179	4.6	248	15.0
– financial instruments issued to investors	2,740	68.2	3,048	78.6	–	–
Total	4,018	100.0	3,877	100.0	1,651	100.0

Income Tax

Our income tax expense was nil, nil and RMB1.6 million in 2020, 2021 and 2022, respectively. The income tax provision of the Company has been calculated at the tax rate of 25% on the taxable income during the Track Record Period in accordance with the EIT Law. We were entitled to preferential tax rate, additional deduction on R&D expenses and deduction on equipment newly purchased as explained below.

According to the EIT Law and its relevant regulations, entities that qualified as high-technology enterprise are entitled to a preferential income tax rate of 15%. We obtained the certificate of high-technology enterprise on December 12, 2020 and is subject to income tax rate at 15% for a three-year period from 2020 to 2022. We will renew the high-technology enterprise certificate in June 2023. During the Track Record Period, we did not have any taxable income. According to the Notice of the State Council on Promulgation of Several Policies for Promoting the High-quality Development of Integrated Circuit and Software Industries in the New Era, from the year that we have taxable income, we can enjoy the exemption from EIT for the first two years and a half reduced rate on statutory rate for the following three years, which means if we have taxable income in 2023, we can enjoy the exemption from EIT in 2023 and 2024 and a preferential income tax rate of 12.5% from 2025 to 2027.

According to the Circular on Improving the Policy on Super-deduction of R&D Expenses (《關於完善研究開發費用稅前加計扣除政策的通知》) promulgated by the STA, the MOF and the MOST, effective from January 1, 2016 onwards, enterprises carrying out R&D activities are entitled to claim super-deduction of R&D expenses amounting to 50% of its R&D expenses in determining its tax assessable profits for the year. The ratio of the super-deduction of R&D expenses increased from 50% to 75%, effective from January 1, 2018 to December 31, 2020, according to the new tax incentives policy, the Notice of Increasing the Ratio of the Super-deduction of R&D Expenses (《關於提高研究開發費用稅前加計扣除比例的通知》) promulgated by the STA, the MOF and the MOST in September 2018. The applicable period of this policy was subsequently extended to December 31, 2023, pursuant to the Announcement of the MOF and the STA on Extending the Implementation Period of Some Preferential Tax Policies (《財政部稅務總局關於延長部分稅收優惠政策執行期限的公告》) issued on March 15, 2021. The ratio of the super-deduction of R&D expenses has been further increased to 100% for enterprises entitled to 75% super-deduction of R&D expenses during the period from October 1, 2022 to December 31, 2022, and such enterprises are allowed to deduct the full amount of equipment and appliances newly purchased during the period from October 1, 2022 to December 31, 2022 from the taxable income, according to Announcement on Increasing Super-deduction in Support of Scientific and Technological Innovation (《關於加大支持科技創新稅前扣除力度的公告》) promulgated by the STA, the MOF and the MOST in September 2022. According to the Announcement of the MOF and the STA on Further Improving the Pre-tax Deduction Policy for R&D Expenses (2023) (《財政部、稅務總局關於進一步完善研發費用稅前加計扣除政策的公告(2023)》), where R&D expenses actually incurred by an enterprise when it conducts any R&D activity have not been included in the current profit and loss, from January 1, 2023 onwards, 100% of the amount of R&D expenses actually incurred in this year shall be deducted from the amount of taxable income in this year, and where intangible assets have been formed, 200% of the costs of the intangible assets shall be amortized before tax. We have claimed super-deduction of R&D expenses upon above mentioned regulations in ascertaining our tax assessable profits for the Track Record Period.

As of the Latest Practicable Date, we did not have any material dispute with any tax authority.

DISCUSSION OF RESULTS OF OPERATIONS

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenue

Our revenue increased by 65.7% from RMB212.7 million in 2021 to RMB352.5 million in 2022 due to increases in sales of power management products and signal chain products.

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

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

Cost of Sales

Our cost of sales increased by 65.2% from RMB92.7 million in 2021 to RMB153.2 million in 2022, which was generally in line with our revenue growth. The increase of costs of sales was mainly attributable to an increase in material costs which was in line with our revenue growth.

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

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 66.1% from RMB120.0 million in 2021 to RMB199.3 million in 2022. Our gross profit margin remained stable at 56.4% in 2021 and 56.5% in 2022.

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

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

Other Income and Net Gain

Our other income and net gain increased from RMB4.1 million in 2021 to RMB9.8 million in 2022, primarily due to (i) an increase in R&D service income by RMB5.6 million arising from an entrusted R&D agreement, in which we provided R&D services; (ii) an increase in rental income by RMB0.7 million we received for lease of our testing equipment stored in our chip probing service provider's plant to improve utilization; and (iii) an increase in net realized and unrealized gains on financial assets measured at FVTPL by RMB0.5 million, partially offset by a decrease in government grants by RMB1.5 million.

Distribution Costs

Our distribution costs increased by 102.0% from RMB1.8 million in 2021 to RMB3.6 million in 2022, primarily due to an increase in employee benefits expenses as a result of (i) an increase in the number of headcount of our sales and marketing staff, including a sales director and other sales and marketing staff; and (ii) an increase in average compensation paid to our sales staff due to our business expansion. The proportion of distribution costs as a percentage of our revenue increased from 0.8% in 2021 to 1.0% in 2022, as we increased our investment in sales and distribution to expand our customer base.

Administrative Expenses

Our administrative expenses increased by 60.0% from RMB13.9 million in 2021 to RMB22.2 million in 2022, primarily due to (i) an increase in employee benefits expenses by RMB4.4 million as a result of an increase in the number of headcount of our business operations and administration staff to support our business growth and an increase in average compensation paid to our business operations and administration staff; (ii) an increase in travel and entertainment expenses of RMB0.9 million; (iii) an increase in depreciation and amortization by RMB0.9 million in relation to the depreciation of our passenger vehicles in property, plant and equipment and right-of-use assets; and (iv) an increase in impairment loss of RMB0.9 million in relation to trade and other receivables. Our administrative expenses as a percentage of revenue remained stable at 6.5% in 2021 and 6.3% in 2022.

R&D Expenses

Our R&D expenses increased by 78.3% from RMB47.6 million in 2021 to RMB84.9 million in 2022, primarily due to (i) an increase in material costs by RMB30.0 million due to increased procurement of raw materials in our R&D projects, which increased from 45 in 2021 to 52 in 2022; (ii) an increase in employee benefits expenses by RMB4.6 million due to an increase in the number of headcount of our R&D staff and an increase in average compensation paid to our R&D staff; and (iii) an increase in others by RMB2.9 million, which represented testing fees for R&D projects, IP application, registration and agency fees.

Our R&D expenses as a percentage of revenue increased from 22.4% in 2021 to 24.1% in 2022, primarily due to more R&D activities conducted in 2022.

Finance Costs

Our finance costs decreased from RMB3.9 million in 2021 to RMB1.7 million in 2022, primarily due to a decrease in interest on financial instruments issued to investors, as we entered into an agreement with our investors to terminate the financial instruments issued to investors in December 2021, which was partially offset by an increase in interest expense on loans and borrowing.

Income Tax

Our income tax was nil in 2021. We recorded a deferred income tax of RMB1.6 million in 2022 due to the temporary difference arising from the one-off tax deduction on the newly purchased equipment and the accounting policy to deduct the depreciation amount over its estimated useful life.

Profit for the Year

As a result of the foregoing, we recorded a profit of RMB57.0 million in 2021 and RMB95.3 million in 2022.

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

Our revenue increased by 139.8% from RMB88.7 million in 2020 to RMB212.7 million in 2021 due to increases in sales of power management products and signal chain products.

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

Our revenue generated from sales of signal chain products increased by 1104.4% from RMB1.6 million in 2020 to RMB19.8 million in 2021. Such increase was primarily due to an increase in our sales volume of signal chain products from 0.2 million units in 2020 to 3.2 million in 2021, which was driven by the increased types of signal chain products we sold from one in 2020 to 23 in 2021, and was partially offset by the decrease in the average unit selling price from RMB9.3 in 2020 to RMB6.2 in 2021.

Cost of Sales

Our cost of sales increased by 131.9% from RMB40.0 million in 2020 to RMB92.7 million in 2021. The increase of costs of sales was mainly attributable to an increase in material costs which was in line with our revenue growth.

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

Gross Profit and Gross Profit Margin

As a result of the foregoing, our overall gross profit increased by 146.2% from RMB48.7 million in 2020 to RMB120.0 million in 2021. Our gross profit margin increased slightly from 54.9% in 2020 to 56.4% in 2021, primarily due to changes in our product mix as we provided more types of analog IC patterned wafer products in 2021.

Our gross profit of sales of power management products increased from RMB47.3 million in 2020 to RMB106.5 million in 2021. Our gross profit margin of sales of power management products increased slightly from 54.3% in 2020 to 55.2% in 2021.

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

Other Income and Net Gain

Our other income and net gain increased from RMB2.0 million in 2020 to RMB4.1 million in 2021, primarily due to (i) an increase in government grants by RMB1.0 million; (ii) an increase in net realized and unrealized gains on financial assets measured at FVTPL by RMB0.8 million in relation to the gains from our redeemed wealth management products; and (iii) an increase in R&D service income by RMB0.6 million arising from an entrusted R&D agreement, in which we provided R&D services.

Distribution Costs

Our distribution costs increased by 124.0% from RMB0.8 million in 2020 to RMB1.8 million in 2021, primarily due to an increase in employee benefits expenses as a result of (i) an increase in the number of headcount of our sales and marketing staff; and (ii) an increase in average compensation paid to our sales staff due to our business expansion. The proportion of distribution costs out of our revenue remained relatively stable at 0.9% in 2020 and 0.8% in 2021.

Administrative Expenses

Our administrative expenses increased by 295.4% from RMB3.5 million in 2020 to RMB13.9 million in 2021, primarily due to (i) an increase in employee benefits expenses by RMB4.7 million as a result of an increase in the number of headcount of our business operations and administration staff to support our business growth and an increase in average compensation paid to our business operations and administration staff; (ii) an increase in consultation and agency fees by RMB2.2 million due to the engagement of professional service providers for potential A-share listing in the PRC; (iii) an increase in depreciation and amortization by RMB1.3 million arising from the depreciation of right-of-use assets in relation to our office leases and the depreciation of our passenger vehicles in property, plant and equipment; and (iv) an increase in impairment loss by RMB1.0 million in relation to trade and other receivables. Our administrative expenses as a percentage of revenue increased from 4.0% in 2020 to 6.5% in 2021.

R&D Expenses

Our R&D expenses increased by 67.6% from RMB28.4 million in 2020 to RMB47.6 million in 2021, primarily due to (i) an increase in material costs by RMB16.0 million due to increased procurement of raw materials for our R&D projects, which increased from 31 in 2020 to 45 in 2021; (ii) an increase in employee benefits expenses by RMB2.5 million due to an increase in average compensation paid to R&D staff.

Our R&D expenses as a percentage of revenue decreased from 32.0% in 2020 to 22.4% in 2021, primarily due to the significant growth of our revenue in 2021.

Finance Costs

Our finance costs remained relatively stable at RMB4.0 million in 2020 and RMB3.9 million in 2021.

Income Tax

Our income tax was nil in 2020 due to the preferential tax treatment and additional deduction on R&D expenses. Our income tax was nil in 2021 due to the preferential tax treatment, additional deduction on R&D expenses and the unused tax losses in 2021.

Profit for the Year

As a result of the foregoing, we recorded a profit of RMB14.0 million in 2020 and RMB57.0 million in 2021.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our cash requirements primarily through cash generated from operating activities, capital contributions by investors and bank loans. In the future, we expect to continue relying on cash flows from operations, net [**REDACTED**] from the [**REDACTED**], and other debt to fund our working capital needs.

Cash Flows

The following table sets forth a summary of our statements of cash flows for the periods indicated:

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

Net Cash (Used in)/Generated from Operating Activities

In 2020, our net cash used in operating activities was RMB41.5 million, primarily due to our profit before tax of RMB14.0 million, as adjusted by (i) non-cash items, which primarily included finance costs of RMB4.0 million; and (ii) changes in working capital, which primarily included (a) an increase in inventories of RMB31.5 million due to the growth of our sales volume; and (b) an increase in prepayments of RMB28.6 million due to our increased procurement volume of raw materials.

In 2021, our net cash generated from operating activities was RMB8.8 million, primarily due to our profit before tax of RMB57.0 million, as adjusted by (i) non-cash items, which primarily included finance costs of RMB3.9 million; and (ii) changes in working capital, which primarily included (a) an increase in prepayments of RMB43.7 million due to our increased procurement volume of raw materials; (b) an increase in inventories of RMB12.0 million due to the growth of our sales volume; (c) an increase in trade and other payables of RMB11.2 million due to increase in contract liabilities in relation to the advance payments we received for sales of products; and (d) an increase in trade and other receivables of RMB8.8 million due to the revenue growth for both sales of power management products and signal chain products.

In 2022, our net cash used in operating activities was RMB31.4 million, primarily due to our profit before tax of RMB96.8 million, as adjusted by (i) non-cash items, which primarily included depreciation of right-of-use assets of RMB2.2 million; and (ii) changes in working capital, which primarily included (a) an increase in prepayments of RMB126.9 million due to our increased procurement volume of raw materials; (b) an increase in trade and other payables of RMB74.7 million due to increase in bills payable in relation to bank acceptance we used for settlement in 2022; (c) an increase in trade and other receivables of RMB37.9 million due to the revenue growth for both sales of power management products and signal chain products; (d) an increase in pledge bank deposits of RMB21.2 million as a guarantee to issue bank acceptance bills; and (e) an increase in inventories of RMB19.8 million due to the growth of our sales volume.

Net Cash (Used in)/Generated from Investing Activities

In 2020, our net cash used in investing activities was RMB48.9 million, primarily due to payments for acquisition of financial assets measured at FVTPL of RMB117.5 million and payment for the purchase of property, plant and equipment of RMB5.8 million, partially offset by proceeds from disposal of financial assets measured at FVTPL of RMB63.9 million and repayments of loans and borrowings to related parties of RMB11.7 million.

In 2021, our net cash generated from investing activities was RMB19.6 million, primarily due to proceeds from disposal of financial assets measured at FVTPL of RMB106.3 million, partially offset by payments for acquisition of financial assets measured at FVTPL of RMB51.0 million and payment for the purchase of property, plant and equipment of RMB35.9 million.

In 2022, our net cash used in investing activities was RMB15.5 million, primarily due to payments for acquisition of financial assets measured at FVTPL of RMB462.7 million and payment for the purchase of property, plant and equipment of RMB18.7 million, partially offset by proceeds from disposal of financial assets measured at FVTPL of RMB464.4 million.

Net Cash Generated from Financing Activities

In 2020, our net cash generated from financing activities was RMB91.1 million, primarily due to proceeds from the issue of financial instruments to investors of RMB45.0 million, capital contributions by investors of RMB44.5 million and proceeds from loans and borrowings of RMB20.0 million, partially offset by repayment of loans and borrowings of RMB21.6 million.

In 2021, our net cash generated from financing activities was RMB104.9 million, primarily due to proceeds from the issue of financial instruments to investors of RMB70.5 million, proceeds from loans and borrowings of RMB30.5 million and capital contributions by investors of RMB25.2 million, partially offset by repayment of loans and borrowings of RMB20.0 million.

In 2022, our net cash generated from financing activities was RMB62.6 million, primarily due to proceeds from loans and borrowings of RMB153.7 million, partially offset by repayment of loans and borrowings of RMB88.8 million.

Current Assets/Liabilities

The following table sets forth our current assets and current liabilities of the statements of financial position as of the respective dates indicated:

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

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

Our net current assets increased from RMB259.6 million as of December 31, 2021 to RMB334.7 million as of December 31, 2022, primarily due to (i) an increase in trade and other receivables of RMB35.3 million; (ii) a decrease in payment for the purchase of property, plant and equipment of RMB17.2 million; and (iii) an increase in cash and cash equivalents of RMB15.7 million mainly due to proceeds from our operating activities.

Our net current assets increased from RMB334.7 million as of December 31, 2022 to RMB367.0 million as of April 30, 2023, primarily due to (i) an increase in prepayments of RMB83.6 million for the purchase of raw materials; (ii) an increase in pledged bank deposits of RMB42.1 million as a guarantee to issue bank acceptance bills; (iii) an increase in financial assets at FVTPL of RMB30.1 million due to our increased investment in wealth management products. This was partially offset by an increase in trade and other payables of RMB119.4 million, including primarily bills payable.

DISCUSSION OF CERTAIN ITEMS OF STATEMENTS OF FINANCIAL POSITION

Property, Plant and Equipment

Our property, plant and equipment primarily consist of equipment and machinery, passenger vehicles, office equipment and furniture, construction in progress and leasehold improvements. The following table sets forth the net carrying amount of our property, plant and equipment as of the dates indicated:

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

Our property, plant and equipment increased from RMB1.4 million as of December 31, 2020 to RMB7.4 million as of December 31, 2021, primarily due to (i) additions of construction in progress of RMB4.8 million; and (ii) additions of passenger vehicles of RMB1.1 million.

Our property, plant and equipment increased from RMB7.4 million as of December 31, 2021 to RMB59.3 million as of December 31, 2022, primarily due to (i) additions of construction in progress of RMB45.5 million in relation to the equipment pending installation, which we purchased for conducting R&D activities; and (ii) additions of equipment and machinery of RMB7.2 million, partially offset by the depreciation of RMB0.8 million charged for 2022.

Right-of-use Assets

Our right-of-use assets represent carrying amounts of long-term leased properties. The lease terms typically range from two to three years for an initial period.

Our right-of-use assets increased from RMB0.2 million as of December 31, 2020 to RMB4.8 million as of December 31, 2021, primarily due to additions to right-of-use assets in relation to the capitalized lease payments payable under the new tenancy agreement in Suzhou for business expansion.

Our right-of-use assets decreased from RMB4.8 million as of December 31, 2021 to RMB3.4 million as of December 31, 2022, primarily due to the depreciation charge and lease modification of right-of-use assets, which was partially offset by additions to right-of-use assets.

Other Non-current Assets

Our other non-current assets primarily consist of prepayments for property, plant and equipment.

Our other non-current assets increased from RMB4.9 million as of December 31, 2020 to RMB32.7 million as of December 31, 2021, primarily due to the prepayments for equipment purchased for enhancing our R&D capacity. Our other non-current assets decreased from RMB32.7 million as of December 31, 2021 to RMB2.7 million as of December 31, 2022, primarily due to the delivery of equipment in 2022.

Inventories

Our inventories primarily consist of (i) raw materials, including untested foundry-manufactured wafers; and (ii) finished goods. Our raw materials are transferred to finished goods after the testing process, which only takes less than a month to complete. Our inventories increased from RMB44.4 million as of December 31, 2020 to RMB56.5 million as of December 31, 2021, and further to RMB76.3 million as of December 31, 2022, primarily due to the inventories held in stock based on our customers' needs, which was in line with our business growth.

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

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

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

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

Note:

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

Our inventory turnover days decreased from 261.9 days in 2020 to 198.6 days in 2021, and further to 158.2 days in 2022, due to our closely monitoring and adjustment of inventory level to avoid excessive stock.

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

Trade and Other Receivables

During the Track Record Period, our trade receivables primarily represent receivables from customers for sales of analog IC patterned wafer products. The credit period granted to our customers was generally 30 days to 90 days from the date of invoice. Our other receivables and deposits primarily represent VAT recoverable, loans to employees, contingency cash for business trips and sporadic purchases and rental deposits. The following table sets forth our trade and other receivables, as of the dates indicated:

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

Our trade receivables increased from RMB18.0 million as of December 31, 2020 to RMB27.8 million as of December 31, 2021, and further to RMB64.9 million as of December 31, 2022, primarily due to an increase in revenue generated from the increased amount of sales of both power management products and signal chain products, which was in line with our business expansion. Our other receivables and deposits increased from RMB1.8 million as of December 31, 2020 to RMB3.3 million as of December 31, 2021, and decreased from RMB3.3 million as of December 31, 2021 to RMB2.2 million as of December 31, 2022, due to changes in VAT recoverable.

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

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

We generally recovered trade receivables within three months. Our trade receivables aged over three months increased significantly as of December 31, 2022, which was primarily related to the extended payment period for our largest customer due to the impact of COVID-19 on the payment process, and the amount due from which as of December 31, 2022 had been fully received as of the Latest Practicable Date. We seek to maintain strict control over our trade receivables and overdue balances are reviewed monthly by senior management. There was no material recoverability issue for our trade receivables as of the end of each year during the Track Record Period. In 2020, 2021 and 2022, our loss allowance was RMB0.9 million, RMB1.5 million and RMB3.4 million, respectively. Our Directors consider sufficient provision for impairment of trade receivables had been made.

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

	Year ended December 31,		
	2020	**2021**	**2022**
Trade receivables turnover days[1]	72.8	39.4	48.0

Note:

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

The trade receivable turnover days indicate the average time required for us to collect payments. Our trade receivables turnover days decreased from 72.8 days in 2020 to 39.4 days in 2021, as we enhanced our credit collection efforts in 2021. Our trade receivables turnover days increased from 39.4 days in 2021 to 48.0 days in 2022, due to extended payment period for our largest customer located in Shanghai due to the resurgence of COVID-19 variants in China in 2022.

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

Prepayments

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

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

Our prepayments increased from RMB32.2 million as of December 31, 2020 to RMB75.9 million as of December 31, 2021, and further to RMB202.8 million as of December 31, 2022, primarily due to our increasing procurement volume of foundry-manufactured wafers, which was in line with our business growth.

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

Financial Assets at FVTPL

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

We have categorized our financial instruments into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The fair value of our investments in Level 2 as of December 2020 was the estimated amount that we would receive to transfer the financial assets at the end of 2020, taking into account current interest rates published on the counterparty banks' websites. For details of the fair value measurement of our financial assets, please refer to note 27(d) to the Accountants' Report set out in Appendix I to this document.

Trade and Other Payables

Our trade and other payables include (i) trade payables, which primarily related to payments due to a supplier for chip probing services; (ii) bills payable, which primarily related to payments due to our wafer channel partner; (iii) contract liabilities, which mainly arise from the advance payments made by customers before we provided the analog IC patterned wafer products, and the advance payments received for an entrusted R&D agreement; and (iv) other payables and accruals, which primarily include investment payables from an investor and equipment payables in relation to the renovation of our leased premises in Suzhou and Shanghai and the purchase of equipment for R&D. The following table sets forth our trade and other payables, as of the dates indicated:

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

Our contract liabilities increased from RMB0.3 million as of December 31, 2020 to RMB6.5 million as of December 31, 2021, and further to RMB10.6 million as of December 31, 2022, reflecting an increase in advance payments for sales of products as the demand for our analog IC patterned wafer products increased. We only require customers to make advance payment when they request for our products to be delivered on an urgent basis. As of April 30, 2023, RMB10.6 million, or 100.0%, of our contract liabilities as of December 31, 2022 was recognized as revenue.

Other payables and accruals remained stable at RMB10.3 million as of December 31, 2020 and RMB10.0 million as of December 31, 2021. Other payables and accruals increased from RMB10.0 million as of December 31, 2021 to RMB16.6 million as of December 31, 2022, primarily due to increased equipment payables in relation to the renovation of our leased premise in Suzhou and purchase of R&D equipment.

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

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

During the Track Record Period, the credit period granted to us would be around 30 days by our chip probing service provider, from the date of invoice. Our trade payables and bills payable increased from RMB0.8 million as of December 31, 2020 to RMB2.1 million as of December 31, 2021, reflecting the expansion of our business operations. Our trade payables and bills payable increased from RMB2.1 million as of December 31, 2021 to RMB68.8 million as of December 31, 2022, primarily due to our use of bank acceptance for settlement, which normally has a term of three to nine months. Our trade payables and bills payable aged three to six months and six to 12 months increased as of December 31, 2022 compared to the amount as of December 31, 2021 due to the same reason.

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

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

Note:

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

Our trade payables turnover days decreased from 12.0 days in 2020 to 5.8 days in 2021, and further to 4.5 days in 2022, primarily due to increase in cost of sales, which primarily consists of material costs, the largest component of our cost of sales with rapid growth. Meanwhile, payments due to our wafer channel partner were not included in trade payables during the Track Record Period as we either made prepayments to wafer channel partner or included the payments due to wafer channel partner in bills payable.

As of April 30, 2023, RMB1.7 million, or 100.0%, of our trade payables as of December 31, 2022, had been subsequently settled.

Financial Instruments Issued to Investors

Pursuant to the agreements between our investors and us, certain investors were granted the right to liquidate us and receive a preference amount upon liquidation or require us to redeem their paid-in capital for cash upon specified events, including a resignation of the founders (the "**Preferred Rights**"). We recognized the obligation to pay cash to those investors with Preferred Rights as financial liabilities, because not all triggering events are within our control. The financial liabilities are measured at the present value of the redemption amount. The financial instruments issued to investors was RMB106.0 million as of December 31, 2020.

In December 2021, pursuant to the supplementary agreement signed by our investors with Preferred Rights and us, the investors' Preferred Rights were terminated. Hence, the redemption liabilities were derecognized and the carrying amount of the redemption liabilities were reclassified to equity thereafter.

INDEBTEDNESS

Our indebtedness primarily consist of loans and borrowings and lease liabilities. The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of April 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*
Loans and borrowings	20,029	30,508	95,512	100,414
Lease liabilities	267	6,386	6,570	6,119
Total indebtedness	20,296	36,894	102,082	106,533

Loans and Borrowings

The following table sets forth the principal amounts of our interest-bearing bank loans as of the dates indicated:

	As of December 31,			As of April 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)
Bank loans, within 1 year or on demand	20,029	30,508	95,512	100,414
Represented by:				
– guaranteed	20,029	10,500	–	–
– unsecured and unguaranteed	–	20,008	95,512	100,414
	20,029	30,508	95,512	100,414

Our total outstanding bank loans increased from RMB20.0 million as of December 31, 2020 to RMB30.5 million as of December 31, 2021, and further to RMB95.5 million as of December 31, 2022, primarily due to increasing financing activities as a result of our business expansion, which was used to support our working capital.

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

We consider our bank borrowing agreements to contain standard terms, conditions and covenants that are customary for commercial bank loans. Our Directors confirm that we did not experience any difficulty in obtaining bank borrowings, default in payment of bank borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Lease Liabilities

Lease liabilities represent the present value of outstanding lease payments under our lease agreements. The following table sets forth our lease liabilities as of the dates indicated:

	As of December 31,			As of April 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)
Current	267	2,229	3,627	4,249
Non-current	–	4,157	2,943	1,870
Total	267	6,386	6,570	6,119

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

CONTINGENT LIABILITIES

We did not have any contingent liabilities as of December 31, 2020, 2021 and 2022, respectively. As of April 30, 2023, being the indebtedness date for the purpose of the indebtedness statement, we did not have any contingent liabilities. Our Directors have confirmed that there has not been any material change in the contingent liabilities of our Company since April 30, 2023 and up to the Latest Practicable Date.

KEY FINANCIAL RATIOS

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

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

Gross Profit Margin

Gross profit margin is calculated by the gross profit divided by the revenue for the respective year and multiplied by 100%. See "– Discussion of Results of Operations" in this section for more details on our gross profit margin.

Current Ratio and Quick Ratio

The calculation of current ratio is based on current assets divided by current liabilities as of the year end. Our quick ratio is calculated by our current assets less inventories divided by our current liabilities as of the year end.

Our current ratio increased from 5.2 times as of December 31, 2020 to 6.1 times as of December 31, 2021 and our quick ratio increased from 3.8 times as of December 31, 2020 to 5.0 times as of December 31, 2021, primarily due to the increase in current assets outpaced the increase in current liabilities. The increase in current assets was primarily due to (i) an increase in cash and cash equivalents of RMB133.3 million, mainly due to the proceeds we received from the redeemed wealth management products at the end of 2021, the capital contributions by investors and proceeds from our operating activities; and (ii) an increase in prepayments of RMB43.7 million.

Our current ratio decreased from 6.1 times as of December 31, 2021 to 2.7 times as of December 31, 2022 and our quick ratio decreased from 5.0 times as of December 31, 2021 to 2.3 times as of December 31, 2022, primarily due to the increase in current liabilities outpaced the increase in current assets, including (i) an increase in trade and other payables of RMB77.5 million; and (ii) an increase in loans and borrowings of RMB65.0 million, which was partially offset by an increase in prepayment of RMB127.0 million.

Gearing Ratio

The calculation of gearing ratio is based on our loans and borrowings divided by total equity for the respective year and multiplied by 100.0%. Our gearing ratio decreased from 59.2% as of December 31, 2020 to 10.1% as of December 31, 2021, primarily due to an increase in total equity from RMB33.8 million as of December 31, 2020 to RMB300.6 million as of December 31, 2021 as a result of termination of financial instruments issued to investors.

Our gearing ratio increased from 10.1% as of December 31, 2021 to 24.1% as of December 31, 2022, primarily due to an increase in our loans and borrowings from RMB30.5 million as of December 31, 2021 to RMB95.5 million as of December 31, 2022.

Return on Equity

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

Our return on equity decreased from 70.0% in 2020 to 34.1% in 2021, and further decreased to 27.4% in 2022, primarily due to the significant increase in our equity.

Return on Total Assets

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

Our return on total assets increased from 12.0% in 2020 to 21.6% in 2021, primarily due to higher profits derived from industry-grade analog IC patterned wafer products. Our return on total assets decreased from 21.6% in 2021 to 20.0% in 2022, primarily due to the increase in our total assets.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital Expenditures

Our capital expenditures during the Track Record Period consist of expenditures on the additions to property, plant and equipment. Our capital expenditures amounted to RMB5.8 million, RMB35.9 million and RMB18.7 million in 2020, 2021 and 2022, respectively. Historically, we have funded our capital expenditures mainly through cash generated from our operations, the capital contributions by investors and bank borrowings.

We expect our capital expenditures to increase in the future as our business continues to grow, which we will use primarily for the renovation of our leased premises. We expect to fund future capital expenditures through cash generated from operations, bank borrowings and the net [**REDACTED**] from the [**REDACTED**].

Capital Commitments

Our capital commitments primarily relate to additions to property, plant and equipment contracted but not provided for. Our capital commitments were RMB0.2 million, RMB2.4 million and RMB0.8 million as of December 31, 2020, 2021 and 2022, respectively.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into transactions with our related parties from time to time. These transactions primarily include but not limited to (i) loans and borrowings lent to related parties and the repayment of loans and borrowings; and (ii) sales of products to a company in 2020. The company was our related party before August 2020 and purchased our analog IC patterned wafer products as a distributor in 2020.

As of December 31, 2020, 2021 and 2022, amounts due from related parties was RMB1.2 million, RMB0.6 million and nil, respectively. For detail of our related party transactions, see note 29 to the Accountants' Report in Appendix I to this document.

It is the view of our Directors that our transactions with related parties during the Track Record Period was conducted on an arm's length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our historical results or make our historical results not reflective of our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we did not have any material off-balance sheet commitments or arrangements.

FINANCIAL RISKS DISCLOSURE

Credit Risk

Our credit risk is primarily attributable to trade receivables. For trade receivables, we experience concentration risk as all of our trade receivables were due from our five largest customers during the Track Record Period, and 39.02%, 99.96% and 89.17% of the total trade receivables were due from the largest single customer as of December 31, 2020, 2021 and 2022, respectively.

We have established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 days to 90 days from the date of invoice. Normally, the Company does not obtain collateral from customers.

We performed impairment assessment under ECL model. For details of information about exposure to credit risk and ECLs for trade receivables, please refer to note 27(a) to the Accountants' Report included in Appendix I to this document.

For prepayments and other receivables and deposits, credit risk is limited since the balance mainly includes prepayments to reputable suppliers, value-added-tax recoverable, deposits to landlord, and debts due from related parties.

For cash and cash equivalents and pledged bank deposits, credit risk is limited because the counterparties are state-owned banks or reputable commercial banks for which we consider to have low credit risk.

Liquidity Risk

Our policy is to regularly monitor liquidity requirements, and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. For details of remaining contractual maturities at the end of each Track Record Period of our financial liabilities, please refer to note 27(b) to the Accountants' Report included in Appendix I to this document.

Interest Rate Risk

Our interest rate risk arises primarily from cash at bank, pledged bank deposits and interest-bearing borrowings. The Company's interest-bearing financial instruments at variable rates as at December 31, 2020, 2021 and 2022 are primarily the cash at bank, and the cash flow interest rate risk arising from the change of market interest rate on these balances is not considered significant.

DIVIDENDS

No dividend had been paid or declared by our Company during the Track Record Period. There is no assurance that dividends of any amount will be declared or be distributed in any year. Although currently we do not have a formal dividend policy or a fixed dividend distribution ratio, our Board may declare dividends in the future after taking into account various factors, including our future earnings and cash inflows, future plan for use of funds, long-term development of our business, statutory reserves, discretionary common reserve funds, legal and regulatory restrictions, and other factors which our Directors consider relevant. Distribution of dividends will be decided by our Board at their discretion and will be subject to Shareholders' approval. In addition, our dividend policy will also be subject to our Articles of Association, the PRC Company Law, any other applicable PRC laws and regulations. In any event, we will pay dividends out of our profit after tax only after we have made the following allocations:

(a) recovery of accumulated losses, if any;

(b) allocation to the statutory common reserve fund an amount of 10% of our profit after tax, as determined under the Accounting Standards for Business Enterprises issued by the MOF (the "**PRC GAAP**"); until such fund has reached more than 50% of our registered capital; and

(c) allocation, if any, to a discretionary common reserve fund an amount approved by the shareholders in a shareholders' meeting.

Payment of dividends is subject to restrictions under PRC laws. Under PRC laws, dividends may be paid only out of distributable profits. Distributable profits are our net profit as determined under PRC GAAP, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make.

WORKING CAPITAL SUFFICIENCY

Our Directors are of the opinion that, taking into account the estimated net [**REDACTED**] from the [**REDACTED**] and the financial resources available to us, including expected cash generated from operating activities, we have sufficient working capital to meet our present needs and for the next 12 months from the date of this document.

DISTRIBUTABLE RESERVES

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

[**REDACTED**] EXPENSES

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

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Company prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA is set out below to illustrate the effect of the [**REDACTED**] on the net tangible assets of the Company as of December 31, 2022 as if the [**REDACTED**] had taken place on December 31, 2022.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the net tangible assets of the Company had the [**REDACTED**] been completed as of December 31, 2022 or any future date.

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

Notes:

(1) The net tangible assets of the Company as of December 31, 2022 is calculated based on the audited total equity of the Company of RMB395,835,000 as of December 31, 2022, less the intangible assets of RMB254,000 as of December 31, 2022, extracted from the Accountants' Report set out in Appendix I to the document.

(2) The estimated net [**REDACTED**] from the [**REDACTED**] are based on the expected [**REDACTED**] of [**REDACTED**] H Shares and the indicative [**REDACTED**] of HK$[**REDACTED**] and HK$[**REDACTED**] per [**REDACTED**], respectively, being the lower end price and higher end price of the stated [**REDACTED**] range, after deduction of estimated [**REDACTED**] fee and other related [**REDACTED**] expenses payable by the Company (nil [**REDACTED**] expenses have been accounted for prior to December 31, 2022), respectively, and does not take into account of any Shares which may be issued upon the exercise of the [**REDACTED**].

(3) The unaudited pro forma adjusted net tangible assets of the Company per Share is arrived at after the above adjustment and on the basis that [**REDACTED**] Shares in issue immediately following the completion of the [**REDACTED**] and assuming that the [**REDACTED**] had been completed on December 31, 2022 without taking into account of the Shares which may be issued upon exercise of the [**REDACTED**].

(4) For illustrative purpose, the estimated net [**REDACTED**] from the [**REDACTED**] are converted from Hong Kong dollar into Renminbi and the unaudited pro forma adjusted net tangible assets of the Company per Share is converted from the Renminbi into Hong Kong dollar at a rate of HK$1 = RMB0.91175, being the PBOC rate prevailing on the Latest Practicable Date. No representation is made that the Hong Kong dollars amounts have been, could have been or may be converted into Renminbi, or vice versa at that rate.

(5) No adjustment has been made to reflect any trading result or other transactions of the Company entered into subsequent to December 31, 2022.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this document, there had been no material adverse change in our financial or trading position or prospects since December 31, 2022, being the end date of our latest audited financial statements, and there had been no event since December 31, 2022 that would materially affect the information shown in the Accountants' Report set out in Appendix I.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

See "Business – Our Strategies" for a detailed description of our future plans.

[REDACTED]

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

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

- Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used for enhancing our R&D and innovation capabilities, including:

  i. approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used to invest in R&D infrastructure and upgrade our R&D center. Specifically, we plan to purchase equipment and other fixed assets and upgrade our R&D center for in-depth research and analysis of processing technology.

  ii. approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used to upgrade our R&D technology. We plan to introduce cutting-edge technologies such as deep learning and AI, and continue to upgrade the key technologies applied in our proprietary EDA software and IP library to further optimize our design capabilities.

  iii. approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used to expand our R&D team to increase our competitive advantages in the industry. We plan to recruit R&D staff with around three years of work experience in the IC industry.

- Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used to further enrich our product portfolio and expand our business, including:

  i. approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used to improve and upgrade our analog IC product line. We will further upgrade the performance of analog IC power management and signal chain product lines and focus on the development of new products to meet the needs of our downstream industries, including automotive electronics, healthcare, industrial automation, industrial Internet of Things, industrial lighting, instrumentation, communications, electric power, energy storage and high-end consumer electronics. We also plan to expand applications of our products to other downstream industries such as new energy.

ii. approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used to develop a mixed-signal IC product line to further enrich our main product categories and meet our customers' growing demand in diversified and emerging application fields, such as industrial, automotive and aerospace areas.

- Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used to expand our customer base and strengthen our relationship with customers, including:

i. approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used to establish sales centers. We plan to recruit sales and marketing staff to expand the geographical coverage of our sales network and provide local customers with better services.

ii. approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used to maintain customer relationship and develop new customers. We will continue to deepen our relationship with existing customers, and expand sales channels to attract new customers in key targeted industries such as new energy.

- Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used for strategic investments and/or acquisition to achieve our long-term growth strategies. We seek potential investment and acquisition opportunities in China's semiconductor industry chain and select potential targets based on the following general selection criteria:

(i) the target should be in the growth stage of development;

(ii) the business of the target should have synergies with or is complementary to our business. Specifically, the target should (a) have strong technological capabilities that are complementary to ours and unique insights in analog IC design; (b) be able to enhance the functionalities of our analog IC design platform and improve our design efficiency; or (c) be able to expand our product offerings and accelerate our market penetration into additional industry verticals; and

(iii) the management team should have appropriate knowledge and substantial experience in the semiconductor industry.

Our Directors are of the view that there are sufficient number of targets available for us to acquire. According to Frost & Sullivan, it is estimated that there could be above 200 potential targets that meet the above criteria in China's semiconductor industry. As of the Latest Practicable Date, we had not identified or pursued any acquisition target.

- Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used for working capital and general corporate purposes.

The above allocation of the net [**REDACTED**] from the [**REDACTED**] will be adjusted on a pro rata basis in the event that the [**REDACTED**] is fixed at a higher or lower level compared to the mid-point of the estimated [**REDACTED**] range.

If the [**REDACTED**] is fully exercised, the net [**REDACTED**] that we will receive will be approximately HK$[**REDACTED**] million, assuming the [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**] range). In the event that the [**REDACTED**] is exercised, we intend to apply the additional net [**REDACTED**] to the above purposes on a pro rata basis.

If the net [**REDACTED**] of the [**REDACTED**] are not immediately applied to the above purposes, we will only deposit those net [**REDACTED**] into short-term interest-bearing accounts at (i) licensed commercial banks in Hong Kong or the PRC, and/or (ii) other authorized financial institutions (as defined under the SFO) in Hong Kong.

We will issue an appropriate announcement if there is any change to the above proposed use of [**REDACTED**].

[**REDACTED**]

[REDACTED]

[**REDACTED**]

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[REDACTED]

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

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BATELAB CO., LTD. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of BaTeLab Co., Ltd. (the "Company") set out on pages I-[4] to I-[●], which comprises the statements of financial position of the Company as at 31 December 2020, 2021 and 2022 and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows, for each of the years ended 31 December 2020, 2021 and 2022 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-[4] to I-[●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [*date*] (the "Document") in connection with the [**REDACTED**] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's financial position as at 31 December 2020, 2021 and 2022 and of the Company's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[4] have been made.

Dividends

We refer to note 26(a) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

[*Date*]

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Company for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP Suzhou Branch (畢馬威華振會計師事務所(特殊普通合夥)蘇州分所) in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

STATEMENTS OF FINANCIAL POSITION

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

STATEMENTS OF CHANGES IN EQUITY

		Attributable to equity shareholders of the Company						
	Note	**Paid-in capital** *RMB'000* *(note 26(b))*	**Capital reserve** *RMB'000* *(note 26(d)(ii))*	**Share capital** *RMB'000* *(note 26(c))*	**Share premium** *RMB'000* *(note 26(d)(i))*	**PRC statutory reserves** *RMB'000* *(note 26(d)(iii))*	**(Accumulated losses)/Retained profits** *RMB'000*	**Total equity** *RMB'000*
Balance at 1 January 2020		6,152	32,435	—	—	—	(60,317)	(21,730)
Profit and total comprehensive income for the year		—	—	—	—	—	13,995	13,995
Issuance of financial instruments to investors	*25,26(b)*	1,166	43,834	—	—	—	—	45,000
Recognition of financial instruments issued to investors as non-current liabilities	25	—	(48,000)	—	—	—	—	(48,000)
Capital contributions by investors	*26(b)*	1,154	43,388	—	—	—	—	44,542
Balance at 31 December 2020 and 1 January 2021		8,472	71,657	—	—	—	(46,322)	33,807
Profit and total comprehensive income for the year		—	—	—	—	—	56,969	56,969
Capital contributions by investors	*25,26(b)*	2,796	22,404	—	—	—	—	25,200
Issuance of financial instruments to investors	*26(b)*	1,103	34,397	495	39,505	—	—	75,500
Recognition of financial instruments issued to investors as non-current liabilities	25	—	(38,500)	—	(44,000)	—	—	(82,500)
Conversion into a joint stock company	*26(c)*	(12,371)	(89,958)	12,371	67,439	—	22,519	—
Share capital increased by share premium transfer	*26(c)*	—	—	32,134	(32,134)	—	—	—
Termination of financial instruments issued to investors	25	—	—	—	191,597	—	—	191,597
Appropriation to reserves		—	—	—	—	4,730	(4,730)	—
Balance at 31 December 2021 and 1 January 2022		—	—	45,000	222,407	4,730	28,436	300,573
Profit and total comprehensive income for the year		—	—	—	—	—	95,262	95,262
Appropriation to reserves		—	—	—	—	9,527	(9,527)	—
Balance at 31 December 2022		—	—	45,000	222,407	14,257	114,171	395,835

STATEMENTS OF CASH FLOWS

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

		Year ended 31 December		
	Note	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
Financing activities:				
Capital element of lease rentals paid	*20(b)*	(579)	(414)	(728)
Interest element of lease rentals paid	*20(b)*	(15)	(179)	(248)
Proceeds from loans and borrowings	*20(b)*	20,000	30,480	153,747
Repayment of loans and borrowings	*20(b)*	(21,630)	(20,000)	(88,814)
Capital contributions by investors		44,542	25,200	—
Proceeds from the issue of financial instruments to investors	*20(b)*	45,000	70,500	—
Interest paid	*20(b)*	(1,253)	(651)	(1,332)
Loans and borrowing from a related party	*29(b)*	500	—	—
Repayment of loans and borrowing from a related party	*29(b)*	(500)	—	—
Other cash flows arising from financing activities		5,000	—	—
Net cash generated from financing activities		91,065	104,936	62,625
Net increase in cash and cash equivalents		686	133,343	15,729
Cash and cash equivalents at 1 January	*20(a)*	12,749	13,435	146,778
Cash and cash equivalents at 31 December	*20(a)*	13,435	146,778	162,507

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

BaTeLab Co., Ltd.* (the "Company") (蘇州貝克微電子股份有限公司), formerly known as BaTeLab Co., Ltd. (蘇州貝克微電子有限公司) was incorporated in Suzhou, Jiangsu Province, People's Republic of China (the "PRC") on 12 November 2010 as a limited liability company. In November 2021, the Company was converted from a limited liability company into a joint stock limited liability company.

During the Relevant Periods, the Company is principally engaged in research, development and sale of high-performance analog integrated circuit design products.

The statutory financial statements of the Company for the years ended 31 December 2020, 2021 and 2022 were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC (the "PRC GAAP") and audited by Jiangsu Suruihua Certified Public Accountants Co., Ltd.* (江蘇蘇瑞華會計師事務所有限公司).

The Company has adopted 31 December as its financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (the "HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Further details of the significant accounting policies adopted are set out in Note 2.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Company has adopted all applicable new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period ended 31 December 2022. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning 1 January 2023 are set out in Note 32.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

The financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, unless otherwise stated.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following asset stated at their fair value as explained in the accounting policies set out below:

— other investments (see note 2(c))

(b) Use of estimates and judgments

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

* The English translation of all above companies is for reference only. The official names of the companies established in the PRC are in Chinese.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Other investments

The Company's policies for investments, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments are recognised/derecognised on the date the Company commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Company determines fair value of financial instruments, see note 27(d). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Company are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(r)(ii)).

— fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

— fair value through profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(g)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(t)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

— Leasehold improvements	the unexpired lease term of 3 years
— Equipment and machinery	3-10 years
— Passenger vehicles	4 years
— Office equipment and furniture	3-5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is stated at cost less impairment losses (see note 2(g)(ii)). Capitalisation of construction in progress costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

(e) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2(t)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses(see note 2(g)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(g)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. Software is amortised from the date it is available for use over its estimated useful life of 10 years. Both the period and method of amortisation are reviewed annually.

(f) Right-of-use assets

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Company has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Company recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Company are primarily passenger vehicles and staff dormitories. When the Company enters into a lease in respect of a low-value asset, the Company decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(g)(ii)). Depreciation is calculated using the straight-line method over the unexpired term of lease.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Company will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 *Leases*. In such cases, the Company has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the statements of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

The Company presents right-of-use assets that do not meet the definition of investment property in "right-of-use assets" and presents lease liabilities separately in the statements of financial position.

(ii) As a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Company allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(r)(iii).

When the Company is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Company applies the exemption described in note 2(f)(i), then the Company classifies the sub-lease as an operating lease.

(g) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Company recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents, pledged bank deposits, trade and other receivables and prepayments).

Other financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

The expected cash shortfalls are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

In measuring ECLs, the Company takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Company recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Company compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Company considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or (ii) the financial asset is 30 days past due. The Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Company.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Company recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 2(r)(ii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Company assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or past due event;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— right-of-use assets; and

— intangible assets.

If any such indication exists, the asset's recoverable amount is estimated.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— *Reversals of impairment losses*

In respect of assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(h) Inventories and other contract costs

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business or in the form of materials or supplies to be consumed in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Other contract costs

Other contract costs are the costs to fulfil a contract with a customer, which are not capitalised as inventory (see note 2(h)(i)), property, plant and equipment (see note 2(d)) or intangible assets (see note 2(e)), are expensed as incurred.

(i) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Company recognises the related revenue (see note 2(r)). A contract liability would also be recognised if the Company has an unconditional right to receive non-refundable consideration before the Company recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(j)).

(j) Trade and other receivables

A receivable is recognised when the Company has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see note 2(g)(i)).

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(g)(i).

(l) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(m) Financial instruments issued to investors with preferred rights

The Company recognises as a financial liability its obligation to purchase its own equity instruments for cash or another financial asset. The financial liability is initially measured at the present value of the redemption amount and subsequently measured at amortised cost.

The Company derecognises the financial liability when, and only when, the Company's obligation is discharged, cancelled or has expired.

(n) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Company's accounting policy for borrowing costs (see note 2(t)).

(o) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses and contributions to defined contribution retirement plans are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Company can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Company controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Provisions and contingent liabilities

Provisions are recognised when the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Revenue and other income

Income is classified by the Company as revenue when it arises from the sale of goods, the provision of services or the use by others of the Company's assets under leases in the ordinary course of the Company's business.

The Company is the principal for its revenue transactions and recognises revenue on a gross basis, including the sale of electronic products that are sourced externally. In determining whether the Company acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Company's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Company is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Company's revenue and other income recognition policies are as follows:

(i) Sale of goods and provision of services

Revenue is recognised when the customer takes possession of and accepts the products and/or services.

(ii) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(g)(i)).

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(iv) Government grants

Government grants are recognised in the statements of financial position initially when there is reasonable assurance that they will be received and that the Company will comply with the conditions attaching to them. Grants that compensate the Company for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Company for the cost of an asset are recognised initially as deferred income and amortised as income in the profit or loss on a straight-line basis over the useful life of the related asset.

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of each reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Company if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Company or the Company's parent.

(b) An entity is related to the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Company's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Company's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

There is no significant effect on the amounts recognised in the Historical Financial Information arising from the judgments, apart from those involving estimations, made by management in the process of applying the Company's accounting policies. The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(i) Allowance for impairment of trade and other receivables

The Company's management determines the loss allowance for expected credit losses on trade and other receivables based on an assessment of the present value of all expected cash shortfalls. These estimates are based on the information about past events, current conditions and forecasts of future economic conditions. The Company's management reassesses the loss allowance at each reporting period end.

(ii) Net realisable value of inventories

As described in note 2(h), net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions.

Management reassesses these estimations at the end of reporting period to ensure inventory is shown at the lower of cost and net realisable value.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products is as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15			
Disaggregated by major products			
— Sales of signal chain products	1,645	19,812	57,713
— Sales of power management products	87,075	192,899	294,797
	88,720	212,711	352,510

All revenue was recognised at a point in time.

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date.

The Company has applied the practical expedient in paragraph 121(a) of HKFRS 15 to its sales contracts for signal chain products and power management products that the Company will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of signal chain products and power management products that had an original expected duration of one year or less.

(b) Segment reporting

HKFRS 8, *Operating Segments*, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Company's chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, the Company has determined that it only has one operating segment which is the sales of signal chain products and power management products.

(i) Information about geographical area

All of the Company's revenue is derived from the sales of signal chain products and power management products in mainland China and the principal non-current assets employed by the Company are located in mainland China. Accordingly, no analysis by geographical segments has been provided for the Relevant Periods.

(ii) Information about major customers

Revenue from each major customer which accounted for 10% or more of the Company's revenue during the Relevant Periods is set out below:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Customer A	47,995	116,393	156,094
Customer B	26,245	75,804	126,585
Customer C	9,897	N/A*	39,849

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

5 OTHER INCOME AND NET GAIN

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

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

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

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

(i) Employees of the Company are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Company contributes funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

Due to the impact of an outbreak of COVID-19, a number of policies including the relief of social insurance have been promulgated by the government since February 2020 to expedite resumption of economic activities, which contributed to the relief of certain defined contribution plans during the year ended 31 December 2020.

The Company has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

(c) Other items:

	Note	Year ended 31 December		
		2020	2021	2022
		RMB'000	RMB'000	RMB'000
Cost of inventories	*16(b)*	54,080	122,710	213,004
Depreciation:				
– owned property, plant and equipment	*11*	571	684	1,149
– right-of-use assets	*12*	768	1,983	2,241
Research and development expenses *(i)*		28,405	47,609	84,879
Amortisation of intangible assets	*13*	—	15	30
Auditors' remuneration		32	23	42

(i) During the years ended 31 December 2020, 2021 and 2022, research and development expenses include staff costs and depreciation expenses of RMB11,773,000, RMB14,280,000 and RMB18,699,000, respectively, which amounts are also included in the respective total amounts disclosed separately above.

7 INCOME TAX IN THE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the statements of profit or loss and other comprehensive income represents:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Current tax:			
Provision for PRC income tax for the year	—	—	—
Deferred tax:			
Origination of temporary differences	—	—	1,562
	—	—	1,562

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	13,995	56,969	96,824
Notional tax on profit before taxation, calculated at the rates applicable in the PRC *(i)*	3,499	14,242	24,206
Effect of preferential tax rate *(ii)*	(1,400)	(5,188)	(10,506)
Effect of additional deduction on research and development expenses *(iii)*	(3,118)	(4,940)	(10,173)
Effect of deduction on equipment newly purchased during the period from 1 October 2022 to 31 December 2022 *(iv)*	—	—	(2,082)
Tax effect of non-deductible expenses	421	510	117
Tax effect of unused tax losses and deductible temporary differences not recognised, net of utilisation of tax losses and deductible temporary differences for which no deferred tax asset was recognised in previous periods	598	(4,624)	—
Actual tax expense	—	—	1,562

(i) Pursuant to the Enterprise Income Tax (the "EIT") Law of the PRC (the "EIT Law"), the Company is liable to EIT at a rate of 25% unless otherwise specified.

(ii) According to the EIT Law and its relevant regulations, entities that qualified as high-technology enterprise are entitled to a preferential income tax rate of 15%. The Company obtained the certificate of high-technology enterprise on 2 December 2020 and is subject to income tax rate at 15% for a three years period from 2020 to 2022. [The entity will renew the high-technology enterprise certificate in June 2023.]

According to the Notice of the State Council on Promulgation of Several Policies for Promoting the High-quality Development of Integrated Circuit and Software Industries in the New Era, from the year of being profitable, the Company can enjoy the exemption from EIT for the first two years and half reduced rate on statutory rate at 25% for the following three years (the "Tax Holiday"). The Company did not have any taxable income for the Relevant Periods.

(iii) Effective from 1 January 2020 to 30 September 2022, an additional 75% of qualified research and development expenses incurred is allowed to be deducted from taxable income under the PRC income tax law and its relevant regulations. Effective from 1 October 2022 to 31 December 2022, an additional 100% of qualified research and development expenses incurred is allowed to be deducted from taxable income under the EIT law and its relevant regulations.

(iv) In 2022, high-technology enterprises are allowed to deduct the full amount of equipment and appliances newly purchased during the period from 1 October 2022 to 31 December 2022 from the taxable income amount on a one-off basis in the current year and allowed to conduct 100% deduction before tax according to Announcement [2022] No.28 issued by the Ministry of Finance of the PRC, the State Taxation Administration of the PRC and the Ministry of Science and Technology of the PRC.

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Year ended 31 December 2020

2020	**Directors' fees**	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Li Zhen	—	171	88	1	260
Mr. Zhang Guangping	—	166	88	1	255
Mr. Li Yi	—	171	88	1	260
Mr. Kong Jianhua	—	—	—	—	—
Mr. Chen Datong *(a)*	—	—	—	—	—
Mr. Ma Guolin *(b)*	—	—	—	—	—
Supervisors					—
Ms. Zhou Feng *(c)*	—	98	3	1	102
Mr. Chen Xingyu *(d)*	—	—	—	—	—
Mr. Xue Liang *(e)*	—	—	—	—	—
Mr. Zhou Taotao *(f)*	—	72	1	1	74
Ms. Yu Binyan *(g)*	—	—	—	—	—
	—	678	268	5	951

Year ended 31 December 2021

2021	**Directors' fees**	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Li Zhen	—	603	129	9	741
Mr. Zhang Guangping	—	561	168	4	733
Mr. Li Yi	—	544	164	9	717
Mr. Kong Jianhua	—	—	—	—	—
Mr. Chen Datong *(a)*	—	—	—	—	—
Mr. Zhou Yufeng *(h)*	—	—	—	—	—
Independent non-executive directors					
Mr. Zhao Heming *(i)*	10	—	—	—	10
Mr. Wen Chengge *(j)*	10	—	—	—	10
Mr. Ma Ming *(k)*	10	—	—	—	10
Supervisors					
Ms. Zhou Feng *(c)*	—	137	33	4	174
Mr. Chen Xingyu *(d)*	—	—	—	—	—
Mr. Xue Liang *(e)*	—	—	—	—	—
Mr. Zhou Taotao *(f)*	—	91	13	4	108
Ms. Yu Binyan *(g)*	—	—	—	—	—
Mr. Zhou Cheng *(l)*	—	274	71	4	349
	30	2,210	578	34	2,852

Year ended 31 December 2022

2022	**Directors' fees** *RMB'000*	**Salaries, allowances and benefits in kind** *RMB'000*	**Discretionary bonuses** *RMB'000*	**Retirement scheme contributions** *RMB'000*	**Total** *RMB'000*
Executive directors					
Mr. Li Zhen	—	720	11	15	746
Mr. Zhang Guangping	—	670	617	8	1,295
Mr. Li Yi	—	622	605	15	1,242
Mr. Kong Jianhua	—	—	—	—	—
Mr. Chen Datong *(a)*	—	—	—	—	—
Mr. Zhou Yufeng *(h)*	—	—	—	—	—
Independent non-executive directors					
Mr. Zhao Heming *(i)*	60	—	—	—	60
Mr. Wen Chengge *(j)*	60	—	—	—	60
Mr. Ma Ming *(k)*	60	—	—	—	60
Supervisors					
Mr. Chen Xingyu *(d)*	—	—	—	—	—
Mr. Zhou Taotao *(f)*	—	130	22	8	160
Mr. Zhou Cheng *(l)*	—	310	90	8	408
	180	2,452	1,345	54	4,031

Notes:

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

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

(c) Zhou Feng was appointed as a supervisor of the Company in January 2020 and resigned in May 2021.

(d) Chen Xingyu was appointed as a supervisor of the Company in November 2020.

(e) Xue Liang was appointed as a supervisor of the Company in November 2020 and resigned in October 2021.

(f) Zhou Taotao was appointed as a supervisor of the Company in January 2020.

(g) Yu Binyan was appointed as a supervisor of the Company in January 2020 and resigned in October 2021.

(h) Zhou Yufeng was appointed as a director of the Company in November 2021.

(i) Zhao Heming was appointed as an independent director of the Company in November 2021.

(j) Wen Chengge was appointed as an independent director of the Company in November 2021.

(k) Ma Ming was appointed as an independent director of the Company in November 2021.

(l) Zhou Cheng was appointed as a supervisor of the Company in November 2021.

During the Relevant Periods, there were no amounts paid or payable by the Company to the directors or any of the five highest paid individuals set out in note 9 below as an inducement to join or upon joining the Company or as compensation for loss of office.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments of the Company for the years ended 31 December 2020, 2021 and 2022, three, three and two individuals' emoluments are disclosed in note 8 and the emoluments in respect of the remaining two, two and three individuals during the Relevant Periods are as follows:

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

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

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

10 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the presentation of the result of the Company for the Relevant Periods on the basis of preparation and presentation as disclosed.

11 PROPERTY, PLANT AND EQUIPMENT

	Equipment and machinery	**Passenger vehicles**	**Office equipment and furniture**	**Construction in progress**	**Leasehold improvements**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2020	2,559	—	955	—	—	3,514
Additions	276	—	24	—	—	300
At 31 December 2020	2,835	—	979	—	—	3,814
At 1 January 2021	2,835	—	979	—	—	3,814
Additions	505	1,108	287	4,759	—	6,659
Disposals	(483)	—	(251)	—	—	(734)
At 31 December 2021	2,857	1,108	1,015	4,759	—	9,739

	Equipment and machinery	Passenger vehicles	Office equipment and furniture	Construction in progress	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	2,857	1,108	1,015	4,759	—	9,739
Additions	7,197	—	166	45,516	165	53,044
At 31 December 2022	10,054	1,108	1,181	50,275	165	62,783
Accumulated depreciation:						
At 1 January 2020	(1,102)	—	(721)	—	—	(1,823)
Charge for the year	(468)	—	(103)	—	—	(571)
At 31 December 2020	(1,570)	—	(824)	—	—	(2,394)
At 1 January 2021	(1,570)	—	(824)	—	—	(2,394)
Charge for the year	(458)	(110)	(116)	—	—	(684)
Written back on disposals	459	—	238	—	—	697
At 31 December 2021	(1,569)	(110)	(702)	—	—	(2,381)
At 1 January 2022	(1,569)	(110)	(702)	—	—	(2,381)
Charge for the year	(752)	(263)	(129)	—	(5)	(1,149)
At 31 December 2022	(2,321)	(373)	(831)	—	(5)	(3,530)
Net book value:						
At 31 December 2020	1,265	—	155	—	—	1,420
At 31 December 2021	1,288	998	313	4,759	—	7,358
At 31 December 2022	7,733	735	350	50,275	160	59,253

The Company's property, plant and equipment are located in the PRC.

12 RIGHT-OF-USE ASSETS

	Properties leased for own use carried at cost (i)
	RMB'000
Cost:	
At 1 January 2020	1,265
Additions	494
At 31 December 2020 and 1 January 2021	1,759
Additions	7,819
Lease modification	(2,486)
At 31 December 2021 and 1 January 2022	7,092
Additions	2,834
Lease modification	(2,843)
At 31 December 2022	7,083
Accumulated amortisation:	
At 1 January 2020	(767)
Charge for the year	(768)
At 31 December 2020 and 1 January 2021	(1,535)
Charge for the year	(1,983)
Lease modification	1,200
At 31 December 2021 and 1 January 2022	(2,318)
Charge for the year	(2,241)
Lease modification	921
At 31 December 2022	(3,638)
Net book value:	
At 31 December 2020	224
At 31 December 2021	4,774
At 31 December 2022	3,445

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

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

During the years ended 31 December 2020, 2021 and 2022, additions to right-of-use assets of the Company were RMB494,000, RMB7,819,000 and RMB2,834,000, respectively. This amount was primarily related to the capitalised lease payments payable under new tenancy agreements.

During the years ended 31 December 2021 and 2022, a lessor agreed to decrease the lease payments of a property leased by the Company by RMB860,000 and RMB2,366,000 respectively, which were accounted for as lease modifications in accordance with the accounting policy set out in note 2(f).

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in notes 20(c), 23 and 27(b), respectively.

(i) Properties leased for own use

The Company has obtained the right to use properties through tenancy agreements. The leases typically run for an initial period of 2 to 3 years. None of the leases include variable lease payments.

Some leases include an option to terminate the lease before the end of the contract term. The Company considers it reasonably certain not to exercise the option to early terminate at lease commencement date.

During 2020 the Company received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19.

13 INTANGIBLE ASSETS

	Software
	RMB'000
Cost:	
At 1 January 2020, 31 December 2020 and 1 January 2021	—
Additions	299
At 31 December 2021 and 1 January 2022	299
Additions	—
At 31 December 2022	299
Accumulated amortisation:	
At 1 January 2020, 31 December 2020 and 1 January 2021	—
Charge for the year	(15)
At 31 December 2021 and 1 January 2022	(15)

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

14 FINANCIAL ASSETS AT FVTPL

		At 31 December	
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at FVTPL:			
— Wealth management products	54,059	—	—

The Company's wealth management products were purchased from banks in the PRC during the Relevant Periods.

15 OTHER NON-CURRENT ASSETS

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

16 INVENTORIES

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

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

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of inventories sold	37,807	88,669	150,067
Write-down of inventories	1,947	2,829	1,766
	39,754	91,498	151,833
Cost of inventories directly recognised as research and development expenses	14,326	31,212	61,171
	54,080	122,710	213,004

17 TRADE AND OTHER RECEIVABLES

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from third parties			
Trade receivables, net of loss allowance	18,039	27,829	64,870
Other receivables and deposits, net of loss allowance	1,770	3,349	2,227
	19,809	31,178	67,097
Amounts due from related parties *(note 29(c))*			
Other receivables and deposits, net of loss allowance	1,163	571	—
Trade and other receivables	20,972	31,749	67,097

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

As of the end of each reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables) based on the invoice date and net of loss allowance, is as follows:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 month	15,039	11,378	14,643
1 to 2 months	3,000	16,166	8,756
2 to 3 months	—	274	10,757
Over 3 months	—	11	30,714
	18,039	27,829	64,870

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

18 PREPAYMENTS

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

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

19 PLEDGED BANK DEPOSITS

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

As at 31 December 2022, the Company's bank deposits were pledged as a guarantee to issue bank acceptance bills, which will be released upon the settlement of relevant bills payable.

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

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

(b) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Company's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Company's cash flow statement as cash flows from financing activities.

	Bank loans and other borrowings	**Lease liabilities**	**Financial instruments issue to investors**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(note 21)	*(note 23)*	*(note 25)*	
At 1 January 2020	21,649	550	55,309	77,508
Changes from financing cash flows:				
Proceeds from loans and borrowings	20,000	—	—	20,000
Repayment of loans and borrowings	(21,630)	—	—	(21,630)
Capital element of lease rentals paid	—	(579)	—	(579)
Interest element of lease rentals paid	—	(15)	—	(15)

	Bank loans and other borrowings *RMB'000* *(note 21)*	Lease liabilities *RMB'000* *(note 23)*	Financial instruments issue to investors *RMB'000* *(note 25)*	Total *RMB'000*
Interest paid	(1,253)	—	—	(1,253)
Loans and borrowings from a related party	500	—	—	500
Repayments of loans and borrowings to a related party	(500)	—	—	(500)
Proceeds from the issue of financial instruments to investors	—	—	45,000	45,000
Total changes from financing cash flows	(2,883)	(594)	45,000	41,523
Other changes:				
COVID-19 related rent concession	—	(198)	—	(198)
Increase in lease liabilities from entering into new leases during the period	—	494	—	494
Interest expenses *(note 6(a))*	1,263	15	2,740	4,018
Fair value adjustments on initial carrying amount of financial instruments issued to investors recognised as non-current liabilities	—	—	3,000	3,000
Total other changes	1,263	311	5,740	7,314
At 31 December 2020	20,029	267	106,049	126,345

	Bank loans and other borrowings *RMB'000* *(note 21)*	Lease liabilities *RMB'000* *(note 23)*	Financial instruments issue to investors *RMB'000* *(note 25)*	Total *RMB'000*
At 1 January 2021	20,029	267	106,049	126,345
Changes from financing cash flows:				
Proceeds from loans and borrowings	30,480	—	—	30,480
Repayment of loans and borrowings	(20,000)	—	—	(20,000)
Capital element of lease rentals paid	—	(414)	—	(414)
Interest element of lease rentals paid	—	(179)	—	(179)
Interest paid	(651)	—	—	(651)
Proceeds from the issue of financial instruments to investors	—	—	70,500	70,500
Total changes from financing cash flows	9,829	(593)	70,500	79,736

	Bank loans and other borrowings *RMB'000* *(note 21)*	Lease liabilities *RMB'000* *(note 23)*	Financial instruments issue to investors *RMB'000* *(note 25)*	Total *RMB'000*
Other changes:				
Increase in lease liabilities from entering into new leases during the year	—	7,819	—	7,819
Lease modification	—	(1,286)	—	(1,286)
Interest expenses *(note 6(a))*	650	179	3,048	3,877
Proceeds from the issue of financial instruments to investors received in previous year	—	—	5,000	5,000
Fair value adjustments on initial carrying amount of financial instruments issued to investors recognised as non-current liabilities	—	—	7,000	7,000
Termination of financial instruments issued to investors	—	—	(191,597)	(191,597)
Total other changes	650	6,712	(176,549)	(169,187)
At 31 December 2021	30,508	6,386	—	36,894

	Bank loans and other borrowings *RMB'000* *(note 21)*	Lease liabilities *RMB'000* *(note 23)*	Total *RMB'000*
At 1 January 2022	30,508	6,386	36,894
Changes from financing cash flows:			
Proceeds from loans and borrowings	153,747	—	153,747
Repayment of loans and borrowings	(88,814)	—	(88,814)
Capital element of lease rentals paid	—	(728)	(728)
Interest element of lease rentals paid	—	(248)	(248)
Interest paid	(1,332)	—	(1,332)
Total changes from financing cash flows	63,601	(976)	62,625
Other changes:			
Increase in lease liabilities from entering into new leases during the year	—	2,834	2,834
Lease modification	—	(1,922)	(1,922)
Interest expenses *(note 6(a))*	1,403	248	1,651
Total other changes	1,403	1,160	2,563
At 31 December 2022	95,512	6,570	102,082

(c) Total cash outflow for leases

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

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

These amounts relate to the following:

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

21 LOANS AND BORROWINGS

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

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

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

22 TRADE AND OTHER PAYABLES

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

(i) Movements in contract liabilities:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Sale of goods or provision of services			
Balance at the beginning of the year	125	332	6,487
Decrease in contract liabilities as a result of recognising revenue or other income and net gain during the year that was included in the contract liabilities at the beginning of the year	—	(332)	(6,487)
Increase in contract liabilities as a result of receiving prepayments for sale of goods or provision of services in the next year	207	6,487	10,629
Balance at the end of the year	332	6,487	10,629

(a) All trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

(b) As of the end of each reporting period, the ageing analysis of trade payables and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	847	2,086	24,074
After 3 months but within 6 months	—	—	39,965
After 6 months but within 12 months	—	—	4,804
	847	2,086	68,843

23 LEASE LIABILITIES

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

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

24 INCOME TAX IN THE STATEMENTS OF FINANCIAL POSITION

(a) Deferred tax liabilities recognised:

(i) Movement of each component of deferred tax liabilities

The component of deferred tax liabilities recognised in the statements of financial position and the movements during the Relevant Periods are as follow:

Deferred tax arising from:	Depreciation allowances in excess of the related depreciation *RMB'000*
At 1 January 2020, 31 December 2020, 31 December 2021 and 1 January 2022	—
Charged to profit or loss *(note 7(a))*	1,562
At 31 December 2022	1,562

(ii) Reconciliation to the statements of financial position

	At 31 December		
	2020 *RMB'000*	2021 *RMB'000*	2022 *RMB'000*
Net deferred tax liabilities recognised in the statements of financial position	—	—	1,562

(b) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(p), as at 31 December 2020, 2021 and 2022, the Company has not recognised deferred tax assets in respect of their cumulative tax losses of RMB40,487,000, nil and nil and temporary differences of RMB3,248,000, nil and nil, respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

25 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS

Pursuant to the agreements between the Company and its investors, the Company agreed to issue its registered capital to investors and certain investors were granted the right to liquidate the Company and receive a preference amount upon liquidation or require the Company to redeem their paid-in or share capital for cash upon specified events, including a resignation of the founders (the "Preferred Rights").

The Company recognised its obligation to pay cash to those investors with Preferred Rights as financial liabilities, because not all triggering events are within the control of the Company. The financial liabilities are measured at the present value of the redemption amount.

The movements of the redemption liabilities during the Relevant Periods are as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	55,309	106,049	—
Recognition of financial instruments issued to investors	48,000	82,500	—
Interest charges *(note 6(a))*	2,740	3,048	—
Termination of financial instruments issued to investors *(Note)*	—	(191,597)	—
At the end of the year	106,049	—	—

Note: In December 2021, pursuant to the supplementary agreement signed by the Company and the investors with Preferred Rights, the investors' Preferred Rights were terminated. Hence, the redemption liabilities were derecognised and the carrying amount of the redemption liabilities were reclassified to equity thereafter.

26 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

No dividends were paid or declared by the Company during the Relevant Periods.

(b) Paid-in capital

	Total
	RMB'000
Balance at 1 January 2020	6,152
Issuance of financial instruments to investors	1,166
Capital contributions by investors	1,154
Balance at 31 December 2020	8,472
Issuance of financial instruments to investors	1,103
Capital contributions by investors	2,796
Conversion into a joint stock company *(note 26(c))*	(12,371)
Balance at 31 December 2021 and 31 December 2022	—

(c) Share capital

Issued and fully paid:

	Numbers of ordinary shares	Share capital *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
Issued and fully paid				
At 1 January 2020, 31 December 2020 and 1 January 2021	—	—	—	—
Issue of ordinary shares upon conversion into a joint stock company *(i)*	12,371	12,371	67,439	79,810
Issuance of financial instruments to investors	495	495	39,505	40,000
Recognition of financial instruments issued to investors as non-current liabilities	—	—	(44,000)	(44,000)
Share capital increased by share premium transfer *(ii)*	32,134	32,134	(32,134)	—
Termination of financial instruments issued to investors *(note 25)*	—	—	191,597	191,597
At 31 December 2021 and 31 December 2022	45,000	45,000	222,407	267,407

(i) In November 2021, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company under the PRC GAAP as of the conversion base date were converted into 12,371,000 ordinary shares at RMB1.00 each. The excess of net assets converted over nominal value of the ordinary shares was credited to the Company's share premium.

(ii) In November 2021, the Company increased its share capital from 12,866,000 to 45,000,000 at RMB1.00 each, through the conversion of the Company's share premium (the "Capitalisation issue").

(d) Nature and purpose of reserves

(i) Share premium

Under PRC rules and regulations, share premium is non-distributable other than in liquidation and may be utilised for business expansion or converted into ordinary shares by the issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by the shareholders.

(ii) Capital reserve

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

(iii) PRC statutory reserve

PRC statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the Company.

Appropriation to the PRC statutory reserve is at least 10% of the Company's net profit each year until the reserve balance reaches 50% of its registered capital. The PRC statutory reserves can be used to make good of previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the reserve balance after such conversion is not less than 25% of the entity's registered capital.

PRC statutory reserve is not distributable to shareholders.

(e) Capital management

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Company actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate arises in the normal course of the Company's business.

The Company's exposure to these risks and the financial risk management policies and practices used by the Company to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company's credit risk is primarily attributable to trade and other receivables and prepayments.

The Company's exposure to credit risk arising from cash and cash equivalents and pledged bank deposits is limited because the counterparties are state-owned banks or reputable commercial banks for which the Company considers to have low credit risk.

Trade receivables

The Company has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 days to 90 days from the date of billing. Normally, the Company does not obtain collateral from customers.

Significant concentrations of credit risk primarily arise when the Company has significant exposure to individual customers. The trade receivables from the Company's five largest customers at 31 December 2020, 2021 and 2022 represented 100%, 100% and 100% of the total trade receivables respectively, while 39.02%, 99.96% and 89.17% of the total trade receivables were due from the largest single customer respectively.

The Company measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Company's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Company's different customer bases.

The following table provides information about the Company's exposure to credit risk and ECLs for trade receivables:

	2020		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Within 1 year	5	18,988	949
Over 1 year but less than 2 years	20	—	—
Over 2 years but less than 3 years	50	—	—
Over 3 years but less than 5 years	100	—	—
		18,988	949

	2021		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Within 1 year	5	29,294	1,465
Over 1 year but less than 2 years	20	—	—
Over 2 years but less than 3 years	50	—	—
Over 3 years but less than 5 years	100	—	—
		29,294	1,465

	2022		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Within 1 year	5	68,284	3,414
Over 1 year but less than 2 years	20	—	—
Over 2 years but less than 3 years	50	—	—
Over 3 years but less than 5 years	100	—	—
		68,284	3,414

Expected loss rates are based on actual loss experience over the past 12 months. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the Relevant Periods is as follows:

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

Prepayments and other receivables and deposits

Credit risk in respect of prepayments and other receivables and deposits is limited since the balance mainly includes prepayments to reputable suppliers, value-added-tax recoverable, deposits to landlord, and debts due from related parties.

The Company measures loss allowances for prepayments and other receivables and deposits at an amount equal to 12-month ECLs unless there has been a significant increase in credit risk since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs. The Company assessed that there is no significant loss allowance recognised in accordance with HKFRS 9 for prepayments and other receivables and deposits as at 31 December 2020, 2021 and 2022.

(b) Liquidity risk

The Company's policy is to regularly monitor liquidity requirements, and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Company can be required to pay.

	At 31 December 2020 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 year but less than 5 years	More than 5 years	Total	Balance sheet carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Loans and borrowings	20,358	—	—	—	20,358	20,029
Trade and other payables	11,500	—	—	—	11,500	11,500
Lease liabilities	269	—	—	—	269	267
Financial instruments issued to investors	106,049	—	—	—	106,049	106,049
	138,176	—	—	—	138,176	137,845

	At 31 December 2021					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 year but less than 5 years	More than 5 years	Total	Balance sheet carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Loans and borrowings	31,090	—	—	—	31,090	30,508
Trade and other payables	18,585	—	—	—	18,585	18,585
Lease liabilities	2,455	2,581	1,721	—	6,757	6,386
	52,130	2,581	1,721	—	56,432	55,479

	At 31 December 2022					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 year but less than 5 years	More than 5 years	Total	Balance sheet carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Loans and borrowings	98,222	—	—	—	98,222	95,512
Trade and other payables	96,049	—	—	—	96,049	96,049
Lease liabilities	3,817	2,457	553	—	6,827	6,570
	198,088	2,457	553	—	201,098	198,131

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk arises primarily from cash at bank, pledged bank deposits and interest-bearing borrowings. The Company's interest-bearing financial instruments at variable rates as at 31 December 2020, 2021 and 2022 are primarily the cash at bank, and the cash flow interest rate risk arising from the change of market interest rate on these balances is not considered significant.

The Company's interest rate profile as monitored by management is set out below.

The Company's interest-bearing borrowings, lease liabilities, pledged bank deposits and cash and cash equivalents and interest rates at the end of each reporting period are set out as follows:

	At 31 December					
	2020		2021		2022	
	Effective interest rate	*RMB'000*	Effective interest rate	*RMB'000*	Effective interest rate	*RMB'000*
Fixed rate instruments						
Bank loans	3%-5.22%	20,029	3%-5.22%	30,508	3%-5.22%	95,512
Lease liabilities	4.35%	267	4.35%	6,386	4.35%	6,570
		20,296		36,894		102,082

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

(i) Sensitivity analysis

At 31 December 2020, 2021 and 2022, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Company's profit after tax and accumulated losses or retained profits as follows.

	Increase/(decrease) in basis points	Increase/(decrease) in profit after tax for the year *RMB'000*	Increase/(decrease) in accumulated losses/retained profits for the year *RMB'000*
At 31 December 2020			
Basis points	100	134	(134)
Basis points	(100)	(134)	134
At 31 December 2021			
Basis points	100	1,468	1,468
Basis points	(100)	(1,468)	(1,468)
At 31 December 2022			
Basis points	100	1,837	1,837
Basis points	(100)	(1,837)	(1,837)

(d) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Company's financial instruments measured at the end of each reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

— Level 3 valuations: Fair value measured using significant unobservable inputs

As at 31 December 2020, 2021 and 2022, the Company has wealth management products measured at fair value amounting to RMB54,059,000, nil and nil, respectively, which were categorised into fair value hierarchy level 2.

During the Relevant Periods, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Company's policy is to recognise transfers between levels of fair value hierarchy as at the end of each reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurement:

The fair value of the wealth management products is the estimated amount that the Company would receive to transfer the financial assets at the end of the reporting period, taking into account current interest rates published on the counterparty banks' websites.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Company's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2020, 2021 and 2022.

28 COMMITMENTS

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

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

29 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Company, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowance and benefits in kind	678	2,240	2,632
Discretionary bonuses	268	578	1,345
Contributions to retirement benefit schemes	5	34	54
	951	2,852	4,031

Total remuneration is included in staff costs (see note 6(b)).

(b) Related party transactions

During the Relevant Periods, the directors are of the view that transactions with the following companies and individuals are considered as related party transactions:

Name of the related party	**Relationship**
Li Zhen 李真	One of the controlling parties and executive director
Li Yi 李一	One of the controlling parties and executive director
Zhou Feng 周鳳	Key management personnel (till May 2021)
Zhou Taotao 周韜韜	Key management personnel (since November 2021)
Suzhou Backward Electronic Co., Ltd. ("Backward Electronic") 蘇州貝克瓦特電子有限公司 *(i)*	One of the controlling parties and parent company
Suzhou Backward Investment Partnership (limited partnership) ("Backward Partnership") 蘇州貝克瓦特投資合伙企業 (有限合伙) *(i)*	One of the controlling parties
Suzhou Rongxiang Beiying Venture Capital Partnership (limited Partnership) ("Rongxiang Venture") 蘇州融享貝贏創業投資合伙企業 (有限合伙) *(i)*	Significant influence over the Company
Jiangsu Sutong Huate Semiconductor Co., Ltd. ("Sutong Huate") 江蘇蘇通華特半導體股份有限公司 *(i)*	Controlled by Mr. Li Zhen
Nantong Chongchuan District integrated circuit Technology Research Institute ("NanTong Chongchuan") 南通市崇川區集成電路工藝技術研究所 *(i)*	Controlled by Mr. Li Zhen
Hai An Huate Property Management Co., Ltd. ("HaiAn Huate") 海安華特物業管理有限公司 *(i)*	Controlled by Mr. Li Zhen
Nanjing Qimei Xincheng Electronic Technology Co., Ltd. ("Nanjing Qimei") 南京齊美芯城電子科技有限公司 *(i)*	Controlled by Mr. Li Zhen (till August 2021)
Jiangsu Huate Semiconductor Co. Ltd. ("Jiangsu Huate") 江蘇華特集成電路股份有限公司 *(i)*	Entity significantly influenced by the controlling parties (till April 2021)

Notes:

(i) The English translation of the Company names is for reference only. The official names of the companies established in the PRC are in Chinese.

(ii) Pursuant to the concert party agreement dated 31 March 2022, Mr. Li Zhen, Mr. Li Yi and Mr. Zhang Guangping, together with the Company's other shareholders controlled or jointly controlled by them, were acting in concert with each other in exercising their voting right in the Company. The controlling parties include Mr. Li Zhen, Mr. Li Yi, Mr. Zhang Guangping, Backward Electronic and Backward Partnership.

During the Relevant Periods, the Company entered into the following material related party transactions:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Interest expenses of loans and borrowings from related parties	229	1	—
Sales of products	9,897	—	—
Rental expenses from a related party	7	—	—
Loans and borrowings from a related party	500	—	—
Repayment of loans and borrowings from a related party	500	—	—
Loans and borrowings to related parties	1,406	100	—
Repayment of loans and borrowings lent to related parties	11,657	490	1,013

(c) Related party balances

The outstanding balances arising from the above transactions as at the end of each of the Relevant Periods are as follows:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from related parties (Non-trade in nature)	1,163	571	—

(d) Guarantees issued by related parties

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Guarantees issued by related parties in respect of loans and borrowings borrowed by the Company	20,000	20,480	—

30 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 17 February 2023, Backward Partnership entered into a capital injection agreement (the "agreement") with the Company's employee Mr. Shi Chao for his contribution to the Company and incentivising him for his future performance. Pursuant to the agreement, Mr. Shi Chao agreed to subscribe for the increased registered capital of RMB6,700 of Backward Partnership at a subscription price of RMB6,700 as limited partner, which represented 5.58% of Backward Partnership's equity, equivalent to indirect interest in approximately 300,000 shares of the Company. The subscription price was fully paid on 27 March 2023. The difference between the fair value of equity interest of Backward Partnership and the consideration received by Backward Partnership amounting to approximately RMB10 million will be recognised as share-based compensation expense according to HKFRS 2 in 2023.

31 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at 31 December 2022, the directors consider the immediate parent of the Company to be Backward Electronic, which is incorporated in the PRC and does not produce financial statements available for public use.

As at 31 December 2022, the directors consider the ultimate controlling parties to be Mr. Li Zhen, Mr. Li Yi, Mr. Zhang Guangping, Backward Electronic and Backward Partnership.

32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the followings:

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

The Company is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.

Subsequent financial statements

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

The following information does not form part of the Accountants' Report from KPMG, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this document, and is included for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the "Financial Information" section in this document and the Accountants' Report set out in Appendix I to this document.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

PRC TAXATION

Taxation on Dividends

Individual Investors

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), which was last amended on August 31, 2018 and the Regulations on Implementation of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was last amended on December 18, 2018 (the "**IIT Law**"), dividends paid by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from a PRC enterprise is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by a relevant tax treaty. In addition, according to the Notice on Issues Concerning the Implementation of Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) issued on September 7, 2015, where an individual acquires the stocks of a listed company from public offering of the company or from the stock market, if the stock holding period is more than 1 year, the income from dividends and bonuses shall be exempted from individual income tax; where an individual acquires the stocks of a listed company from public offering of the company or from the stock market, if the stock holding period is 1 month or less, the income from dividends and bonuses shall be included into the taxable incomes in full amount; if the stock holding period is more than 1 month and up to 1 year, 50% of the income from dividends and bonuses shall be temporarily included into the taxable incomes. The individual income tax rate on the aforesaid income is levied at a flat rate of 20%.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》, the "**Arrangement**"), which was signed on August 21, 2006, PRC Government may levy taxes on the dividends paid by a PRC company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the PRC company. If a Hong Kong resident directly holds 25% or more of the equity interest in a PRC company, then such tax shall not exceed 5% of the total dividends payable by the PRC company if the Hong Kong resident is the beneficial owner of the equity and certain other conditions are met. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》), which came into effect on December 6, 2019, adds criteria for the entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits shall not be granted in the circumstance where relevant treaty benefits, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under the Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements shall also be subject to the requirements of PRC tax laws and regulations, such as the Notice of the STA on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81).

Enterprise Investors

In accordance with the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), which was promulgated by the NPC on March 16, 2007, came into effect on January 1, 2008 and was subsequently amended on February 24, 2017 and December 29, 2018, and the Implementation Provisions of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which was promulgated by the State Council on December 6, 2007, came into effect on January 1, 2008 and was amended in 2019 (the "**EIT Law**"), a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends and bonuses received from a PRC resident enterprise), if such non-resident enterprise does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income is not connected with such establishment or premise in the PRC. Such withholding tax for non-resident enterprises are deducted at source, where the payer of the income shall be the withholding agent, and is required to withhold the income tax from the payment or due payment every time it is paid or due.

The Circular of the STA on Issues Relating to the Withholding of Enterprise Income Tax on Dividends Paid by PRC Resident Enterprises to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897), which was issued by the STA and implemented on November 6, 2008, further clarified that a PRC-resident enterprise must withhold corporate income tax at a rate flat of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares. In addition, the Response to Issues on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B-shares (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) (Guo Shui Han [2009] No. 394) which was issued by the STA and implemented on July 24, 2009, further provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further changed pursuant to the tax treaty or agreement that China has concluded with relevant jurisdictions, where applicable. Accordingly, dividends paid to non-PRC resident enterprise (including HKSCC Nominees) shall be subject to withholding enterprise income tax at a rate of 10%.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), which was signed on August 21, 2006, the PRC Government may levy taxes on the dividends paid by a PRC company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the PRC company. If a Hong Kong resident directly holds 25% or more of the equity interest in a PRC company, then such tax shall not exceed 5% of the total dividends payable by the PRC company if the Hong Kong resident is the beneficial owner of the equity and certain other conditions are met. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》), which came into effect on December 6, 2019, adds criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted for relevant gains in the circumstance where relevant treaty benefits, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under the Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements shall be subject to the requirements of PRC tax laws and regulations, such as the Notice of the STA on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81).

Tax Treaties

Non-resident investors residing in jurisdictions which have entered into treaties or arrangements for the avoidance of double taxation with the PRC might be entitled to a reduction of the PRC enterprise income tax imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties or Arrangements with a number of countries and regions including Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the PRC tax authorities for a refund of the enterprise income tax in excess of the agreed tax rate, and the refund application is subject to approval by the PRC tax authorities.

Taxation on Share Transfer

Value-Added Tax and Local Surcharges

Pursuant to the Notice on the Full Implementation of Pilot Program for Transition from Business Tax to VAT (《關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui [2016] No. 36) (the "**Circular 36**"), which was implemented on May 1, 2016 and amended on July 11, 2017, December 25, 2017 and March 20, 2019, respectively, entities and individuals engaged in sales of services within the PRC shall be subject to VAT and "sales of services within the PRC" refers to the situation where either the seller or the buyer of a taxable service is located within the PRC. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable income (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals are exempt from VAT upon transfer of financial products.

According to the provisions above, upon the sale or disposal of H shares, the holders are exempt from VAT in the PRC if they are non-resident individuals; in case the holders are non-resident enterprises, they may not be subject to the VAT in the PRC if the purchasers of the H shares are individuals or entities located outside of the PRC whereas the holders may be subject to the VAT in the PRC if the purchasers of the H shares are individuals or entities located in the PRC.

Income Taxes

Individual investors

According to the IIT Law, gains from the transfer of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%. According to the Circular of the MOF and STA on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No.61) issued by the MOF and STA on March 30, 1998, since January 1, 1997, gains of individuals from the transfer of shares of listed companies continue to be temporarily exempted from individual income tax.

However, on December 31, 2009, the MOF, the STA and CSRC jointly issued the Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167), which became effective on January 1, 2010, states that individuals' income from the transfer of listed shares obtained from the public offering and transfer of the stock market of the listed company on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in the Supplementary Notice on Issues Concerning the Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70) jointly issued by the above three departments and came into effect on November 10, 2010). As of the Latest Practicable Date, no aforesaid provisions have expressly provided that individual income tax shall be levied from non-PRC resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges.

Enterprise investors

In accordance with the EIT Law and the Implementation Provisions of the Enterprise Income Tax Law of the PRC, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premises in the PRC but its PRC-sourced income is not connected in reality with such establishment or premise. Such withholding tax for non-resident enterprises are deducted at source, where the payer of the income shall be the withholding agent, and is required to withhold the income tax from the payment or due payment every time it is paid or due. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Stamp Duty

Pursuant to the PRC Stamp Duty Law promulgated by the SCNPC on June 10, 2021 and came into effect on July 1, 2022 (the "Stamp Duty Law"), all entities and individuals engaged in securities transactions within the PRC are subject to stamp duty as stamp duty payers in accordance with the provisions of the Stamp Duty Law, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the transfer and disposal of H Shares by non-PRC investors outside the PRC.

Estate duty

According to PRC law, no estate duty is currently levied in the PRC.

Major Taxes on the Company in the PRC

Please refer to the section headed "Regulatory Overview" of this Document.

TAXATION IN HONG KONG

Tax on Dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains Tax and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H Shares. However, trading gains from the sale of the H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes. Trading gains from sales of H Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.13% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of Hong Kong securities, including H Shares (in other words, a total of 0.26% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The SAFE, with the authorization of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The Regulations of the PRC on the Management of Foreign Exchange (《中華人民共和國外匯管理條例》, the "**Regulations on the Management of Foreign Exchange**"), which was promulgated by the State Council on January 29, 1996 and effective on April 1, 1996, classifies all international payments and transfers into current items and capital items. Most of the current items are not subject to the approval of foreign exchange administrative authorities, while capital items are subject to the approval of foreign exchange administrative authorities. According to the Regulations on the Management of Foreign Exchange as amended on January 14, 1997 and August 5, 2008, the PRC will not impose any restriction on international current payments and transfers.

The Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》, the "**Settlement Regulations**"), which was promulgated by the PBOC on June 20, 1996 and effective on July 1, 1996, removes other restrictions on convertibility of foreign exchange under current items, while imposing existing restrictions on foreign exchange transactions under capital items.

According to the Announcement on Improving the Reform of the Renminbi Exchange Rate Formation Mechanism (《關於完善人民幣匯率形成機制改革的公告》) (PBOC Announcement [2005] No. 16), which was issued by the PBOC on July 21, 2005 and effective on the same date, the PRC began to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies from July 21, 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. The PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

On August 5, 2008, the State Council promulgated the revised Regulation on the Management of Foreign Exchange, which has made substantial changes to the foreign exchange supervision system of the PRC. First, it has adopted an approach of balancing the inflow and outflow of foreign exchange. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities; second, it has improved the RMB exchange rate formation mechanism based on market supply and demand; third, in the event that international balance of payment suffer or may suffer a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures against international balance of payment; fourth, it has enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to the SAFE to enhance its supervisory and administrative powers.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment from foreign exchange accounts opened at the designated foreign exchange banks, on the strength of valid transaction receipt or proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as our Company) may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange banks or effect exchange and payment at the designated foreign exchange banks.

On October 23, 2014, the State Council promulgated the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) (Guo Fa [2014] No. 50), which decided to cancel the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

On December 26, 2014, the SAFE promulgated and implemented the Notice of the SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) (Hui Fa [2014] No. 54), pursuant to which, a domestic company shall, within 15 business days from the date of the end of its overseas listing issuance, register the overseas listing with the Administration of Foreign Exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the PRC or deposited overseas, but the use of the proceeds shall be consistent with the contents as specified in the document and other disclosure documents.

According to the Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (Hui Fa [2015] No. 13) promulgated by the SAFE on February 13, 2015 and took effect on June 1, 2015, two of the administrative examination and approval items, being the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment have been canceled, the foreign exchange registration under domestic direct investment and overseas direct investment shall be directly examined and handled by banks. The SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Administration of Foreign Exchange Settlement under Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (Hui Fa [2016] No. 16) issued by the SAFE and came into effect on June 9, 2016, the settlement of foreign exchange receipts under the capital account (including the foreign exchange capital, external debts and funds recovered from overseas listing, etc.) that are subject to discretionary settlement as already specified by relevant policies may be handled at banks based on the domestic institutions' actual requirements for business operation. The proportion of discretionary settlement of domestic institutions' foreign exchange receipts under the capital account is temporarily determined as 100%. The SAFE may, based on the international balance of payments, adjust the aforesaid proportion at appropriate time.

On January 26, 2017, the SAFE issued the Notice of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》) (Hui Fa [2017] No. 3) to further expand the scope of settlement for domestic foreign exchange loans, allow settlement for domestic foreign exchange loans with export background under goods trading; allow repatriation of funds under domestic guaranteed foreign loans for domestic utilization; allow settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones; and adopt the model of full-coverage RMB and foreign currency overseas lending management, where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in RMB and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner's equity in the audited financial statements of the preceding year.

On October 23, 2019, the SAFE issued the Circular of the State Administration of Foreign Exchange on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (Hui Fa [2019] No. 28), which stipulated that on the basis that investing foreign-funded enterprises may make domestic equity investments with their capital funds in accordance with laws and regulations, non-investing foreign-funded enterprises are permitted to legally make domestic equity investments with their capital funds under the premise that the existing Special Administrative Measures (Negative List) for the Access of Foreign Investment (《外商投資准入特別管理措施(負面清單)》) are not violated and domestic invested projects are true and compliant.

CIRCULAR 37

The SAFE promulgated and implemented the Notice on Issues Concerning the Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) ("**Circular 37**") on July 4, 2014. According to Circular 37, domestic residents, individuals and institutions, are required to complete the foreign exchange registration of overseas investment with the SAFE before they invest in special purpose vehicles with legitimate assets or equity interests inside and outside the PRC. In addition, such offshore special purpose vehicle must update their foreign exchange registration of overseas investment with the SAFE timely, after they underwent any change of basic information (including change of individual shareholders, name and operation term of domestic residents), or any change of material events relating to increasing or decreasing in investment, transferring or exchanging shares, or merger or division. Failure to comply with the registration procedures as set out in Circular 37 may result in restrictions imposed on the subsequent foreign exchange activities of the relevant domestic residents, including the remitting back of profits and dividends. Domestic residents who invested in special purpose vehicles with legitimate assets or equity interests inside and outside the PRC prior to the implementation of Circular 37, but failed to complete the foreign exchange registration of overseas investments shall submit explanatory statement and state the reasons to the SAFE. The SAFE may allow complementary registration under the principles of legality and legitimacy. In the event of any violation of foreign exchange regulations by domestic residents who apply for the fore-said complementary registration, administrative penalty would be imposed in accordance with relevant laws.

According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) promulgated by the SAFE on February 13, 2015 and took effect on June 1, 2015, banks that have obtained the financial institution identification codes issued by the foreign exchange regulatory authorities and have opened the Capital Account Information System at the local foreign exchange regulatory authorities may directly handle the foreign exchange registration of direct investment for domestic foreign-invested enterprises and overseas enterprises' domestic investors through the Capital Account Information System at the foreign exchange regulatory authorities, and the foreign exchange regulatory authorities shall perform indirect regulation over the foreign exchange registration of direct investment via banks.

This appendix sets forth summaries of certain aspects of PRC laws and regulations which are relevant to the operations and business of the Company. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix III–Taxation and Foreign Exchange" to this document. This Appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain material differences between the PRC Company Law and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, certain requirements of the Listing Rules and additional provisions required by the Hong Kong Stock Exchange for inclusion in the articles of association of PRC issuers. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulatory provisions applicable to the Company. This summary is not intended to include all information that is important for potentially investors. For discussion of laws and regulations governing the business of the Company, see "Regulatory Overview" of this document.

PRC LAWS AND REGULATIONS

The PRC Legal System

The PRC legal system is based on the Constitution of the PRC (the "**Constitution**") and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC Government is a signatory and other regulatory documents. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

Pursuant to the Constitution and the Legislation Law of the PRC (《中華人民共和國立法法》) (the "**Legislation Law**"), the NPC and SCNPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend the basic laws governing criminal and civil matters, State institutions and other matters. The SCNPC formulates and amends laws other than those required to be enacted by the NPC and to supplement and amend parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws. The people's congresses of the provinces, autonomous regions and municipalities and their standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people's congresses of cities with districts and their respective standing committees may formulate local regulations with respect to urban and rural construction and administration, ecological civilization construction, historical and cultural protection, grassroots governance and other aspects according to the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. If the law provides otherwise on the formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations of cities with districts will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions. The standing committees of the people's congresses of the provinces or autonomous regions examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where, during the examination for approval of local regulations of cities divided into districts by the standing committees of the people's congresses of the provinces or autonomous regions, conflicts are identified with the rules and regulations of the people's governments of the provinces or autonomous regions concerned, a decision should be made by the standing committees of the people's congresses of provinces or autonomous regions to resolve the issue. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

The ministries, commissions of the State Council, the PBOC, the National Audit Office, institutions with administrative functions directly under the State Council, and other institutions stipulated by law may formulate rules and regulations within the power of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council. Matters governed by the departmental rules and regulations should be those for the enforcement of the laws and administrative regulations, decisions and rulings of the State Council. The people's governments of provinces, autonomous regions and municipalities directly under the central government and cities divided into districts and autonomous regions may formulate rules, in accordance with laws, administrative regulations and relevant local regulations of provinces, autonomous regions and municipalities directly under the central government.

Pursuant to the Resolution of the SCNPC Providing an Improved Interpretation of the Law (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, issues related to the further clarification or supplement of laws or decrees should be interpreted by the SCNPC or provided by with decrees, issues related to the application of laws in a court trial should be interpreted by the Supreme People's Court, issues related to the application of laws in a prosecution process should be interpreted by the Supreme People's Procuratorate, and the application of other laws and decrees in matters other than those involved in trial or prosecution process should be interpreted by the State Council and the competent authorities. The State Council and its ministries and commissions are also vested with the power to give interpretations of the administrative regulations and departmental rules which they have promulgated. At the regional level, the power to interpret regional laws and regulations is vested in the regional legislative and administrative authorities which promulgate such laws and regulations.

The PRC Judicial System

Under the Constitution, the Law of Organization of the People’s Courts of the PRC (2018 revision) (《中華人民共和國人民法院組織法(2018修訂)》)and the Law of Organization of the People’s Procuratorate of the PRC (2018 revision) (《中華人民共和國人民檢察院組織法(2018修訂)》), the people’s courts of the PRC are classified into the Supreme People’s Court, the local people’s courts at various levels, and other special people’s courts. The local people’s courts at various levels are divided into three levels, namely, the primary people’s courts, the intermediate people’s courts and the higher people’s courts. The primary people’s courts may set up a number of people’s tribunals based on the facts of the region, population and cases. The Supreme People’s Court is the highest judicial authority. The Supreme People’s Court shall supervise the judicial work of the local people’s courts at all levels and special people’s courts, and people’s courts at higher levels shall supervise the judicial work of people’s courts at lower levels. The Chinese People’s Procuratorates are divided into the Supreme People’s Procuratorate, local people’s procuratorates at various levels, and specialized people’s procuratorates such as the Military Procuratorate. The Supreme People’s Procuratorate is the highest procuratorial organ. The Supreme People’s Procuratorate directs the work of the local people’s procuratorates and specialized people’s procuratorates at all levels, and the people’s procuratorates at higher levels direct the work of the people’s procuratorates at lower levels.

The people’s court takes the rule of the second instance as the final rule, that is, the judgments or rulings of the second instance of the people’s court are final. The parties may appeal against the judgment or ruling of the first instance of a local people’s court. The people’s procuratorate may present a protest to the people’s court at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people’s procuratorate within the stipulated period, the judgments or rulings of the people’s court are final. Judgments or rulings of the second instance of the intermediate people’s courts, the higher people’s courts and the Supreme People’s Court are final. The first judgments or rulings of the Supreme People’s Court are also final. However, if the Supreme People’s Court or a people’s court at the next higher level discovers an error in the final and binding judgment or ruling which has taken effect in any people’s court at a lower level, or the presiding judge of a people’s court discovers an error in a final and binding judgment which has taken effect in the court over which he presides, a retrial of the case may be initiated according to the judicial supervision procedures.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (the “**PRC Civil Procedure Law**”) adopted on April 9, 1991 and amended four times on October 28, 2007, August 31, 2012, June 27, 2017 and December 24, 2021 prescribes the conditions for instituting a civil action, the jurisdiction of the people’s courts, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. Each party to a civil action conducted within the PRC must comply with the relevant provisions of the PRC Civil Procedure Law. A civil case is generally heard by the court located in the defendant’s place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people’s court having jurisdiction should be located at places directly connected with the disputes, such as the plaintiff's or the defendant's place of domicile, the places where the contract is executed or signed or the place where the object of the action is located. Meanwhile, such selection cannot violate the stipulations of hierarchical jurisdiction and exclusive jurisdiction in any case.

A foreign individual, a person without nationality, a foreign enterprise and organization is given the same litigation rights and obligations as a citizen, a legal person and other organization of the PRC when initiating actions or defending against litigation at the people's court. Should a foreign court limit the litigation rights of citizens, a legal person, and other organizations of the PRC, the PRC court may apply the same limitations to the civil litigation rights to citizens, enterprises and organizations of such foreign country. A foreign individual, a person without nationality, a foreign enterprise and organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at the people's court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of reciprocity, a people's court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. A people's court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or public interests of the PRC.

All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgement or ruling made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same within two years subject to application for postponed enforcement or revocation. If a party fails to satisfy within the stipulated period a judgement which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgement on the party.

Where a party applies for enforcement of a legally effective judgement or ruling made by a people's court, and the opposite party or his property is not within the territory of the PRC, the applicant may directly apply to a foreign court with jurisdiction for recognition and enforcement of the judgement or ruling, or the people's court may, in accordance with the provisions of international treaties to which the PRC is a signatory or in which the PRC is a participant or the principle of reciprocity, request recognition and enforcement by a foreign court. Similarly, where an effective judgment or ruling made by a foreign court needs to be recognized and enforced by the people's court of the PRC, unless the people's court considers that the recognition or enforcement of the judgment or ruling would violate the basic legal principles of the PRC, national sovereignty, national security or social and public interest, the parties involved may directly apply to an intermediate people's court of the PRC with jurisdiction for recognition and enforcement, or the foreign court may, in accordance with the provisions of international treaties entered into or acceded to by that country and the PRC or according to the principle of reciprocity, request the people's court to recognize and enforce it.

The Company Law of the PRC, the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and the Guidelines for the Articles of Association of Listed Companies

The PRC Company Law was adopted by the Standing Committee of the Eighth NPC at its Fifth Session on December 29, 1993 and came into effect on July 1, 1994, and was successively amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018. The latest revised PRC Company Law was implemented on October 26, 2018.

On February 17, 2023, CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (the "**Overseas Listing Trial Measures**"), which came into effect on March 31,2023 and is applicable to direct and indirect overseas share subscription and listing of domestic companies, which also stipulates the filing administrative measures and regulatory requirements for the overseas securities offering and listing by domestic companies.

On January 5, 2022, the CSRC promulgated the latest amended Guidelines for the Articles of Association of Listed Companies (the "**Guidelines for the Articles of Association**"), pursuant to the Overseas Listing Trial Measures and its supporting guidelines, Guidelines for Application of Regulatory Rules––Overseas Listing Category No.1, domestic enterprises that are directly listed overseas shall formulate its articles of association with reference to the Guidelines for the Articles of Association and other relevant provisions of the CSRC on corporate governance to regulate corporate governance. Set out below is a summary of the main provisions of the PRC Company Law, the Overseas Listing Trial Measures and the Guidelines for the Articles of Association.

General Provisions

A "joint stock limited company" (hereinafter referred to as the "**company**") refers to a corporate legal person incorporated in China under the PRC Company Law with independent legal person properties and entitlements to such legal person properties. The liability of the company for its own debts is limited to all the properties it owns and the liability of its shareholders for the company is limited to the extent of the shares they subscribe for.

Companies engaged in business activities shall obey the relevant laws and administrative regulations, observe social and business ethics, and act in good faith, accept the supervision of the government and the public, and shoulder social responsibility. A company may invest in other limited liability companies and joint stock limited companies. The liabilities of the company to such invested companies are limited to the amount invested. Unless otherwise provided by laws, a company cannot be the capital contributor who has the joint and several liabilities associated with the debts of the invested enterprises.

Incorporation

A company may be incorporated by promotion or raising. A company shall be incorporated by two to 200 promoters, provided that at least more than half of the promoters must reside in the PRC. Companies established by promotion are companies of which the registered capital is the total share capital subscribed for by all the promoters registered with the company's registration authorities. No shares shall be raised from others before the shares subscribed for by the promoters are fully paid up. For companies established by subscription, the registered capital is the total paid-up share capital as registered with the company's registration authorities. If laws, administrative regulations and decisions of the State Council have separate provisions on paid-in registered capital and the minimum registered capital, the company should follow such provisions.

For companies incorporated by way of promotion, the promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provisions shall assume default liabilities in accordance with the covenants set out in the promoters' agreements. After the promoters have confirmed the capital contribution under the articles of association, a Board of Directors and a Supervisory Committee shall be elected and the Board of Directors shall apply for registration of incorporation by filing the articles of association with the company registration authority, and other documents as required by laws or administrative regulations.

Where companies are incorporated by raising, not less than 35% of their total number of shares must be subscribed for by the promoters, unless otherwise provided for by laws or administrative regulations. A prospectus shall be published and a subscription letter shall be prepared when the promoters offer shares to the public. The subscription letter shall be filled in by the subscriber with the number of shares to be subscribed, amount, address, and signed and sealed. The subscribers shall pay up monies for the shares they subscribe for. Where a promoter is offering shares to the public, such offer shall be underwritten by security companies established under PRC laws, and an underwriting agreement shall be concluded thereon. A promoter offering shares to the public shall also enter into agreements with banks in relation to the receipt of subscription monies. The receiving banks shall receive and keep in custody the subscription monies, issue receipts to subscribers who have paid the subscription monies and furnish evidence of receipt of those subscription monies to relevant authorities. After the subscription monies for the share issue have been paid in full, a capital verification institution established under PRC law must be engaged to conduct a capital verification and furnish a certificate thereof. The promoters shall convene an inauguration meeting within 30 days after the issued shares have been completely paid up. The inauguration meeting shall be formed by the promoters and subscribers. Where the shares issued remain undersubscribed by the cut-off date stipulated in the document, or where the promoter fails to convene an inauguration meeting within 30 days after the subscription monies for the shares issued being fully paid up, the subscribers may demand that the promoters refund the subscription monies so paid together with the interest at bank rates of a deposit for the same period. Within 30 days of the conclusion of the inauguration meeting, the Board of Directors shall apply to the company registration authority for registration of the establishment of the company. A company is formally established and has the status of a legal person after approval of registration has been given by the company registration authority and a business license has been issued.

The promoters of a company shall: (1) individually and jointly be liable for the payment of all liabilities and expenses incurred in the incorporation process if the company cannot be incorporated; (2) individually and jointly be liable for the repayment of subscription monies to the subscribers together with interest at bank rates of a deposit for the same period if the company cannot be incorporated; and (3) be liable for compensation of damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company.

Share Capital

The promoters may make a capital contribution in currencies, or non-monetary assets such as in kind or intellectual property rights or land use rights which can be appraised with monetary value and transferred lawfully, except for assets that are prohibited from being contributed as capital by the laws or administrative regulations. Non-monetary property used for capital contributions shall be evaluated and verified, and shall not be overvalued or undervalued. Where laws or administrative regulations provide otherwise, those provisions shall prevail.

The issuance of shares shall be conducted in a fair and equitable manner, and each share of the same class shall enjoy the same rights. For shares issued at the same time and within the same class, the conditions and price per share must be the same; for the shares subscribed by an entity or an individual, the price per share paid must be the same. The share offering price may be equal to or in excess of the par value, but shall not be less than the par value.

Pursuant to the Overseas Listing Trial Measures, a domestic company that offers and lists securities on overseas markets may raise funds and pay dividends in a foreign currency or the RMB. Under specific circumstances such as equity incentives, issuance of securities to purchase assets, etc., domestic enterprises are allowed to issue securities to specific domestic objects when they directly issue and list overseas.

According to the provisions of the PRC Company Law, a company that issues registered shares shall establish a register of shareholders to record the following items: (1) the names or titles and domiciles of the shareholders; (2) the number of shares held by each shareholder; (3) the serial number of the shares held by each shareholder; and (4) the date on which each shareholder acquired the shares.

Increase In Share Capital

Pursuant to the PRC Company Law, an increase in the capital of a company by means of an issue of new shares must be approved by shareholders in a general meeting. In addition, the Securities Law of the PRC (the "**PRC Securities Law**") also stipulates the following conditions for the company's public offering of new shares: (1) have a sound organisational structure with satisfactory operating; (2) have the capability of sustainable operation; (3) have been issued with an unqualified opinion audit report by the auditor for the company's financial accounting documents in the latest three years; (4) the issuer and its controlling shareholder(s) and actual controlling party do not have criminal record during the past three years for corruption, bribery, encroachment of assets, misappropriation of assets or disruption of socialist market economy order; and (5) other conditions required by the securities administration department of the State Council as approved by the State Council. After the new shares issued by the company have been fully paid up, the change must be registered with the company registration authority and a public announcement shall be made.

Reduction of share capital

The Company shall reduce the registered capital in accordance with the following procedures as stipulated in the PRC Company Law: (1) the company shall prepare a balance sheet and an inventory of properties; (2) make a resolution at a shareholders' general meeting to reduce the registered capital; (3) the company shall notify its creditors within 10 days after making the resolution to reduce the registered capital and publish the relevant announcement in newspapers within 30 days; (4) a creditor may, within 30 days after receipt of the notification, or within 45 days after the date of announcement if he/she has not received the notification, have the right to request the company to repay its debts or provide relevant guarantees; and (5) the company must apply to the companies registration authority for a change in registration.

Repurchase of shares

Under the provisions of the PRC Company Law, a company shall not repurchase its own shares except in the following circumstances: (1) reduction of the registered capital of the company; (2) merger with another company that holds its shares; (3) use of its shares for carrying out an employee stock ownership plan or equity incentive plan; (4) request from shareholders who object to a resolution of a shareholders' general meeting on merger or division of the company to acquire their shares by the company; (5) use of shares for conversion of convertible corporate bonds issued by the listed company; and (6) it is necessary for a listed company to maintain its company value and protect its shareholders' equity. A resolution of a shareholders' general meeting is required for the repurchase of shares by a company under either of the circumstances stipulated in item (1) or item (2) above; for a company's repurchase of shares under any of the circumstances stipulated in item (3), item (5) or item (6) above, a resolution of a meeting of the Board of Directors shall be made by more than two-thirds of directors attending the meeting according to the provisions of the Company's Articles of Association or as authorized by the shareholders' general meeting.

The shares acquired by the company according to the above provisions under the circumstance stipulated in item (1) hereof a company shall be deregistered within 10 days from the date of acquisition of shares; the shares shall be transferred or deregistered within six months if the repurchase of shares is made under the circumstances stipulated in either item (2) or item (4); and the shares in the company held in total by the company after the repurchase of shares under any of the circumstances stipulated in item (3), item (5) or item (6) shall not exceed 10% of the Company's total issued shares, and shall be transferred or deregistered within three years.

A listed company acquires its own shares shall perform their obligation of information disclosure according to the provisions of the PRC Securities Law. A listed company acquires its own shares under any of the circumstances stipulated in item (3), item (5) and item (6) hereof, shall be carried out trading in public and centralized manner.

A company shall not accept its own shares as the subject matter of a mortgage.

Transfer of shares

Shares held by shareholders may be transferred legally. Under the PRC Company Law, a shareholder should effect a transfer of his shares on the Stock Exchange established in accordance with laws or by any other means as required by the State Council. The transfer of registered shares by a shareholder must be conducted by means of an endorsement or by other means stipulated by laws or by administrative regulations. Following the transfer of registered shares, the company shall enter the names and domiciles of the transferee into its share register. Change of the register of members described in the preceding paragraph shall not be registered within 20 days before the convening of a shareholders' general meeting or five days prior to the base date on which the company decides to distribute dividends. However, where there are separate provisions by law on the alternation of registration in the register of members of listed companies, those provisions shall prevail. The transfer of bearer share certificates shall become effective upon the delivery of the certificates to the transferee by the shareholder.

Pursuant to the PRC Company Law, shares held by promoters may not be transferred within one year of the establishment of the company. Shares of the company issued prior to the public issue of shares may not be transferred within one year of the date of the company's listing on the Stock Exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in it and any changes in such shareholdings. During their terms of office, they may transfer no more than 25% of the total number of shares they hold in the company every year. They shall not transfer the shares they hold within one year of the date of the company's listing on the Stock Exchange, nor within six months after they leave their positions in the company. The Articles of Association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management.

Pursuant to the Overseas Listing Trial Measures, for a domestic company directly offering and listing overseas, the shareholders of its domestic unlisted shares applying to convert its domestic unlisted shares into overseas listed shares and listed and traded on an overseas trading venue shall conform to relevant regulations promulgated by the CSRC, and appoint the domestic company to file with the CSRC.

Shareholders

Pursuant to the PRC Company Law and the Guidelines for Articles of Association, the rights of shareholders include the rights: (1) to be legally entitled to assets income, participate in significant decision-making and select management personnel; (2) to petition the people's court to revoke any resolution of a shareholders' meeting, a shareholders' general meeting or a meeting of the board of directors that has been convened or whose voting has been conducted in violation of the laws, administrative regulations or the articles of association of the company, or any resolution the contents of which is in violation of the laws, administrative regulations or the articles of association of the company, provided that such petition shall be submitted to the people's court within 60 days of the passing of such resolution; (3) to transfer his/her shares legally; (4) to attend or appoint a proxy to attend shareholders' general meetings and exercise the voting rights; (5) to inspect the articles of association of the company, share register, counterfoil of company debentures, the minutes of shareholders' general meetings, board resolutions, resolutions of the supervisory committee and the financial and accounting reports, and to make suggestions or inquiries in respect of the company's operations; (6) to receive dividends in respect of the number of shares held; (7) to participate in the distribution of residual properties of the company in proportion to their shareholdings upon the liquidation of the company; and (8) any other shareholders' rights provided for in laws, administrative regulations, other normative documents and the articles of association of the company.

The obligations of shareholders include the obligation to abide by the articles of association of the company, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's responsibilities in respect of the shares taken up by them and any other shareholder obligation specified in the articles of association of the company.

Pursuant to the Overseas Listing Trial Measures, a domestic company offering and listing overseas shall file with the CSRC as per requirement of this Measures, submit relevant materials that contain a filing report and a legal opinion, and provide truthful, accurate and complete information on the shareholders, etc.

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law. The shareholders' general meeting may exercise its powers: (1) to decide on the company's operational policies and investment plans; (2) to elect or replace the directors and supervisors who are not representatives of the employees and to decide on the matters relating to the remuneration of directors and supervisors; (3) to consider and approve the reports of the board of directors; (4) to consider and approve the reports of the supervisory committee or the reports of the supervisors; (5) to consider and approve the company's annual financial budget proposals and final account proposals; (6) to consider and approve the company's profit distribution and loss recovery proposals; (7) to decide on any increase or reduction of the company's registered capital; (8) to decide on the issue of corporate bonds; (9) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form; (10) to amend the articles of association of the company; and (11) to exercise any other authority stipulated in the articles of association of the company.

Pursuant to the PRC Company Law and the Guidelines for Articles of Association, a shareholders' general meeting is required to be held once a year within six months after the end of the previous accounting year. An extraordinary general meeting is required to be held within two months upon the occurrence of any of the following: (1) the number of directors is less than the number required by the law or less than two-thirds of the number specified in the articles of association of the company; (2) the total outstanding losses of the company amounted to one-third of the company's total paid-in share capital; (3) shareholders individually or in aggregate holding 10% or more of the company's shares request to convene an extraordinary general meeting; (4) the board of directors deems necessary; (5) the supervisory committee so proposes; or (6) any other circumstances as provided for in the articles of associations of the company.

A shareholders' general meeting is convened by the board of directors and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or is not performing his or her duties, the meeting shall be presided over by the vice chairman. If the vice chairman is incapable of performing or is not performing his or her duties, a director jointly recommended by more than half of directors shall preside over the meeting. If the board of directors is unable to or fails to perform its duty of convening the shareholders' general meeting, the Supervisory Committee shall convene and preside over such meeting in a timely manner; if the Supervisory Committee fails to convene and preside over such meeting, shareholders who individually or jointly hold more than 10% of the company's shares for more than 90 consecutive days may independently convene and preside over such meeting.

In accordance with the PRC Company Law, a notice stating the time and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders 20 days before the meeting if the shareholders' general meeting is convened. Notice of the extraordinary general meeting shall be given to all shareholders 15 days before the meeting. For the issuance of bearer share certificates, the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting. Shareholders who individually or jointly hold more than three percent of the shares of the company may submit an interim proposal in writing to the board of directors ten days before the shareholders' general meeting is held. The board of directors shall notify other shareholders within two days upon receipt of the proposal, and submit the interim proposal to the general meeting for deliberation. The contents of the interim proposal shall fall within the scope of powers of the shareholders' general meeting, and the proposal shall provide clear agenda and specific matters on which resolutions are to be made. The shareholders' general meeting shall not make any resolution in respect of any matter not set out in the above-mentioned two types of notices. Holders of bearer share certificates who attend the shareholders' general meeting shall deposit their share certificates with the company five days before the meeting and till the conclusion of the meeting.

According to the PRC Company Law, shareholders present at shareholders' general meeting shall have one vote for each share they hold, save that the Company's shares held by the company are not entitled to any voting rights.

An accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting pursuant to the provisions of the articles of association of the company or a resolution of the shareholders' general meeting. Under the accumulative voting system, when the shareholders' general meeting elects directors or supervisors, each share has the same voting rights as the number of directors or supervisors to be elected, and the voting rights owned by shareholders can be used collectively.

Under the PRC Company Law, the passing of any resolution at the general meeting requires affirmative votes of shareholders representing more than half of the voting rights held by the shareholders who attend the general meeting except in cases of proposed amendments to a Articles of Association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights held by the shareholders who attend the general meeting. Where the PRC Company Law and the Articles of Association provide that the transfer or acquisition of significant assets or the provision of external guarantees by the Company and the other matters must be approved by way of resolution of the general meeting, the Board of Directors shall convene a shareholders' general meeting promptly to vote on such matters by shareholders' general meeting. Shareholders may entrust a proxy to attend shareholders' general meetings on his or her behalf by a power of attorney which sets forth the scope of exercising the voting rights.

Minutes shall be prepared in respect of matters considered at the shareholders' general meeting and the chairperson and directors attending the meeting shall endorse such minutes by signature. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board of Directors

A company shall have a board, which shall consist of 5 to 19 members. Members of the Board of Directors may include staff representatives, who shall be democratically elected by the Company's staff at a staff representative assembly, general staff meeting or otherwise. The term of office of the directors shall be provided for by the Articles of Association, but each term of office shall not exceed three years. A director may seek reelection upon expiry of the said term. A director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations and the Articles of Association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the Board of Directors may exercise the following powers:

(1) to convene shareholders' general meetings and report on its work to the shareholders' general meetings;

(2) to implement the resolutions passed by the shareholders at the shareholders' general meetings;

(3) to decide on the Company's operational plans and investment proposals;

(4) to formulate proposal for the Company's annual financial budgets and final accounts;

(5) to formulate the Company's proposals for profit distribution and for recovery of losses;

(6) to formulate proposals for the increase or reduction of the Company's registered capital and the issue of corporate bonds;

(7) to formulate proposals for the merger, division, dissolution of the Company or change in the form of the Company;

(8) to decide on the setup of the Company's internal management organs;

(9) to decide on appointment or dismissal the manager of the Company and his/her remuneration matters, and as nominated by the manager, to decide on appointment or dismissal the Company's deputy general manager and financial officer and his/her remuneration matters;

(10) to formulate the Company's basic management system; and

(11) other authority stipulated in the Articles of Association.

Meetings of the Board of Directors shall be convened at least twice a year. Notice of meeting shall be given to all Directors and Supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than one-tenth of the voting rights, more than one-third of the Directors or the Supervisory Committee. The chairman shall convene the meeting within 10 days of receiving such proposal, and preside over the board meeting. The Board of Directors may otherwise determine the method of giving notice and notice period for convening an interim meeting of the board of directors. Meeting of the Board of Directors shall be held only if more than one half of the Directors are present. Resolutions of the Board of Directors shall be passed by more than one half of all Directors. Resolutions of the Board shall be passed on a one person one vote basis. The Directors shall attend a board meeting in person. If a director is unable to attend for any reasons, he/she may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his/her behalf. The Board of Directors shall make minutes of the meeting's decisions on the matters discussed at the meeting, and the directors attending the meeting shall sign the minutes.

If a resolution of the Board of Directors violates any laws, administrative regulations or the Articles of Association or resolutions of the general meeting, and as a result of which the Company sustains serious losses, the directors participating in the resolution are liable to compensate the Company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director shall be relieved from that liability.

Under the PRC Company Law, the following person may not serve as a Director of the Company: (1) devoid of or with restricted civil conduct ability; (2) within five years after serving sentence for embezzlement, bribery, infringement or misappropriation of property, or for jeopardizing socialist market economic order, or within five years after serving sentence and being deprived of political rights for crime; (3) within three years after insolvency and liquidation of such Company or enterprise where the person acted as a directors, factory manager or business manager and has been held accountable for the insolvency; (4) within three years after company or enterprise the person acted as legal representative is revoked business license and ordered to shut down for violating law on which the person is held accountable; and (5) liable to large amount of unliquidated mature debts.

Where a company elects or appoints a director to which any of the above circumstances applies, such election, appointment or designation shall be invalid. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the Company.

Under the PRC Company Law, the Board shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and review the implementation of board resolutions. The vice chairman shall assist the chairman to perform his/her duties. Where the chairman is incapable of performing or is not performing his/her duties, the duties shall be performed by the vice chairman. Where the vice chairman is incapable of performing or is not performing his/her duties, a director nominated by more than half of the directors shall perform his/her duties.

Supervisory Committee

The company shall have a Supervisory Committee composed of not less than three members. The Supervisory Committee shall consist of representatives of the shareholders and an appropriate proportion of representatives of the Company's staff, of which the proportion of representatives of the company's staff shall not be less than one-third, and the actual proportion shall be determined in the Articles of Association. Representatives of the Company's staff at the Supervisory Committee shall be democratically elected by the Company's staff at the staff representative assembly, general staff meeting or otherwise. The Supervisory Committee shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the Supervisory Committee shall be elected by more than half of all the supervisors. Directors and senior management shall not act concurrently as supervisors.

The chairman of the Supervisory Committee shall convene and preside over supervisory committee meetings. Where the chairman of the Supervisory Committee is incapable of performing or is not performing his/her duties, the vice chairman of the Supervisory Committee shall convene and preside over supervisory committee meetings. Where the vice chairman of the Supervisory Committee is incapable of performing or is not performing his/her duties, a supervisor elected by more than half of the supervisors shall convene and preside over supervisory committee meetings.

The supervisors serve three-year terms. A supervisor may serve consecutive terms if re-elected upon the expiration of his/her term. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the Articles of Association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The board of supervisors may exercise its powers:

(1) to review the company's financial position;

(2) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the Articles of Association or resolutions of the shareholders' general meetings;

(3) when the acts of a director or senior management are detrimental to the company's interests, to require the director and senior management to correct these relevant acts;

(4) to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board fails to perform the duty of convening and presiding over shareholders' general meetings under the PRC Company Law;

(5) to submit proposals to the shareholders' general meetings;

(6) to bring actions against directors and senior management pursuant to the relevant provisions of the PRC Company Law; and

(7) to exercise any other authority stipulated in the Articles of Association.

Supervisors may be present at board meetings and make inquiries or proposals in respect of the resolutions of the board of directors. The board of supervisors may investigate any irregularities identified in the operation of the company and, when necessary, may engage an accounting firm to assist its work at the cost of the company.

Manager and Senior Management

Pursuant to the relevant provisions of the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager, who is responsible to the board of directors, may exercise his/her functions and powers:

(1) to preside over the production and operation and administration of the company and arrange for the implementation of the resolutions of the board of directors;

(2) to arrange for the implementation of the company's annual operation plans and investment proposals;

(3) to formulate proposals for the establishment of the company's internal management organs;

(4) to formulate the fundamental management system of the company;

(5) to formulate the company's specific rules and regulations;

(6) to recommend the appointment or dismissal of any deputy manager and any financial officer of the company;

(7) to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the board of directors); and

(8) to exercise any other authority granted by the board of directors.

Other provisions in the Articles of Association on the manager's functions and powers shall also be complied with. The manager shall be present at meetings of the board of directors.

According to the relevant provisions of the PRC Company Law, senior management refers to the manager, deputy manager, financial officer, secretary to the board of directors of a listed company and other personnel as stipulated in the Articles of Association.

Duties of Directors, Supervisors, General Managers and Other Senior Management

Directors, supervisors and senior management are required under the PRC Company Law to comply with the relevant laws, administrative regulations and the articles of association, and carry out their duties of loyalty and diligence. Directors, supervisors and senior management are prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's property.

In the meantime, directors and senior management are prohibited from:

(1) misappropriating company funds;

(2) depositing company funds into accounts under their own names or the names of other individuals;

(3) loaning company funds to others or providing guarantees in favor of others supported by company's property in violation of the articles of association or without approval of the general meeting or the board of directors;

(4) entering into contracts or transactions with the company in violation of the articles of association or without approval of the general meeting;

(5) using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating businesses similar to that of the company for their own benefits or on behalf of others without approval of the general meeting;

(6) accept commissions from transactions between others and the company for their own benefits;

(7) unauthorized divulgence of confidential information of the company; and

(8) other acts in violation of their duty of loyalty to the company.

Income generated by directors or senior management in violation of aforementioned shall be returned to the company.

A director, supervisor or senior management who contravenes law, administrative regulation or articles of association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

Where a director, supervisor or senior management is required to attend a shareholders' general meeting, such director, supervisor or senior management shall attend the meeting and answer the inquiries from shareholders. Directors and senior management shall furnish with relevant facts and information to the board of supervisors without obstructing the exercise of functions and powers by the board of supervisors or supervisors.

Where the directors and senior management violate laws, administrative regulations or the articles of association in performance of duties to the company, thereby causing damages to the company, the shareholders individually or jointly holding more than 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. Where the supervisors violate the laws, administrative regulations or the articles of association in performance of duties resulting in any loss to the company, the aforementioned shareholder(s) may request in writing that the board of directors institute litigation at a people's court. Upon receipt of shareholders' written request stipulated in the preceding paragraph, if the board of supervisors or the board of directors refuses to file a lawsuit or does not file a lawsuit within 30 days from receipt of such request, or in the event of emergency where the interest of the company will suffer irreparable damages if lawsuit is not filed immediately, the shareholders stipulated in the preceding paragraph shall have the right to file a lawsuit directly with the people's court in their own name for the interest of the company. For other parties who infringe the lawful interests of the company resulting in loss to the company, the aforementioned shareholder(s) may institute litigation at a people's court in accordance with the procedure described above. Where any director or senior management violates the provisions of laws, administrative regulations or the Articles of Association, damaging interests of shareholders, the shareholders may file a lawsuit with the people's court.

The Overseas Listing Trial Measures stipulates that the filling materials for overseas listing of domestic enterprises shall be true, accurate and complete, and shall not contain false records, misleading statements or material omissions. Domestic enterprises and their controlling shareholders, de facto controllers, directors, supervisors and senior management shall fulfill their obligations of information disclosure in accordance with the law, be honest, trustworthy, diligent and responsible and ensure that the filling materials are true, accurate and complete.

Finance and accounting

According to the PRC Company Law, a company shall establish its own financial and accounting systems according to the laws, administrative regulations and the regulations of the financial departments of the State Council. A company shall prepare its financial reports at the end of each accounting year which shall be audited by accounting firm according to law. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial departments of the State Council. The company's financial and accounting reports shall be made available for shareholders' inspection at the company within 20 days before the convening of an annual general meeting. A joint stock limited company that makes public stock offerings shall announce its financial and accounting reports.

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits for the company's statutory common reserve fund. However, when the cumulative amount of the reserve fund has reached more than 50% of the PRC company's registered capital, it may no longer be allocated. When the company's statutory common reserve fund is not sufficient to make up for the company's losses for the previous years, the current year's profits shall first be used to make up the losses before any allocation is set aside for the statutory common reserve fund. After the company has made allocations to the statutory common reserve fund from its after-tax profits, it may, upon passing a resolution at a shareholders' general meeting, make further allocations from its after-tax profits to the discretionary common reserve fund. After the company has made up its losses and made allocations to its discretionary common reserve fund, the remaining after-tax profits shall be distributed to shareholders in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the articles of association.

Profits distributed to shareholders by a resolution of a shareholder's general meeting or the board of directors before losses have been made up and allocations have been made to the statutory common reserve fund in violation of the requirements described above must be returned to the company. The company shall not be entitled to any distribution of profits in respect of its own shares held by it.

Proceeds from shares issued by a company at a price above their nominal value and other revenues required by the financial departments of the State Council to be stated as capital reserve shall be accounted for as the capital reserve fund of the company. The common reserve fund of a company shall be applied to make up the company's losses, expand its production and operations or convert it into an increase in its capital. The capital reserve fund, however, shall not be used to make up the company's losses. Upon the transfer of the statutory common reserve fund into capital, the balance of the fund shall not be less than 25% of the registered capital of the company before such transfer.

The company shall have no accounting books other than the statutory books. The company's assets shall not be deposited in any account opened under the name of an individual.

Appointment and Dismissal of Auditors

Pursuant to the PRC Company Law, the appointment or dismissal of an accounting firm responsible for the auditing of the company shall be determined by shareholders at a shareholders' general meeting or the board of directors in accordance with the articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting or the board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or misrepresentation of information.

The Overseas Listing Trial Measures require that securities companies and law firms should conduct adequate verification of the filing materials of overseas listed enterprises.

Profit Distribution

According to PRC Company Law, a company shall not distribute profits before losses are covered and the statutory reserve fund is provided. At the same time, the Overseas Listing Trial Measures stipulate that domestic enterprises may raise funds and pay dividends in foreign currencies or RMB for overseas listings.

Amendment to Articles of Association

Pursuant to PRC Company Law, the resolution of a shareholders' general meeting regarding any amendment to a company's articles of association requires affirmative votes by at least two-thirds of the votes held by shareholders attending the meeting.

Dissolution and Liquidation

Pursuant to PRC Company Law, a company shall be dissolved for any of the following reasons:

(1) upon expiry of term of business stipulated in the Articles of Association or occurrence of other circumstances of dissolution stipulated in the Articles of Association;

(2) the shareholders' general meeting has resolved to dissolve the company;

(3) the company is dissolved by reason of its merger or division;

(4) the business license of the company is revoked or the company is ordered to close down or to be dissolved in accordance with the laws; or

(5) Where the company encounters serious difficulties in its operations or management that will lead to significant losses to the benefits of the shareholders if the company continues its existence and the situation cannot be resolved by other means, the company is dissolved by a people's court in response to the request of shareholders representing 10% or more of the voting rights of all shareholders of the company.

In the event of paragraph (1) above, the company may carry on its existence by amending its articles of association. The amendments to the articles of association in accordance with the provisions described above shall require the approval of more than two-thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved under the circumstances set forth in paragraph (1), (2), (4) or (5) above, it should establish a liquidation committee within 15 days of the date on which the dissolution matter occurs and commence the liquidation. The liquidation committee shall be composed of Directors or persons determined by a general meeting. If a liquidation committee is not established within the prescribed period, the company's creditors may file an application with a people's court to appoint relevant personnel to form a liquidation committee to conduct the liquidation. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee may exercise following powers during the liquidation:

(1) to verify the Company's assets and to prepare a balance sheet and an inventory of assets;

(2) to inform creditors by notice or announcement;

(3) to deal with and settle any outstanding business of relevant company;

(4) to pay all outstanding taxes and the taxes arising during the liquidation process;

(5) to settle claims and debts;

(6) to handle the company's remaining assets after its debts have been paid off; and

(7) to represent the company in civil lawsuits.

The liquidation committee shall notify the company's creditors within 10 days of its establishment, and publish an announcement in newspapers within 60 days.

A creditor shall lodge his claim with the liquidation committee within 30 days of receipt of the notification or within 45 days of the date of the announcement if he has not received any notification.

The creditors shall explain matters relating to their claims and provide evidential documents. The liquidation committee shall register the creditor's claims. In the claims declaration period, the liquidation committee shall not make repayment to the creditors.

Upon disposal of the company's property and preparation of the required balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit this plan to a shareholders' general meeting or a people's court for endorsement. The remaining part of the company's assets, after payment of liquidation expenses, employee wages, social insurance fees and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to shares held by them. The company shall continue its existence during the liquidation period, although it cannot conduct operating activities that are not related to the liquidation. The company's property shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

Upon liquidation of the company's property and preparation of the required balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to a people's court for a declaration of bankruptcy in accordance with the laws. Following such declaration by the people's court, the liquidation committee shall hand over the administration of the liquidation to the people's court.

Upon completion of the liquidation of the company, the liquidation team shall prepare a liquidation report and submit it to the shareholders' general meeting or a people's court for confirmation and the company registration authority to apply for cancelation of the company's registration, and an announcement of its termination shall be published. Members of the liquidation committee are required to discharge their duties in good faith and perform their obligation in compliance with laws. Members of the liquidation committee shall be prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's properties. Members of the liquidation committee are liable to indemnify the company and its creditors in respect of any loss arising from their willful or material default. Furthermore, liquidation of a company declared bankrupt according to laws shall be processed in accordance with the relevant laws on corporate bankruptcy.

Overseas listing

According to the Overseas Listing Trial Measures, the securities refer to stocks, depositary receipts, and corporate bonds that can be converted into stocks or other securities of an equity nature that are directly or indirectly offered and listed overseas by domestic companies. The direct overseas offering and listing of domestic companies refer to such overseas offering and listing of a joint stock limited company incorporated in the territory of PRC. The indirect overseas offering and listing of domestic companies refer to such overseas offering and listing made in the name of an offshore entity but based on the equity, assets, earnings, or other similar rights of a domestic company that operates its main business domestically.

The Overseas Listing Trial Measures also provide the conditions for overseas offering and listing. An overseas offering and listing are prohibited under any of the following circumstances:

(1) the listing and financing fall under specific prohibiting in the laws, administrative regulations, and relevant national provisions;

(2) the overseas offering and listing may constitute endangers to national security as reviewed and determined by competent authorities under the State Council in accordance with law;

(3) the domestic company and its controlling shareholder(s), actual controllers, have a criminal record in recent three years for corruption, bribery, encroachment of assets, misappropriation of assets, or disruption of socialist market economy order;

(4) the domestic company is under investigation according to law for suspected crimes or major violations of laws and regulations, but no clear conclusions have been reached;

(5) there are material ownership disputes over the equities held by the controlling shareholders or the shareholders whose actions are controlled by the controlling shareholders or actual controllers.

In addition, under the Overseas Listing Trial Measures, where a PRC domestic company submits an application for initial public offering to competent overseas regulators or overseas stock exchanges, such issuer must file with the CSRC within three business days after such application is submitted.

In the event of the occurrence of any of the following material events after the overseas offering and listing, the PRC domestic companies shall make a detailed report to the CSRC within three working days after the occurrence and public announcement of the relevant event:

(1) change in controlling rights;

(2) being subject to investigation, punishment, or other measures by overseas securities regulatory authorities or the relevant competent authorities;

(3) changing the listing status or transferring the listing board;

(4) voluntary or compulsory termination of a listing.

Pursuant to the Notice on Administrative Arrangements for Filing Concerning Overseas Issuance and Listings by Domestic Enterprises, which was promulgated by the CSRC on February 17, 2023 and came into effect on the same date, a domestic enterprise which has been issued and listed overseas before March 31, 2023 is defined as stock enterprise ("**stock enterprise**"). The stock enterprise shall not need to file immediately, but the enterprise shall file as required if it involves the file matters such as refinancing subsequently. For the purpose of the domestic enterprise that has been granted approval letter by the CSRC for the overseas public raised shares and listing (including issuance of additional shares) by a joint stock limited company, the domestic enterprise may continue to promote overseas issuing and listing upon the expiration of the validity of the approval letter. The domestic enterprise shall file as required if it has not completed overseas issuing and listing upon the expiration of the validity of the approval letter.

Pursuant to the Provisions on Strengthening Confidentiality and Archives Administration Concerning Overseas Securities Offerings and Listings by Domestic Enterprises, which was issued by the CSRC, MOF, the National Administration of State Secrets Protection and the National Archives Administration on February 24, 2023 and implemented since March 31, 2023, a domestic enterprise that provides or through its overseas listed entity, publicly discloses or provides to relevant individuals or entities including securities companies, securities service providers and overseas regulators, any document and materials that contain state secrets or working secrets of government agencies, shall first obtain approval from competent authorities according to law, and files with the secrecy administrative department at the same level. A domestic enterprise that provides accounting archives or copies of accounting archives to any entities including securities companies, securities service providers and overseas regulators and individuals shall fulfill due procedures in compliance with applicable national regulations.

Loss of Share Certificates

A shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After the people's court declares that such certificate(s) will no longer be valid, the shareholder may apply to the company for the issue of a replacement certificate(s).

Merger and Division

Pursuant to the PRC Company Law, a merger agreement shall be signed by merging companies and the involved companies shall prepare respective balance sheets and inventory of assets. The companies shall within 10 days of the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger in newspapers within 30 days. A creditor may, within 30 days of receipt of the notification, or within 45 days of the date of the announcement if he has not received the notification, request the company to settle any outstanding debts or provide relevant guarantees.

In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company. In case of a division, the company's assets shall be divided and a balance sheet and an inventory of assets shall be prepared. When a resolution regarding the company's division is approved, the company should notify all its creditors within 10 days of the date of passing such resolution and publicly announce the division in newspapers within 30 days. The liabilities of the company which have accrued prior to the division shall be jointly borne by the separated companies other than in the agreement in writing entered into by the company with creditors in respect of the settlement of debts prior to division, unless otherwise stipulated in the agreement in writing entered into by the company with creditors in respect of the settlement of debts prior to division.

Changes in the business registration of the companies as a result of the merger or division shall be registered with the relevant administration authority for industry and commerce.

The PRC Securities Laws, Regulations and Regulatory Regimes

The PRC has promulgated a series of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating, and supervising all securities-related institutions in the PRC, and administering CSRC. The CSRC is the regulatory executive body of the Securities Committee and is responsible for the drafting of regulatory provisions governing securities markets, supervising securities companies, regulating public offerings of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

On April 22, 1993, the State Council promulgated the Provisional Regulations Concerning the Issue and Trading of Shares (《股票發行與交易管理暫行條例》) governing the application and approval procedures for public offerings of shares, issuance of and trading in shares, the acquisition of listed companies, deposit, clearing, and transfer of shares, the disclosure of information, investigation, penalties and dispute resolutions with respect to a listed company.

The PRC Securities Law took effect on July 1, 1999, and was revised as of August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014, and December 28, 2019, respectively. The latest revised PRC Securities Law took effect on March 1, 2020. The PRC Securities Law is the first national securities law in the PRC, comprehensively regulating activities in the PRC securities market. It is divided into 14 chapters and 226 articles, including the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies, and the responsibilities of the securities registration and settlement institutions and securities regulatory authorities. Article 224 of the PRC Securities Law provides that domestic enterprises issuing shares overseas directly or indirectly or listing their shares overseas shall comply with the relevant provisions of the State Council. Currently, the issue and trading of foreign-issued securities (including shares) are principally governed by the regulations and rules promulgated by the State Council and CSRC.

Arbitration and Enforcement of Arbitral Awards

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "**PRC Arbitration Law**") was enacted by the SCNPC on August 31, 1994, which became effective on September 1, 1995, and was amended on August 27, 2009, and September 1, 2017. The PRC Arbitration Law is applicable to, among other matters, economic disputes involving foreign parties where all parties had entered into a written agreement to resolve disputes by arbitration before an arbitration committee constituted in accordance with the PRC Arbitration Law. The PRC Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the parties have agreed to settle disputes by means of arbitration, a people's court will refuse to handle a legal proceeding initiated by one of the parties at such people's court unless the arbitration agreement is invalid.

Under the PRC Arbitration Law and PRC Civil Procedure Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If any party fails to comply with the arbitral award, the other party to the award may apply to a people's court for its enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural irregularity (including irregularity in the composition of the arbitration committee, the making of an award on matters beyond the scope of the arbitration agreement, or the jurisdiction of the arbitration commission).

Any party seeking to enforce an award of a foreign affairs arbitral body of the PRC against a party or whose property is not located within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the award. Likewise, an arbitral award made by a foreign arbitral body may be recognized and enforced by a PRC court in accordance with the principle of reciprocity or any international treaties concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**") adopted on June 10, 1958, pursuant to a resolution passed by the SCNPC on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties thereto subject to their rights to refuse recognition and enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of that state. At the time of the PRC's accession to the Convention, the SCNPC declared that (1) the PRC would only apply the Convention to the recognition and enforcement of arbitral awards made in the territories of other parties based on the principle of reciprocity; and (2) the New York Convention will only be applied to disputes deemed under PRC laws to be arising from contractual or non-contractual mercantile legal relations.

An agreement has been reached between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People's Court of the PRC adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland and Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on February 1, 2000. The Supreme People's Court of China issued the Supplementary Arrangements on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) on November 26, 2020, which went into effect on November 27, 2020. The arrangements reflect the spirit of the New York Convention. Pursuant to the arrangements, awards made by PRC arbitral authorities acknowledged by Hong Kong arbitration rules can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in mainland China. Where a court of the mainland China finds that enforcement in the mainland China of the ruling made by the Hong Kong arbitral authority will violate public interests of the mainland China, execution of the ruling may be ignored.

Shanghai-Hong Kong Stock Connect

On April 10, 2014, CSRC and Hong Kong Securities and Futures Commission (hereinafter referred to as "**HKSFC**") issued the Joint Announcement of CSRC and HKSFC – Principles that Should be Followed when the Pilot Program that Links the Stock Markets in Shanghai and Hong Kong is Expected to be Implemented and approved in principle the launch of the pilot program that links the stock markets in Shanghai and Hong Kong (hereinafter referred to as "**Shanghai-Hong Kong Stock Connect**") by the Shanghai Stock Exchange (hereinafter referred to as "**SSE**"), the Stock Exchange, CSDC and HKSCC. Shanghai-Hong Kong Stock Connect comprises the two portions of Northbound Trading Link and Southbound Trading Link. Southbound Trading Link refers to the entrustment of China securities houses by China investors to trade stocks listed on the Stock Exchange within a stipulated range via filing by the securities trading service company established by the SSE with the Stock Exchange. During the initial period of the pilot program, the stocks of Southbound Trading Link consist of constituent stocks of the Stock Exchange Hang Seng Composite Large Cap Index and the Hang Seng Composite MidCap Index as well as stocks of A+H stock companies concurrently listed on the Stock Exchange and the SSE. The total limit of Southbound Trading Link is RMB250 billion and the daily limit is RMB10.5 billion. During the initial period of the pilot program, it is required by HKSFC that China investors participating in Southbound Trading Link are only limited to institutional investors and individual investors with a securities account and capital account balance of not less than RMB500,000 in total. On November 10, 2014, CSRC and HKSFC issued a Joint Announcement, approving the official launch of Shanghai-Hong Kong Stock Connect by SSE, the Stock Exchange, CSDCC and HKSCC. Pursuant to the Joint Announcement, trading of stocks under Shanghai-Hong Kong Stock Connect will commence on November 17, 2014. On September 30, 2016, CSRC issued the Filing Provision on the Placement of Shares by Hong Kong Listed Companies with Domestic Original Shareholders under Southbound Trading Link which came into effect on the same day. The act of the placement of shares by Hong Kong listed companies with domestic original shareholders under Southbound Trading Link shall be filed with CSRC. Hong Kong listed companies shall file the application materials and approved documents with CSRC after obtaining approval from the Stock Exchange for their share placement applications. CSRC will carry out supervision based on the approved opinion and conclusion of the Hong Kong side.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND THE PRC COMPANY LAW

The Hong Kong laws applicable to a company incorporated in Hong Kong are based on the Companies Ordinance and the Companies (Winding up and Miscellaneous Provisions) Ordinance and are supplemented by common law and the rules of equity that apply to Hong Kong. As a joint stock limited company established in the PRC that is seeking an [**REDACTED**] of shares on the Stock Exchange, we are governed by the Company Law and all other rules and regulations promulgated pursuant to the Company Law.

Set out below is a summary of certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the Company Law applicable to a joint stock limited company incorporated and existing in accordance with the Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under the Hong Kong laws, a company with share capital shall be incorporated by the Registrar of Companies in Hong Kong which issues a certificate of incorporation to the company upon its incorporation, and the company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

According to the Company Law, a joint stock limited company may be incorporated by promotion or public subscription. The minimum registered capital of a joint stock limited company is not required, unless otherwise provided by laws, administrative regulations and the decisions of the State Council, for the paid-up registered capital and the minimum registered capital of a joint stock limited company.

Hong Kong laws do not prescribe any minimum registered capital requirements for a Hong Kong company.

Share Capital

The Company Law does not provide for authorized share capital. The share capital of a company incorporated in Hong Kong would be its issued share capital. The full proceeds of a share issue will be credited to share capital and becomes the company's share capital. The directors of a company incorporated in Hong Kong may, with the prior approval of the shareholders if required, issue new shares of the company.

Under the Securities Law, an application for listing shall comply with the listing rules of the stock exchange. Hong Kong laws do not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

According to the Company Law, shareholders may provide capital contribution in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and assets verification must be carried out to ensure no overvaluation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong laws.

Restrictions on Shareholding and Transfer of Shares

Under the PRC law, the Unlisted Domestic Shares, which are denominated and subscribed for in Renminbi, can only be subscribed for and traded by PRC investors, qualified overseas institutional investors or qualified overseas strategic investors. Overseas listed shares, which are denominated in Renminbi and subscribed for in a foreign currency, may only be subscribed for, and traded by, investors from countries and regions outside the PRC or other qualified PRC institutional investors. If the H Shares are eligible securities under the Southbound Trading Link, they are also available for subscription and trading by domestic investors in the PRC pursuant to the rules and restrictions of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

According to the Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in a joint stock limited company held by its directors, supervisors and senior management transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The Articles of Association of a Company may set other restrictive requirements on the transfer of a company's shares held by, its directors, supervisors and senior management of the company. There are no such restrictions on shareholdings and transfers of shares under Hong Kong laws apart from the six-month lockup on the company's issue of shares and the 12-month lockup on controlling shareholders' disposal of shares, as illustrated by the undertakings given by the Company and our Single Largest Group of Shareholders to the Stock Exchange.

Notice of General Meeting

According to the Company Law, notice of annual general meeting must be given not less than 20 days before the meeting, while notice of an extraordinary general meeting must be given not less than 15 days before the meeting. If a company has bearer shares, a public announcement of a general meeting must be made at least 30 days prior to the meeting.

For a limited company incorporated in Hong Kong, the notice period for an annual general meeting is at least 21 days and in any other case, at least 14 days for a limited company and at least 7 days for an unlimited company.

Quorum for General Meetings

The Company Law does not specify any quorum requirement for a general meeting.

Under the Hong Kong laws, the quorum for a general meeting is two members unless the articles of association of the company otherwise provide. For a single member company, one member is a quorum.

Voting at General Meetings

According to the Company Law, the passing of any resolution requires more than half of the votes held by the shareholders present in person or by proxy. Amendments to the articles of association, change of corporate form, increase or decrease of registered capital and merger, division or dissolution must be approved by shareholders or proxies representing more than two-thirds of the voting rights being present in shareholders' general meeting.

Under the Hong Kong laws, (1) an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a shareholders' general meeting and (2) a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a shareholders' general meeting.

Variation of Class Rights

The Company Law has no special provision relating to variation of class rights. However, the Company Law states that the State Council can promulgate regulations relating to other kinds of shares.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (1) with the passing of a special resolution by the shareholders of the relevant class at a separate meeting sanctioning the variation; (2) with the consent in writing of shareholders of at least three-fourths of the total voting rights of shareholders of the relevant class or (3) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

Directors, Senior Management and Supervisors

The Company Law, unlike the Companies Ordinance, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval.

Supervisory Committee

According to the Company Law, a joint stock limited company's directors and senior management are subject to the supervision of a supervisory committee. There is no mandatory requirement for the establishment of a supervisory committee for a company incorporated in Hong Kong.

Derivative Action by Minority Shareholders

Hong Kong laws permit minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name.

According to the Company Law, if the directors and senior management of a joint stock limited company violate laws, administrative regulations or its articles of association, resulting in losses to the company, shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the supervisory committee to initiate proceedings in the people's court. If the supervisors violate the relevant provisions of the Company Law, the above shareholders may request in writing the board of directors to initiate litigation at the people's court. Upon receipt of such written request from the shareholders, if the supervisory committee or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the people's court in their own name.

Protection of Minorities

Under the Hong Kong laws, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong.

The Company Law provides that any shareholders holding 10% or more of the voting rights of all issued shares of a company may request a People's Court to dissolve the company to the extent that the operation or management of the company experiences any serious difficulties and the company continues to suffer serious losses and no other alternatives can resolve.

Financial Disclosure

According to the Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders' general meeting. In addition, a joint stock limited company of which the public offering Shares are offered must publish its financial report. The Hong Kong laws require a company incorporated in Hong Kong to send to every shareholder a copy of its financial report, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting.

According to the Company Law, a company shall at the end of each accounting year prepare a financial report which shall be audited by the accounting firm in accordance with the laws.

Information on Directors and Shareholders

The Company Law gives shareholders the right to inspect the articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable fee) certain information on shareholders and on directors similar to that available to shareholders of Hong Kong companies under the Hong Kong laws.

Receiving Agents

According to the Hong Kong laws, dividends once declared by the Board will become debts payable to shareholders. Under the Hong Kong laws, the limitation period for an action to demand repayment of a debt is six years, whereas the Civil Code of the PRC (《中華人民共和國民法典》) provides that the limitation period for an action to be taken is three years.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Section 674 of the Companies Ordinance, which requires the sanction of the court. In addition, subject to the shareholders' approval, an intra-group wholly-owned subsidiary company may also be amalgamated horizontally or vertically under the Companies Ordinance.

According to the Company Law, the merger, demerger, dissolution or change to the forms of a joint stock limited company has to be approved by shareholders at general meeting.

Statutory Deductions

According to the Company Law, a company shall draw 10% of the profits as its statutory reserve fund before it distributes any profits after taxation. When the aggregate amount of the company's statutory reserve fund reaches 50% of the company's registered capital, the company may no longer make allocations from the statutory reserve fund. After a company has made an allocation to its statutory reserve fund from its after-tax profit, it may make an allocation to its discretionary reserve fund from its after-tax profit upon a resolution approved at the shareholders' general meeting. There are no such requirements under Hong Kong laws.

Remedies of Company

According to the Company Law, if a director, supervisor or senior management in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or senior management should be responsible to the company for such damages.

The Listing Rules require listed companies' articles of association to provide for remedies of the company similar to those available under Hong Kong laws (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividend

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder.

Under Hong Kong laws, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is three years. The company shall not exercise its powers to forfeit any unclaimed dividend after the expiry of the applicable limitation period.

Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors, including the duty not to act in conflict with the company's interests.

Under the Company Law, directors, supervisors, managers and other senior management personnel of a company have the duty of loyalty and diligence to the company. Such persons shall abide by the articles of association of the company, perform their duties honestly and diligently, safeguard the interests of the company, and shall not use their position and authority in the company for their personal gain.

Closure of Register of Members

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by the Company Law, share transfers shall not be registered within 20 days before the date of a general meeting or within five days before the base date set for the purpose of distribution of dividends.

This appendix contains a summary of the main provisions of the Articles of Association considered and approved at the general meeting of the Company on May 15, 2023, which will take effect from the date of [**REDACTED**] of H shares on the Stock Exchange. The main purpose of this appendix is to give [**REDACTED**] an overview of the Articles of Association, and it may not contain all the information that is important for [**REDACTED**].

The full Chinese text of the Articles of Association is available for inspection as mentioned in "Appendix VII—Documents Delivered to the Registrar of Companies and Documents on Display".

SHARES

Shares and Registered Capital

The Company shall have ordinary shares. The shares of the Company shall take the form of share certificates. All the shares issued by the Company are denominated in RMB, with a nominal value of RMB1 per share.

The shares of the Company shall be issued in a transparent, fair and equal manner, and shall rank *pari passu* with the shares of the same class.

The terms and price of each share of the same class in the same issue shall be the same, and every share subscribed by any entity or individual in the same issue shall have the same price.

Increase and Decrease of Shares

Increase of capital

The Company may, upon resolution by the shareholders' general meeting, adopt the following methods to increase its capital in accordance with its business and development needs and pursuant to the provisions of laws and regulations:

(I) public offering of shares;

(II) non-public offering of shares;

(III) distribution of bonus shares to existing shareholders;

(IV) conversion of the reserve fund to additional share capital;

(V) other means as permitted by laws, administrative regulations and approved by the securities regulatory authorities of the place where the Company's shares are listed, HKEX and CSRC.

Capital reduction

The Company may decrease its registered capital in accordance with the Articles of Association. If the Company reduces its registered capital, such reduction shall be made in accordance with the procedures stipulated in the PRC Company Law, the regulatory rules of the securities regulatory authorities of the place where the Company's shares are listed and other related regulations and the Articles of Association.

When reducing its registered capital, the Company must prepare balance sheet and a list of assets.

The Company shall notify its creditors within ten days from the date of the resolution on the registered capital reduction and shall publish an announcement on the newspaper(s) within 30 days. A creditor has the right, within 30 days from the receipt of such notice; or, for creditors who do not receive the notice, within 45 days from the date of the announcement, to request the Company to pay its debts or to provide corresponding guarantee for such debts.

The registered capital of the Company after its reduction shall not be less than the statutory minimum amount. In addition, if the Company increases or reduces registered capital, it shall complete the registration for changes with the company registration authorities pursuant to the laws.

Buy-back of Share

The Company may, in accordance with the provisions of the laws, administrative regulations, departmental rules and the Articles of Association, repurchase the shares of the Company in the following circumstances:

(I) cancellation of shares to reduce the registered capital of the Company;

(II) merging with other companies holding the shares of the Company;

(III) the shares are to be used for employee share ownership plan or equity incentives;

(IV) any shareholder opposes a resolution on the merger or division of the Company adopted at a general meeting and requests the Company to purchase his or her shares;

(V) the shares are to be used to convert corporate bonds issued by the Company that can be converted to shares;

(VI) it is necessary for the Company to maintain corporate value and shareholders' interests;

(VII) other circumstances in which the shares of the Company can be acquired pursuant to the laws, administrative regulations, departmental rules, regulatory documents, and relevant regulations of the place where the Company's shares are listed.

Except for the circumstances set out above, the Company shall not acquire the Shares of the Company.

The Company's acquisition of the shares of the Company can be made by public and centralized transaction, or other methods recognized by laws, administrative regulations and relevant regulatory authorities. Where the Company acquires its own shares due to the circumstances stipulated in item (III), (V) or (VI) above, it should be made by public and centralized transaction.

The Company's acquisition of the shares of the Company due to the circumstances stipulated in items (I) and (II) above shall be subject to a resolution of the general meeting. The Company's acquisition of the shares of the Company due to the circumstances stipulated in items (III), (V) and (VI) above may, pursuant to the Articles of Association or the authorization of the general meeting, be subject to a resolution of a Board meeting at which more than two-thirds of Directors are present.

Under the circumstance stipulated in item (I), the shares of the Company so acquired shall be canceled within ten days from the date of acquisition; under the circumstances stipulated in either item (II) or item (IV) above, the shares of the Company so acquired shall be transferred or canceled within six months; under the circumstances stipulated in item (III), (V) or (VI), the total shares of the Company held by the Company shall not exceed 10% of the Company's total outstanding Shares, and shall be transferred or canceled within three years.

If it is otherwise provided in the regulatory rules of the securities regulatory authority of the place where the Company's Shares are listed regarding the relevant matters of the repurchase of the Shares, the latter shall prevail.

Financial Assistance for the Purchase of the Shares of the Company

The Company or its subsidiaries (including the Company's affiliated enterprises) shall not provide any financial assistance, in the form of gift, advance, guarantee, compensation or loans, to any person that purchases or plans to purchase the shares of the Company.

Share Transfer and Pledge

Shares issued prior to the public [**REDACTED**] of shares by the Company shall not be transferred within one year from the day on which the shares of the Company are [**REDACTED**] and [**REDACTED**] on the stock exchange.

The Directors, Supervisors and senior management personnel of the Company shall report to the Company their shareholdings in the Company and changes thereof and shall not transfer more than 25% of the total shares of the same class held by them in the Company per annum during their terms of office; the shares they hold in the Company shall not be transferred within one year from the date on which the shares of the Company are [**REDACTED**] and [**REDACTED**]. The shares they held in the Company also cannot be transferred within half a year after such persons have left office.

The Company does not accept its own shares as the collateral of pledge.

If it is otherwise provided in the regulatory rules of the securities regulatory authority of the place where the Company's Shares are [**REDACTED**] regarding the relevant matters of the limitation of H shares transfer, the latter shall prevail.

SHAREHOLDERS AND GENERAL MEETINGS

Shareholders

Register of Members

The Company shall make a register of members in accordance with evidentiary documents provided by the securities registration authorities, and such register of members shall be the sufficient evidence substantiating that the shareholders hold the shares of the Company. Shareholders enjoy rights and undertake obligations according to the class and percentage of shares they hold. Holders of the same class shall enjoy the same rights and bear the same obligations.

The Company shall made available a copy of the full register of members at a specified address in Hong Kong for inspection by members, provided that the Company may be permitted to close the register on terms equivalent to section 632 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

Rights and Obligations of Shareholders

The shareholders of the Company shall enjoy the following rights:

(I) obtaining dividends and any other form of profit distribution based on the number of shares held by them;

(II) requiring, convening, chairing, attending or appointing a proxy to attend a shareholders' general meeting pursuant to the law and exercising the corresponding rights to speak and vote;

(III) supervising the Company's operations, proposing recommendations or raising questions;

(IV) transferring, donating or pledging shares held by them pursuant to laws, administrative regulations and the regulatory rules of the securities regulatory authority of the place where the shares of the Company are listed and the Articles of Association;

(V) inspecting the Articles of Association, share register, counterfoil of corporate bonds, minutes of shareholders' general meetings, resolutions of the board of directors, resolutions of the supervisory committee and financial and accounting reports;

(VI) upon termination or liquidation of the Company, to participate in the distribution of the remaining property of the Company in proportion to the quantity of shares held by them;

(VII) a shareholder who objects to the resolution on merger or division of the Company passed by a shareholders' general meeting may request the Company to acquire his/her/its shares;

(VIII) any other rights stipulated by laws, administrative regulations, provisions of departmental rules, the regulatory rules of securities regulatory authority of the place where the shares of the Company are listed or the Articles of Association.

The shareholders of the Company shall assume the following obligations:

(I) complying with laws, administrative regulations and the Articles of Association;

(II) paying capital contribution as per the shares subscribed for and the method of subscription;

(III) not to withdraw the investment, except for circumstances stipulated by laws and regulations;

(IV) not to abuse the shareholders' rights to impair the interest of the Company or other shareholders, not to abuse the legal person's independent status of the Company and the shareholders' limited liability to impair the interest of creditors of the Company.

Shareholders of the Company shall be liable for making compensation for any loss suffered by the Company or other shareholders arising from their abuse of shareholders' rights in accordance with law.

Shareholders of the Company who abuse the independent legal person status of the Company and the shareholders' limited liability to evade debts and seriously impair the interest of creditors of the Company shall be jointly and severally liable for the debts of the Company;

(V) other obligations for the shareholders prescribed by laws, administrative regulations and the requirements of the Articles of Association of the Company.

Restriction on Rights of the Controlling Shareholders

The controlling shareholder(s) or the de facto controller(s) of the Company shall not impair the interests of the Company by making use of their connected relationship. They shall be liable for damages if, as a result of violating the regulation, they cause the Company to sustain a loss.

The controlling shareholder and the de facto controllers of the Company shall bear the fiduciary duty toward the Company and retail shareholders. The controlling shareholder shall exercise his or her rights as an investor in strict compliance with relevant laws. It may not use such means as profit distribution, asset restructuring, external investment, capital occupation, loan guarantee, etc., to damage the legitimate rights and interests of the Company and retail shareholders, as well as not to make use of its controlling status to damage the interests of the Company and retail shareholders.

GENERAL MEETINGS

General Provisions on General Meetings

The general meeting shall be the authority of power of the Company and shall exercise the following functions and powers according to laws:

(I) to determine the Company's operating principles and investment plans;

(II) to elect and replace directors and supervisors who are not employee representatives, and to decide on the remuneration matters of the relevant directors and supervisors;

(III) to consider and approve the reports of the Board of Directors;

(IV) to consider and approve the reports of the Supervisory Committee;

(V) to consider and approve the Company's annual financial budgets and final accounts;

(VI) to consider and approve the Company's profit distribution plans and loss recovery plans;

(VII) to pass resolutions on increase or reduction of registered capital of the Company;

(VIII) to pass resolutions on the issuance of the Company's bond;

(IX) to pass resolutions on merger, division, dissolution and liquidation or change in corporate form of the Company;

(X) to amend the Articles of Association;

(XI) to pass resolutions on the engagement, dismissal, or discontinuation of the appointment of the accounting firm by the Company;

(XII) to consider and approve the external guarantees that require approval by the general meetings under the Articles of Association;

(XIII) to consider matters regarding the purchase and/or sale of material assets by the Company that within one year exceed 30% of the latest audited total assets of the Company;

(XIV) to consider, approve and alter matters regarding the use of raised funds;

(XV) to consider share incentive scheme and the employee shareholding scheme;

(XVI) to consider any other matter to be decided on by the general meeting as stipulated by laws, administrative regulations, departmental rules, and the regulatory rules of the place where the securities of the Company are listed or the Articles of Association.

The functions and powers of the above-mentioned general meeting shall not be delegated through authorization to the Board or any other body or individual.

The general meetings shall be divided into annual general meetings and extraordinary general meetings. The annual general meeting shall be convened once a year and be held within 6 months after the end of the previous accounting year.

An extraordinary general meeting shall be convened within two months from the date of occurrence of any of the following events:

(I) when the number of directors is less than the number provided for in the PRC Company Law or less than two-thirds of the number specified in the Articles of Association;

(II) the unrecovered losses of the Company amount to one-third of the total amount of its paid-up share capital;

(III) when Shareholders who individually or jointly hold more than 10% of the Company's Shares request to do so;

(IV) the Board deems it necessary to convene the meeting;

(V) the Supervisory Committee proposes to convene the meeting;

(VI) other circumstances stipulated by laws, administrative regulations, departmental rules, listing rules of the place where the securities of the Company are listed, or the Articles of Association.

In the case of (III) above, the number of shares held shall be calculated based on shares of the Company held by shareholders at the date on which the shareholders submit the written request.

Convening of General Meetings

A general meeting shall be convened by the Board of Directors or the any other convener pursuant to laws.

Independent non-executive directors are entitled to propose to the Board of Directors to convene an extraordinary general meeting, and such proposals shall be made in writing to the Board of Directors. Where independent non-executive directors propose to convene an extraordinary general meeting, the Board of Directors shall, pursuant to the provisions of laws, administrative regulations, departmental rules and regulations, normative documents, and the Articles of Association, issue a written reply on whether to approve the convening of the extraordinary general meeting within 10 days upon the receipt of the proposal.

The Supervisory Committee is entitled to propose to the Board of Directors to convene an extraordinary general meeting, and such proposals shall be made in writing to the Board of Directors. The Board of Directors shall, pursuant to the provisions of laws, administrative regulations, and the Articles of Association, issue a written reply on whether or not to approve the convening of the extraordinary general meeting within 10 days upon the receipt of the proposal.

Shareholder(s) severally or jointly holding more than 10% of the shares of the Company is/are entitled to request the Board of Directors to convene an extraordinary general meeting, and such request shall be made in writing to the Board of Directors. The Board of Directors shall, pursuant to the provisions of laws, administrative regulations, and the Articles of Association, issue a written reply on whether or not to approve the convening of the extraordinary general meeting within 10 days upon the receipt of the request.

Proposal and Notification of General Meeting

When the Company convenes a general meeting, the Board of Directors, the Supervisory Committee, and shareholders severally or jointly holding more than 3% of the shares of the Company shall be entitled to put forward proposals to the Company.

The shareholders severally or jointly holding more than 3% of the shares of the Company may raise interim proposals and submit them in writing to the convener 10 days prior to the convening of the general meeting. The convener shall, within 2 days after the receipt of such proposals, issue a supplemental notice of the general meeting and announce the contents of the interim proposals. If it is otherwise provided in the laws, administrative regulations and regulatory rules of the securities regulatory authority of the place where the Company's Shares are listed, the latter shall prevail.

Except as prescribed in the preceding paragraph, the convener, after issuing the notice and announcement of the general meeting, shall neither revise the proposals stated in the notice of general meetings nor add new proposals. The notice of general meetings shall be given in writing.

Where the notice of the general meetings does not set out clear issues and specific matters on which resolutions are to be made, or the content of the proposal does not fall within the scope of powers of the general meeting or meet the relevant provisions of laws, administrative regulations and the Articles of Association, the general meetings shall not conduct a vote or make any resolution.

Notification of Shareholders' General Meeting

The convener shall inform each shareholder of the annual general meeting in form of announcement 21 days before the meeting and shall inform each shareholder of the extraordinary general meeting in form of announcement 15 days or 10 business days (based on a relatively long period of time) before the meeting. If the laws, regulations, and securities regulators in the securities regulatory authority of the place where shares of the Company are listed have regulations otherwise, such regulations shall prevail.

When calculating the starting date, the date of the meeting shall be excluded, but the date of the announcement set out in the convening notice of the meeting shall be included.

The notice of the general meeting shall be in writing and include the following contents:

(I) the time, venue, and duration of the meeting;

(II) the matters and proposals to be discussed at the meeting;

(III) a prominent statement stating that all Shareholders entitled to attend the Shareholders' general meetings and appoint proxy by written to attend and vote on his/her behalf, and such proxy need not be a Shareholder of the Company;

(IV) the shareholding registration date of Shareholders entitled to attend the Shareholders' general meeting;

(V) the name and phone number of the contact person in connection with the meeting.

Notices or supplementary notices of Shareholders' general meetings shall adequately and completely disclose all the specific contents of all proposals. Where the opinions of an independent non-executive director are required on the matters to be discussed, such opinions and reasons thereof shall be disclosed when the notices or supplementary notices of Shareholders' general meetings are issued.

Convening of Shareholders' general meetings

All Shareholders in the register as at the date of record or their proxies shall have the right to attend the Shareholders' general meeting and exercise voting rights pursuant to relevant laws, regulations and the Articles of Association.

Shareholders may attend the Shareholders' general meeting in person or appoint a proxy to attend the meeting and exercise their voting rights on their behalf, and such proxy need not be a Shareholder of the Company.

Individual Shareholders attending the meeting in person shall present their personal identity cards or other valid documents or stock account card for identification. Proxies attending the meeting shall present their personal identity cards and the authorization letters from the Shareholder.

Legal person Shareholders shall be represented by its legal representative or proxies entrusted by its legal representative to attend the meeting. Legal representatives attending the meeting shall present their personal identity cards or valid documents that can prove its identity as the legal representative. Proxies authorized to attend the meeting shall present their personal identity cards or the authorization letter legally issued by the legal representative of legal person Shareholders. If legal person Shareholders have appointed a proxy to attend any meeting, it shall be deemed to have personally attended the meeting.

Shareholders are organized by non-legal person, the person in charge of the organization or a proxy authorized by the person in charge shall attend the meeting. Such person in charge of the organization attending the meeting shall present their personal identity cards or valid documents that can prove its identity as the person in charge. Proxies authorized to attend the meeting shall present their personal identity cards or the authorization letter legally issued by the person in charge of the organization.

A Shareholders' general meeting shall be chaired by the chairman of the Board of Directors. In the event that the chairman of the Board of Directors is unable to or fails to perform his duties, a director jointly elected by more than half of the directors shall chair the meeting.

A Shareholders' general meeting convened by the Supervisory Committee on its own shall be chaired by the chairman of the Supervisory Committee. In the event that the chairman of the Supervisory Committee is unable to or fails to perform his duties, a supervisor jointly elected by more than half of the supervisors of the Company shall chair the meeting.

The Shareholders' general meeting convened by Shareholders on their own initiative shall be presided over by the representative nominated by the convener.

If the host of the Shareholders' general meeting breaches the procedural rules, which makes it unable to proceed the Shareholders' general meeting, subject to consents of more than half of Shareholders with voting rights attending the Shareholders' general meeting, the Shareholders' general meeting may nominate a person to act as the host of the meeting and such meeting may continue.

Voting and Resolutions at Shareholders' General Meeting

Resolutions of a Shareholders' general meeting shall be classified as ordinary resolutions and special resolutions.

Ordinary resolutions shall be passed by votes representing more than half of the voting rights held by the Shareholders (including proxies) attending the Shareholders' general meeting.

Special resolutions shall be passed by votes representing more than two-thirds of the voting rights held by the Shareholders (including proxies) attending the Shareholders' general meeting.

The following matters shall be approved by ordinary resolutions at a Shareholders' general meeting:

(I) work reports of the Board of Directors and the Board of Supervisors;

(II) profit distribution plans and loss recovery plans formulated by the Board of Directors;

(III) appointment and dismissal of members of the Board of Directors and the Board of Supervisors, and their remunerations and the method of payment;

(IV) the annual financial budgets and final accounts of the Company;

(V) the annual report of the Company;

(VI) matters other than those which are required by the laws, administrative regulations or our Articles of Association to be approved by a special resolution.

The following matters shall be approved by special resolutions at a Shareholders' general meeting:

(I) the increase or decrease in registered capital of the Company;

(II) the division, split, merger, dissolution and liquidation of the Company;

(III) the amendment to the Articles of Association;

(IV) the amount of purchase or disposal of material assets or providing guarantee within one year, which exceeds 30% of the latest audited total assets of the Company;

(V) any equity incentive plans;

(VI) any matters required by the laws, administrative regulations, regulatory rules of HKEX and the securities regulatory authority of the place where the Company's Shares are listed or the Articles of Association; any matters considered to have a substantial impact on the Company and to require approval by a special resolution by the Shareholders' general meeting in an ordinary resolution.

Shareholders (including proxies) shall exercise voting rights based on the number of shares with voting rights held by them, and each share shall have one vote.

No voting rights shall attach to the shares held by the Company, and such shares shall not be counted among the total number of voting shares present at a Shareholders' general meeting.

The connected/related shareholders shall not participate in voting, with its number of shares with voting rights represented by them not to be counted in the total number of valid votes, when the Shareholders' general meeting is reviewing the relevant connected/related transaction if required by applicable laws, regulation, normative documents or the Hong Kong Listing Rules; the announcement of the resolution of the Shareholders' general meeting shall fully disclose the votes of the non-connected/non-related Shareholders.

DIRECTORS AND BOARD OF DIRECTORS

Directors

Subject to compliance with the relevant provisions of laws and administrative regulations, directors shall be elected or replaced at the Shareholders' general meeting, the Shareholders' general meetings may remove any director whose tenure has not expired by ordinary resolutions (without prejudice to any claim which might be put forward in accordance with any contract). And directors may be removed before the expiry of the term at the Shareholders' general meeting.

Directors serve for a term of three years and shall be subject to re-election upon expiry. The term of a director shall start from the date on which the said director assumes office to the expiry of the current Board. If the term of office of a director expires but reelection is not made responsively, the said director shall continue performing its duties as director pursuant to relevant laws, administrative regulations, departmental rules and the Articles of Association until a newly elected director is on duty.

Without violating the relevant laws, regulations and regulatory rules of the place where the shares of the Company are listed, if the Board of Directors appoint a new director to fill a casual vacancy on the Board of Directors, such appointed director shall hold office until the first Annual Shareholders' general meeting after his or her appointment and the said director shall be qualified for re-election and renewal thereat.

The general manager or any other senior management members may hold the position of director concurrently, provided that the total number of directors who hold the position of general manager or any other senior management members concurrently and directors who are employee representatives shall not exceed half of the total number of directors of the Company.

Directors have a series of loyal and diligent obligations towards the Company.

Board of Directors

General Rules of the Board of Directors

The Company shall set up a Board of Directors which shall be accountable to the general meetings. The Board of Directors consists of [five to ten] Directors, [four] of which are Independent Non-executive Directors. The number of Independent Non-executive Directors shall be not less than one-third of the total number of the Board of Directors at any time.

The Board of Directors shall exercise the following functions and powers:

(I) convening the general meeting and submitting work reports to the general meeting;

(II) implementing resolutions of the shareholders' general meeting;

(III) to decide on the business plans and investment plans of the Company;

(IV) formulating the Company's annual financial budgets and final accounts;

(V) formulating the Company's profit distribution plan and plan for covering losses;

(VI) formulating the Company's plans for increase or reduction of registered capital, issuance of bonds or other securities, and listing plan;

(VII) drafting plans for the Company's major acquisition, purchase of the Company's Shares or merger, division, dissolving, and change in the corporate form of the Company in circumstances where the Company's shares can be purchased as stipulated in the Articles of Association;

(VIII) determining, within the scope of the authorization granted by the general meeting, the Company's external investments, acquisition, and sale of assets, mortgage of assets, external guarantees, entrusted wealth management, related transactions and external donation, etc.;

(IX) resolving on the establishment of the Company's internal management bodies;

(X) determining the appointment or dismissal of the general manager of the Company, the secretary to the Board of Directors of the Company and other senior management, and determining their emoluments, rewards and penalties; determining the appointment or dismissal of deputy general manager of the Company and senior management including person-in-charge of finance of the Company based on the nominations of the general manager, and determining their emoluments, rewards and penalties;

(XI) formulating the Company's basic management rules;

(XII) formulating plans for amendment of the Articles of Association;

(XIII) managing information disclosure by the Company;

(XIV) proposing the engagement or change of the appointment of accounting firms auditing for the Company to the general meeting;

(XV) listening to work reports submitted by the general manager of the Company and reviewing his/her work;

(XVI) passing resolutions concerning the repurchase of the Company's shares under the circumstances as stipulated in the Articles of Association;

(XVII) other functions and powers accorded by laws, administrative regulations, departmental rules, and the relevant regulatory rules of the place where the securities of the Company are listed or the Articles of Association and granted by the general meeting.

Meetings of the Board of Directors shall only be held if more than one-half of the directors are present. Resolutions of the Board of Directors require the approval of more than half of all directors. Resolutions of the Board shall be passed on a "one person, one vote" basis.

If any director is connected/related with the enterprises that are involved in the matters to be resolved at the meeting of the Board of Directors, he or she shall not exercise his or her voting rights for such matters, nor shall such director exercise voting rights on behalf of other directors. Such meetings of the Board of Directors may only be held if more than one-half of the directors without a connected/related relationship is present, and the resolutions made at such a meeting of the Board of Directors shall be passed by more than one-half of the directors without a connected/related relationship. If the number of non-connected/non-related directors present at such meetings is less than three, the matter shall be submitted to the general meeting for consideration.

Special Committees under the Board

The Board of Directors of the Company shall establish special committees, including the audit committee, the nomination committee, and the remuneration and evaluation committee, and the strategy development committee as necessary. The special committees shall be accountable to the Board of Directors and perform their duties in accordance with the Articles of Association and the authorization of the Board of Directors. The proposals of the committees shall be submitted to the Board of Directors for approval. All members of the special committees shall be directors, among which audit committee shall only be non-executive directors and consist of at least three members. The majority of its members shall be independent non-executive directors, at least one of whom shall be an independent non-executive director with the appropriate qualifications as provided for in the Hong Kong Listing Rules or the appropriate accounting or relevant financial expertise, and its convener, or chairman, shall be an independent non-executive director. The majority of the members of the remuneration and evaluation committee must be independent non-executive directors and its convener, or chairman, must be an independent non-executive director. The convener, or chairman, of the nomination committee must be the chairman of the Board or an independent non-executive director, and the majority of the members also must be independent non-executive directors. In accordance with its requirements, the Board may set up other committees and reshuffle existing committees. The Board of Directors is responsible for formulating the rules of the special committees to regulate their operation.

General Manager and Other Senior Management Personnel

The Company shall have one general manager and one deputy general manager to be appointed or dismissed by the Board of Directors.

The Company's general manager, deputy general manager, chief financial officer, and the secretary to the Board of Directors shall be the Company's senior management personnel.

The general manager shall be accountable to the Board of Directors and exercises the following functions and powers:

(I) presiding over the production and operation management of the Company, organizing the implementation of Board resolutions, and reporting to the Board of Directors on his/her work;

(II) organizing the implementation of the Company's annual business plans and investment plans;

(III) formulating plans for the establishment of the Company's internal management bodies;

(IV) formulating basic management rules of the Company;

(V) formulating the Company's specific rules and regulations;

(VI) proposing appointment or dismissal of Company's deputy general manager and person-in-charge of finance to the Board of Directors;

(VII) determining the appointment or dismissal of management personnel (other than those required to be appointed or dismissed by the Board of Directors);

(VIII) other functions and powers conferred by the Article of Association or the Board of Directors.

The general managers shall attend meetings of the Board of Directors.

The Company shall have the secretary to the Board who shall be responsible for the matters relating to preparations for general meetings and Board meetings, keeping of documentation and managing shareholders' data, handling information disclosure of the Company.

The secretary to the Board shall comply with laws, administrative regulations, departmental rules, the regulatory rules of the place where the securities of the Company are listed and the Articles of Association.

SUPERVISORS COMMITTEE

Supervisors

The term of office of a supervisor shall be three years. A supervisor may serve consecutive terms if re-elected.

Any directors, general managers and other senior management personnel shall not act concurrently as supervisors.

Supervisors Committee

The Company shall have a Supervisory Committee. The Supervisory Committee shall comprise 3 supervisors and shall have a chairman of the Supervisory Committee. The chairman of the Supervisory Committee shall be elected by more than half of the supervisors. The chairman of the Supervisory Committee shall convene and preside over Supervisory Committee meetings; where the chairman of the Supervisory Committee cannot or does not fulfil the duty thereof, more than half of the Supervisors may jointly elect a Supervisor to convene and preside over Supervisory Committee meetings.

The Supervisory Committee shall include shareholder representatives and an appropriate percentage of employee representatives, and the ratio of employee representatives shall not be less than one-third. Employee representatives of the Supervisory Committee shall be democratically elected by the Company's employee at the employee representative assembly, general employee meeting or otherwise.

The Supervisory Committee exercises the following functions and powers:

(I) reviewing and giving written comments to regular reports of the Company prepared by the Board of Directors;

(II) inspecting the financial position of the Company;

(III) supervising performance of duties of the Company by directors and senior management personnel, and proposing the termination of appointment of directors and senior management personnel who have violated laws, administrative regulations, the Articles of Association or resolutions of the shareholders' general meeting;

(IV) requiring the directors and senior management personnel to restore damages they have caused the interests of the Company;

(V) proposing the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the Board of Director fails to perform the duty of convening and presiding over shareholders' general meetings under the PRC Company Law;

(VI) making proposals to the shareholders' general meeting;

(VII) bringing actions against directors and senior management personnel pursuant to the relevant provisions of the PRC Company Law;

(VIII) conducting investigation when noticed unusual operation condition of the Company, and if necessary, engaging professional organs such as accounting firm and law firm for assistance, fee of which shall be undertaken by the Company;

(IX) other functions and powers accorded by laws, administrative regulations, departmental rules, the regulatory rules of the place where the securities of the Company are listed and the Articles of Association or granted by the shareholders' general meetings.

Meetings of the Supervisory Committee shall be convened at least every six months. Extraordinary meetings of the Supervisory Committee can be convened by the supervisors.

Resolutions of the Supervisory Committee shall be passed by more than half of the supervisors.

FINANCIAL ACCOUNTING SYSTEM, PROFIT DISTRIBUTION AND AUDIT

Financial Accounting System and Profit Distribution

The Company shall formulate its financial accounting system pursuant to the provisions of laws, administrative regulations, departmental rules and the relevant State authorities.

The Company shall publish its financial report under the international accounting standards or the accounting standards of the overseas place where the Company's shares are listed twice each financial year, including the interim financial report within 3 months after the end of the first six months of each financial year and publish its annual financial report within 4 months after the end of each financial year. If it is otherwise provided in the regulatory rules of the securities regulatory authority of the place where the Company's Shares are listed, the latter shall prevail.

When distributing the profit after tax for a year, the Company shall set aside 10% of its profit after tax for the statutory reserve. The Company shall no longer be required to make allocations to its statutory reserve once the aggregate amount of such reserve reaches at least 50% of its registered capital. If the Company's statutory reserve is insufficient to make up losses from previous years, the Company shall use its profits from the current year to make up such losses before making the allocation to its statutory reserve in accordance with the preceding paragraph.

After making the allocation from its after-tax profits to its statutory reserve fund, the Company may also, subject to a resolution of the Shareholders' general meeting, make an allocation from its after-tax profits to the discretionary reserve fund.

After the Company has made up its losses and made allocations to its reserve fund, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the Shareholders, except for those which are not distributed in a proportionate manner as provided by the Articles of Association. Where the Shareholders' general meeting violates the provisions of the preceding paragraph in distributing profits to Shareholders prior to the Company's making up for the losses and withdrawing statutory reserve fund, the Shareholders shall return the profits which are distributed in violation of the provisions to the Company.

The shares of the Company held by the Company is not entitled for profit distribution.

Audit

The Company shall implement internal audit system and employ full-time audit personnel to carry out internal audit and supervision on the Company's financial revenue and expenditure and economic activities.

The Company shall appoint an independent accounting firm that complies with the provisions of the PRC Securities Law to audit its accounting statements, verify its net assets and provide other relevant advisory services, and the term of appointment of the accounting firm is 1 year and can be renewed.

The appointment of the accounting firm of the Company shall be determined by the Shareholders' general meeting, and the Board shall not appoint an accounting firm before the decision of the Shareholders' general meeting. The audit fees of the accounting firm shall be determined by the Shareholders' general meeting.

Notices and Announcements

A notice of the Company shall be sent by the following means:

(I) by announcement;

(II) by personal delivery;

(III) by express delivery;

(IV) by e-mail;

(V) by fax;

(VI) by posting on the websites designated by the Company and the Hong Kong Stock Exchange, subject to laws, administrative regulations and listing rules of the stock exchange where the Company's shares are listed;

(VII) other forms stipulated by laws, administrative regulations or other normative documents, the approval of the relevant regulatory authority of the place where the shares of the Company are listed, or the Articles of Association of the Company.

DISSOLUTION AND LIQUIDATION OF THE COMPANY

The Company dissolves for the following reasons:

(I) dissolved matters stipulated in the Articles of Association of the Company;

(II) the general meeting has resolved on dissolution of the Company;

(III) merger or division of the Company entails dissolution;

(IV) the business license of the Company is revoked or the Company is ordered to close down or to be dissolved in accordance with the laws;

(V) If the Company gets into serious trouble in operations and management and continuation may incur material losses of the interests of the shareholders, and no solution can be found through other channel, the company is dissolved by a people's court in response to the request of the shareholders holding more than 10% of the voting rights of all shareholders of the Company.

Where the Company is dissolved under the circumstances set forth in items (I), (II), (IV) or (V) above, it should establish a liquidation team to start liquidation within 15 days of the date on which the dissolution matters occur. The liquidation team shall comprise members determined by the Directors or the general meeting. If the Company fails to set up the liquidation team within the period, the creditors may apply to the people's court for appointment of relevant persons to form a liquidation team and carry out liquidation.

The liquidation team shall notify all creditors within 10 days after its establishment and shall make announcements in newspapers within 60 days. The creditors shall declare their rights to the liquidation team within 30 days after receipt of the notice or within 45 days after announcement if the creditors haven't received the notice.

During the period of the claim, the creditor shall explain all matters relevant to the creditor's rights he/she has claimed and provided relevant evidential documents. The liquidation team shall register the creditor's rights.

In the creditor's rights declaration period, the liquidation team shall not make repayment to the creditors.

Upon disposal of the Company's property and preparation of the balance sheet and inventory of properties, the liquidation team shall draw up a liquidation plan and submit this plan to a general meeting or a people's court for endorsement.

The properties of the Company shall be used respectively for payment of liquidation expenses, employees' wages, social security expenditures, statutory compensations, tax in arrears and the Company's debts; the residual properties thereafter shall be distributed in accordance with the shareholding percentages of the shareholders.

During the liquidation, the Company shall continue to exist, but may not engage in any business activities unrelated to the liquidation.

The Company's properties shall not be distributed to shareholders before making repayment pursuant to the provisions of the preceding sentence.

Upon liquidation of the Company's property and preparation of the balance sheet and list of properties, if the liquidation team becomes aware that the Company does not have sufficient properties to pay off its liabilities, it must apply to a People's Court for a declaration of bankruptcy in accordance with the laws.

After the People's Court has ruled to declare the Company bankrupt, the liquidation team shall turn over the liquidation matters to the People's Court.

Upon completion of the liquidation of the Company, the liquidation team shall prepare a liquidation report and submit it to the general meeting or a People's Court for confirmation, and the Company registration authority to cancel the Company's registration, and an announcement of its termination shall be published.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Under any of the following circumstances, the Company shall amend the Articles of Association:

(I) anything, as contained in the Articles of Association, is inconsistent with the amended laws and administrative regulations after the PRC Company Law or the relevant laws and administrative regulations are revised;

(II) the Company's situation has changed and is inconsistent with that set forth under the Articles of Association;

(III) the general meeting has decided on making amendments to the Articles of Association.

Where any amendment to the Articles of Association resolved by the general meeting is subject to review and approval of competent authorities, the amendment shall be submitted to the competent authorities for approval; where Company registration matters are involved, change registration formalities shall be filed pursuant to the law.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Establishment of our Company

Our Company was established as a limited liability company in the PRC on November 12, 2010 and was converted to a joint stock limited liability company under the PRC Company Law with effect from November 15, 2021. Our Company has established a place of business in Hong Kong at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong, and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on [●]. Mr. Cheung Kai Cheong Willie (張啟昌) has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. His address for acceptance of service of process is 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong.

As we are established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in the section headed "Summary of Articles of Association" in Appendix V to this document. A summary of certain relevant aspects of the laws and regulations of the PRC is set out in the section headed "Summary of Principal Legal and Regulatory Provisions" in Appendix IV to this document.

2. Changes in the Share Capital of our Company

As of the date of our establishment, our registered capital was RMB1,300,000 which was fully paid up on November 12, 2010.

The following sets out the changes in the share capital of our Company during the two years immediately preceding the date of this document:

On June 10, 2021, our registered capital was increased from RMB11,386,700 to RMB12,371,100.

On November 15, 2021, our Company was converted into a joint stock company with limited liability under the PRC Company Law. Upon completion of such conversion, the share capital of our Company was RMB12,371,100 divided into 12,371,100 Shares with a nominal value of RMB1.00 each.

On December 7, 2021, our share capital was increased from RMB12,371,100 to RMB12,865,944.

On December 23, 2021, our share capital was increased from RMB12,865,944 to RMB45,000,000.

Assuming the [**REDACTED**] is not exercised, upon completion of the [**REDACTED**], our share capital will be increased to RMB[**REDACTED**] divided into [**REDACTED**] Unlisted Domestic Shares and [**REDACTED**] H Shares fully paid up or credited as fully paid up, representing approximately [**REDACTED**]% and [**REDACTED**]% of our share capital, respectively. Save as aforesaid, there has been no alteration in our share capital since our establishment.

3. Restriction of share repurchase

For details of the restrictions on the share repurchase by our Company, please refer to the section headed "Summary of Articles of Association" in Appendix V to this document.

4. Resolutions of our Shareholders passed on May 15, 2023

At the extraordinary general meeting of our Company held on May 15, 2023, among other things, the following resolutions were passed by our Shareholders:

(a) the issue of our H Shares with a nominal value of RMB1.00 each and such H Shares to be [**REDACTED**] on the Stock Exchange;

(b) subject to the completion of the [**REDACTED**], the Articles of Association has been approved and adopted, which shall only become effective on the [**REDACTED**], and our Board has been authorized to amend the Articles of Association in accordance with any comments from the Stock Exchange and the relevant PRC regulatory authorities; and

(c) authorizing our Board to handle all relevant matters relating to, among other things, the implementation of issue of H Shares and the [**REDACTED**].

5. Conversion into a joint stock company

Our Company was converted into a joint stock company with limited liability under the PRC Company Law in preparation of our [**REDACTED**]. For details, please see "History, Development and Corporate Structure – Corporate Development – Our Company – Conversion into a joint stock limited liability company" in this document. As confirmed by our PRC Legal Advisors, such conversion and all the equity transfers and capital increases as described in the section headed "History, Development and Corporate Structure" have obtained all necessary approvals from competent authorities or made all necessary registration or filings with the relevant local branch of SAMR in material aspects.

6. Our Subsidiary

Our Company has not had any subsidiary since the commencement of the Track Record Period and up to the Latest Practicable Date.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this document that are or may be material:

(a) an equity transfer agreement (股權轉讓協議) dated September 25, 2021 entered into among Jiangsu Minyi Intelligent Manufacturing Industry Fund (Limited Partnership) (江蘇敏一智能製造產業基金(有限合夥)), BaTeLab Co., Ltd. (蘇州貝克微電子有限公司), Mr. Li Zhen (李真) and Beijing Minwen Investment Co., Ltd. (北京敏聞投資有限責任公司), pursuant to which Beijing Minwen Investment Co., Ltd. (北京敏聞投資有限責任公司) agreed to transfer its 1.04% equity interest in BaTeLab Co., Ltd. (蘇州貝克微電子有限公司) to Jiangsu Minyi Intelligent Manufacturing Industry Fund (Limited Partnership) (江蘇敏一智能製造產業基金(有限合夥)) at a consideration of RMB8,320,000;

(b) an equity transfer agreement (股權轉讓協議) dated October 19, 2021 entered into among Suzhou Rongxiang Beiying Venture Capital Partnership (Limited Partnership) (蘇州融享貝贏創業投資合夥企業(有限合夥)), BaTeLab Co., Ltd. (蘇州貝克微電子有限公司), Mr. Li Zhen (李真) and Suzhou Ronglian Venture Capital Partnership (Limited Partnership) (蘇州融聯創業投資企業(有限合夥)), pursuant to which Suzhou Ronglian Venture Capital Partnership (Limited Partnership) (蘇州融聯創業投資企業(有限合夥)) agreed to transfer its 6.5782% equity interest in BaTeLab Co., Ltd. (蘇州貝克微電子有限公司) to Suzhou Rongxiang Beiying Venture Capital Partnership (Limited Partnership) (蘇州融享貝贏創業投資合夥企業(有限合夥)) at a consideration of RMB52,814,477;

(c) an equity transfer agreement (股權轉讓協議) dated October 22, 2021 entered into among Nantong Zhouzhou Investment Center (Limited Partnership) (南通周宙投資中心(有限合夥)), BaTeLab Co., Ltd. (蘇州貝克微電子有限公司), Mr. Li Zhen (李真) and Tianjin Qilong Investment Management Partnership (Limited Partnership) (天津七龍投資管理合夥企業(有限合夥)), pursuant to which Tianjin Qilong Investment Management Partnership (Limited Partnership) (天津七龍投資管理合夥企業(有限合夥)) agreed to transfer its 2.1227% equity interest in BaTeLab Co., Ltd. (蘇州貝克微電子有限公司) to Nantong Zhouzhou Investment Center (Limited Partnership) (南通周宙投資中心(有限合夥)) at a consideration of RMB17,042,371;

(d) a capital increase agreement (增資協議) dated November 30, 2021 entered into among BaTeLab Co., Ltd. (蘇州貝克微電子有限公司), Pingtan Fengyuan Juxin Equity Investment Partnership (平潭馮源聚芯股權投資合夥企業(有限合夥)), Mr. Li Zhen (李真), Mr. Li Yi (李一), Suzhou Backward Electronic Co., Ltd. (蘇州貝克瓦特電子有限公司), Suzhou Backward Investment Partnership (Limited Partnership) (蘇州貝克瓦特投資合夥企業(有限合夥)), Suzhou Rongxiang Beiying Venture Capital Partnership (Limited Partnership) (蘇州融享貝贏創業投資合夥企業(有限合夥)), Jiangsu Wanquan Yuanhe Puhua Equity Investment Partnership (Limited Partnership) (江蘇疌泉元禾璞華股權投資合夥企業(有限合夥)), Runke (Shanghai) Equity Investment Fund Partnership (Limited Partnership) (潤科(上海)股權投資基金合夥企業(有限合夥)), Zhuhai Guangfa Xinde Intelligent Innovation Upgrade Equity Investment Fund (Limited Partnership) (珠海廣發信德智能創新升級股權投資基金(有限合夥)), Suzhou New District Venture Technology Investment Management Co., Ltd. (蘇州高新區創業科技投資管理有限公司), Shenzhen Zhongke Quantum Investment Partnership (Limited Partnership) (深圳中科量子投資合夥企業(有限合夥)), Jiangsu Minyi Intelligent Manufacturing Industry Fund (Limited Partnership) (江蘇敏一智能製造產業基金(有限合夥)), Shanghai Yucheng Enterprise Management Consulting Partnership (Limited Partnership) (上海嶼丞企業管理諮詢合夥企業(有限合夥)), Beijing Taiyou Venture Capital Partnership (Limited Partnership) (北京泰有創業投資合夥企業(有限合夥)), Anji Chenfeng Enterprise Management Partnership (Limited Partnership) (安吉辰豐企業管理合夥企業(有限合夥)), Zhuhai Guangfa Xinde Environmental Industry Investment Fund Partnership (Limited Partnership) (珠海廣發信德環保產業投資基金合夥企業(有限合夥)), Suzhou Huiyi Ruijin Venture Capital Partnership (Limited Partnership) (蘇州匯毅瑞錦創業投資合夥企業(有限合夥)), Suzhou Hejiuxin Venture Capital Partnership (Limited Partnership) (蘇州合久鑫創業投資合夥企業(有限合夥)), Suzhou Heyuanxin Venture Capital Partnership (Limited Partnership) (蘇州合遠芯創業投資合夥企業(有限合夥)), Jiangsu Huate Integrated Circuit Co., Ltd. (江蘇華特集成電路股份有限公司), Nanjing Turing Phase I Venture Capital Partnership (Limited Partnership) (南京圖靈一期創業投資合夥企業(有限合夥)), Tsinghua University Education Foundation (清華大學教育基金會), Hangzhou Taizhiyou Venture Capital Partnership (Limited Partnership) (杭州泰之有創業投資合夥企業(有限合夥)), Xinyu Taiyi Investment Management Centre (Limited Partnership) (新余泰益投資管理中心(有限合夥)), Xinyu Jimu Ruiyuan Investment Consulting Centre (Limited Partnership) (新余極目睿遠投資諮詢中心(有限合夥)), Nantong Zhouzhou Investment Center (Limited Partnership) (南通周宙投資中心(有限合夥)), Tibet Taisheng Information Technology Partnership (Limited Partnership) (西藏泰升信息科技合夥企業(有限合夥)) and Tianjin Huahui Taiyou Digital Information Investment Partnership (Limited Partnership) (天津華慧泰有電子信息投資合夥企業(有限合夥)) in respect of the capital injection in BaTeLab Co., Ltd. (蘇州貝克微電子有限公司) of RMB40,000,000 to be contributed by Pingtan Fengyuan Juxin Equity Investment Partnership (平潭馮源聚芯股權投資合夥企業(有限合夥));

(e) an supplemental agreement (補充協議) dated December 22, 2021 entered into among BaTeLab Co., Ltd. (蘇州貝克微電子有限公司), Pingtan Fengyuan Juxin Equity Investment Partnership (平潭馮源聚芯股權投資合夥企業(有限合夥)), Mr. Li Zhen (李真), Mr. Li Yi (李一), Suzhou Backward Electronic Co., Ltd. (蘇州貝克瓦特電子有限公司), Suzhou Backward Investment Partnership (Limited Partnership) (蘇州貝克瓦特投資合夥企業(有限合夥)), Suzhou Rongxiang Beiying Venture Capital Partnership (Limited Partnership) (蘇州融享貝贏創業投資合夥企業(有限合夥)), Jiangsu Wanquan Yuanhe Puhua Equity Investment Partnership (Limited Partnership) (江蘇疌泉元禾璞華股權投資合夥企業(有限合夥)), Runke (Shanghai) Equity Investment Fund Partnership (Limited Partnership) (潤科(上海)股權投資基金合夥企業(有限合夥)), Zhuhai Guangfa Xinde Intelligent Innovation Upgrade Equity Investment Fund (Limited Partnership) (珠海廣發信德智能創新升級股權投資基金(有限合夥)), Suzhou New District Venture Technology Investment Management Co., Ltd. (蘇州高新區創業科技投資管理有限公司), Shenzhen Zhongke Quantum Investment Partnership (Limited Partnership) (深圳中科量子投資合夥企業(有限合夥)), Jiangsu Minyi Intelligent Manufacturing Industry Fund (Limited Partnership) (江蘇敏一智能製造產業基金(有限合夥)), Shanghai Yucheng Enterprise Management Consulting Partnership (Limited Partnership) (上海嶼丞企業管理諮詢合夥企業(有限合夥)), Beijing Taiyou Venture Capital Partnership (Limited Partnership) (北京泰有創業投資合夥企業(有限合夥)), Anji Chenfeng Enterprise Management Partnership (Limited Partnership) (安吉辰豐企業管理合夥企業(有限合夥)), Zhuhai Guangfa Xinde Environmental Industry Investment Fund Partnership (Limited Partnership) (珠海廣發信德環保產業投資基金合夥企業(有限合夥)), Suzhou Huiyi Ruijin Venture Capital Partnership (Limited Partnership) (蘇州匯毅瑞錦創業投資合夥企業(有限合夥)), Suzhou Hejiuxin Venture Capital Partnership (Limited Partnership) (蘇州合久鑫創業投資合夥企業(有限合夥)), Suzhou Heyuanxin Venture Capital Partnership (Limited Partnership) (蘇州合遠芯創業投資合夥企業(有限合夥)), Jiangsu Huate Integrated Circuit Co., Ltd. (江蘇華特集成電路股份有限公司), Nanjing Turing Phase I Venture Capital Partnership (Limited Partnership) (南京圖靈一期創業投資合夥企業(有限合夥)), Tsinghua University Education Foundation (清華大學教育基金會), Hangzhou Taizhiyou Venture Capital Partnership (Limited Partnership) (杭州泰之有創業投資合夥企業(有限合夥)), Xinyu Taiyi Investment Management Centre (Limited Partnership) (新余泰益投資管理中心(有限合夥)), Xinyu Jimu Ruiyuan Investment Consulting Centre (Limited Partnership) (新余極目睿遠投資諮詢中心(有限合夥)), Nantong Zhouzhou Investment Center (Limited Partnership) (南通周宙投資中心(有限合夥)), Tibet Taisheng Information Technology Partnership (Limited Partnership) (西藏泰升信息科技合夥企業(有限合夥)), Tianjin Huahui Taiyou Digital Information Investment Partnership (Limited Partnership) (天津華慧泰有電子信息投資合夥企業(有限合夥)), pursuant to which the special rights granted to certain of the Pre-[**REDACTED**] Investors in relation to BaTeLab Co., Ltd. (蘇州貝克微電子有限公司) pursuant to the terms of their respective investments, including, among others, performance commitments, repurchase rights, preferential dividend distribution rights and anti-dilution rights, were terminated with immediate effect;

(f) the Deed of Non-competition;

(g) the Deed of Indemnity; and

(h) the [**REDACTED**].

2. Intellectual property rights of our Company

(a) Trademarks

As of the Latest Practicable Date, our Company was the registered proprietor of the following trademarks which, in the opinion of our Directors, are material to our business:

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
1.		12	Our Company	PRC	10974863	September 14, 2013	September 13, 2023
2.		09	Our Company	PRC	10974539	September 14, 2013	September 13, 2023
3.		09	Our Company	PRC	8900455	December 14, 2021	December 13, 2031
4.	Backward Technology	09	Our Company	PRC	8900429	January 14, 2022	January 13, 2032
5.	贝克瓦特	09	Our Company	PRC	8900374	December 14, 2013	December 13, 2023
6.	Backward TECHNOLOGY β	09	Our Company	PRC	8900475	January 14, 2022	January 13, 2032
7.	Batelab	09	Our Company	PRC	8900406	December 14, 2021	December 13, 2031

As of the Latest Practicable Date, we have applied for the registration of the following trademarks which, in the opinion of our Directors, may be material to our business:

No.	Trademark	Class	Applicant	Place of application	Application number	Application date
1.	貝克微 贝克微	9、35、42	Our Company	Hong Kong	306196302	March 17, 2023
2.	BaTelab	9、35、42	Our Company	Hong Kong	306196311	March 17, 2023
3.	BaTelab β	9、35、42	Our Company	Hong Kong	306196320	March 17, 2023

(b) Domain name

As of the Latest Practicable Date, we have registered the following domain name which, in the opinion of our Directors, is material to our business:

No.	Domain name	Registrant	Registration date	Expiry date
1.	**www.batelab.com**	our Company	November 20, 2008	November 20, 2027

(c) Patents

As of the Latest Practicable Date, we have registered the following patents which, in the opinion of our Directors, are material to our business:

No.	Title of patent	Type	Registration owner	Patent number	Application date	Registration date
1.	A charging circuit capable of short-circuit protection and automatic restart (一種可實現短路保護及自動重啟的充電電路)	Invention	Our Company	202110755941.6	July 5, 2021	September 10, 2021
2.	A high-precision and low-temperature-drift circuit structure (一種高精度低溫漂的電路結構)	Invention	Our Company	202111636265.7	December 30, 2021	April 29, 2022
3.	A current detection circuit with controllable current detection (一種檢測電流可控的電流檢測電路)	Invention	Our Company	202210154303.3	February 21, 2022	June 28, 2022
4.	A circuit capable of reducing operating voltage (一種可降低工作電壓的電路)	Invention	Our Company	202210228463.8	March 10, 2022	June 28, 2022
5.	An auxiliary chip design method for reducing simulation time (一種減少仿真時間的輔助芯片設計方法)	Invention	Our Company	202110157291.5	February 5, 2021	May 18, 2021

No.	Title of patent	Type	Registration owner	Patent number	Application date	Registration date
6.	A chip design method for automatically adding environmental stability system (一種自動添加環境穩定系統的芯片設計方法)	Invention	Our Company	202110748503.7	July 2, 2021	September 17, 2021
7.	An artificial intelligence implementation method and system for circuit design (用於電路設計的人工智能實現方法及系統)	Invention	Our Company	202110781715.5	July 12, 2021	September 17, 2021
8.	A machine learning-based circuit design system and method (一種基於機器學習的電路設計系統及方法)	Invention	Our Company	202110810656.X	July 19, 2021	November 9, 2021
9.	A visualized computer-aided chip design and simulation verification method and system (一種可視化計算機輔助芯片設計和仿真驗證方法及系統)	Invention	Our Company	202111065759.4	September 13, 2021	November 23, 2021
10.	An auxiliary circuit for integrated circuit chips and its design method (一種集成電路芯片的輔助電路及其設計方法)	Invention	Our Company	202110410530.3	April 16, 2021	December 28, 2021
11.	A simulation request processing method, device, electronic device, and readable storage medium (一種仿真請求處理方法、裝置、電子設備及可讀存儲介質)	Invention	Our Company	202110744040.7	July 1, 2021	February 22, 2022

No.	Title of patent	Type	Registration owner	Patent number	Application date	Registration date
12.	A single-layer polycrystalline embedded non-volatile storage unit, storage array, and its operating method (單層多晶嵌入式非揮發存儲單元、存儲陣列及其工作方法)	Invention	Our Company and Tsinghua University	202111462132.2	December 3, 2021	March 1, 2022
13.	A high-precision semiconductor chip tuning test method (一種高精度的半導體芯片修調測試方法)	Invention	Our Company	202210000452.4	January 4, 2022	April 29, 2022
14.	A power supply circuit for saving chip layout area (一種用於節約芯片版圖面積的供電電路)	Invention	Our Company	202210708576.8	June 22, 2022	October 4, 2022
15.	An efficient integrated circuit chip tuning test circuit and testing method (一種高效的集成電路芯片修調測試電路及測試方法)	Invention	Our Company	202210738551.2	June 28, 2022	October 4, 2022

As of the Latest Practicable Date, we have applied for the registration of the following patents which, in the opinion of our Directors, may be material to our business:

No.	Title of patent	Type	Applicant	Place of application	Application number	Application date
1.	A high-precision over-current detection circuit (一種高精度過電流檢測電路)	Invention	Our Company	PRC	202210379145.1	April 12, 2022
2.	A switch tube on-state speed control circuit (一種開關管導通速度控制電路)	Invention	Our Company	PRC	202310233301.8	March 13, 2023

No.	Title of patent	Type	Applicant	Place of application	Application number	Application date
3.	A single-layer polycrystalline silicon memory and its operation method (一種單層多晶硅存儲器及其操作方法)	Invention	Our Company and Tsinghua University	Hong Kong	42023071167.3	January 9, 2023
4.	Circuit design method and implementation system based on artificial intelligence (基於人工智能的電路設計方法與實現系統)	Invention	Our Company	the United States	17950164	September 2, 2021
5.	Circuit design method and implementation system based on artificial intelligence (基於人工智能的電路設計方法與實現系統)	Invention	Our Company	Japan	2023-513525	September 2, 2021
6.	High-efficiency and high-precision chip circuit simulation verification method, system, device, and storage medium (高效率、高精准度的芯片電路仿真驗證方法、系統、裝置和存儲介質)	Invention	Our Company	the United States	18080403	June 1, 2022
7.	High-efficiency and high-precision chip circuit simulation verification method, system, device, and storage medium (高效率、高精准度的芯片電路仿真驗證方法、系統、裝置和存儲介質)	Invention	Our Company	Japan	2022-576196	June 1, 2022
8.	An efficient circuit simulation method, device, equipment, and storage medium (一種高效的電路仿真方法、裝置、設備及存儲介質)	Invention	Our Company	the United States	18027358	June 1, 2022

No.	Title of patent	Type	Applicant	Place of application	Application number	Application date
9.	An efficient circuit simulation method, device, equipment, and storage medium (一種高效的電路仿真方法、裝置、設備及存儲介質)	Invention	Our Company	Japan	2023-520274	June 1, 2022

(d) Copyrights

As of the Latest Practicable Date, we have registered the following copyrights in the PRC which, in the opinion of our Directors, are material to our business:

No.	Copyright	Type	Copyright owner	Registration number	Registration date
1.	Backward Layout Editing Tool Software 1.0 (貝克瓦特版圖編輯工具軟件1.0)	Software Copyright (軟件著作權)	Our Company	2013SR162694	December 31, 2013
2.	BT2747 Test Program V1.0 (BT2747測試程序V1.0)	Software Copyright (軟件著作權)	Our Company	2017SR408803	July 28, 2017
3.	Sorting Machine Mainboard Source Program V1.0 (分選機主板源程序V1.0)	Software Copyright (軟件著作權)	Our Company	2017SR403679	July 27, 2017
4.	Integrated Circuit Principle Design Model Optimization Program V3.0 (集成電路原理設計模型優化程序V3.0)	Software Copyright (軟件著作權)	Our Company	2021SR0820739	June 2, 2021
5.	Integrated Circuit Sorting Machine Main Control Board Software V3.0 (集成電路分選機主控板軟件V3.0)	Software Copyright (軟件著作權)	Our Company	2021SR0953351	June 28, 2021
6.	Integrated Circuit Layout Editing Tool Software BTLE V3.0 (集成電路版圖編輯工具軟件BTLE V3.0)	Software Copyright (軟件著作權)	Our Company	2021SR0840384	June 4, 2021
7.	BT2747 Chip Test Program V3.0 (BT2747芯片測試程序V3.0)	Software Copyright (軟件著作權)	Our Company	2021SR0951145	June 25, 2021

No.	Copyright	Type	Copyright owner	Registration number	Registration date
8.	EDA Software Chip Stereoscopic Modeling Viewing Software 1.0 (EDA軟件芯片立體建模查看軟件1.0)	Software Copyright (軟件著作權)	Our Company	2022SR0556065	May 5, 2022
9.	Automatically Adding Environment Stability System Design Software 1.0 (自動添加環境穩定系統的設計軟件1.0)	Software Copyright (軟件著作權)	Our Company	2022SR0556066	May 5, 2022
10.	Accelerated Simulation Software for Large-Scale Integrated Circuit Transient Analysis 1.0 (用於大規模集成電路瞬態分析的加速仿真軟件1.0)	Software Copyright (軟件著作權)	Our Company	2022SR0556067	May 5, 2022
11.	Software for Adjusting Simulation Priority Sequence 1.0 (調整仿真優先級順序的軟件1.0)	Software Copyright (軟件著作權)	Our Company	2022SR0556068	May 5, 2022
12.	Tool Software for Efficiently Shortening Simulation Time in Integrated Circuit Design 1.0 (可高效縮短集成電路設計中仿真時間的工具軟件1.0)	Software Copyright (軟件著作權)	Our Company	2022SR1026896	August 5, 2022
13.	Tool Software for Graphical Secondary Development in Chip Layout Design 1.0 (在芯片版圖設計中進行圖形化二次開發的工具軟件1.0)	Software Copyright (軟件著作權)	Our Company	2022SR1026972	August 5, 2022
14.	Automated Integrated Circuit Parallel Simulation Tool Software 1.0 (自動化集成電路中可進行並行仿真的工具軟件1.0)	Software Copyright (軟件著作權)	Our Company	2022SR1026968	August 5, 2022

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

(a) Interests and short positions of the Directors, Supervisors and the chief executive of our Company in the registered capital of our Company

Immediately following the completion of the [**REDACTED**] assuming that the [**REDACTED**] is not exercised, the interests or short positions of the Directors, Supervisors or chief executive of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, under Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"), to be notified to our Company and the Stock Exchange once the H Shares are [**REDACTED**] will be as follows:

Interest in Shares of our Company

			Immediately following the completion of the [REDACTED]	
Name of Director	**Nature of interest**	**Number of Shares(2)**	**Approximately percentage of shareholding in the relevant type of Shares**	**Approximate percentage of shareholding in the total share capital(1)**
Mr. Li Zhen	Beneficial owner	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
	Interest in controlled corporation(3)	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
	Interest held jointly with other persons(4)	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
Mr. Zhang Guangping	Interest held jointly with other persons(4)	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
Mr. Li Yi	Beneficial owner	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
	Interest held jointly with other persons(4)	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
Mr. Kong Jianhua	Interest held in controlled corporation(5)	[REDACTED] (L)	[REDACTED]%	[REDACTED]%

Notes:

(1) The calculation is based on the total number of [**REDACTED**] Shares in issue immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised).

(2) The letter "L" denotes the person's long position in our Shares.

(3) The general partner of Backward Partnership is Backward Electronic, which is in turn owned as to 53.50% by Mr. Li Zhen. By Virtue of the SFO, Mr. Li Zhen is deemed to be interested in the Shares held by each of Backward Electronic and Backward Partnership.

(4) Pursuant to the Concert Party Agreement, Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi agreed and confirmed, among others, that from the date when they became direct and/or indirect Shareholders of our Company to such date when all of them cease to be directly or indirectly interested in our Company, they had been and would continue to be acting in concert. Pursuant to the Concert Party Agreement, the Concert Parties had consulted and would consult with each other and reach a unanimous consensus among themselves before the decision, implementation and agreement on material operation and development affairs and/or all voting at Board and Shareholders' meetings. In the event that they are unable to reach consensus on any matter presented, it shall be resolved by a simple majority vote, with each Concert Party entitled to one vote. For details of the Concert Party Agreement, please see the section headed "History, Development and Corporate Structure". By virtue of the SFO, each of Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi together with their respective investment holding companies (being Backward Electronic and Backward Partnership) are deemed to be interested in the Shares held by each other.

(5) The general partner of Rongxiang Venture was Suzhou Hi-tech Venture Capital Group Rongxiang Investment Management Co., Ltd. (蘇州高新創業投資集團融享投資管理有限公司), which was ultimately controlled by Mr. Kong Jianhua, one of our non-executive Directors. By Virtue of the SFO, Mr. Kong Jianhua is deemed to be interested in the Shares held by Rongxiang Venture.

(b) Substantial Shareholders

Interests of the substantial Shareholders in the Shares

Save as disclosed in the section headed "Substantial Shareholders" in this document, our Directors are not aware of any person who will, immediately following completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), have or be deemed or taken to have interests and/or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company.

2. Further Information about our Directors and Supervisors

(a) Particulars of Directors' and Supervisors' service contracts and appointment letters

Each of the Directors and Supervisors [has entered] into a service contract or letter of appointment with our Company. The principal particulars of these service contracts and letters of appointment comprise (a) the term of the service; (b) termination provisions; and (c) a dispute resolution provision. The service contracts and letters of appointment may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations from time to time.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to have a service contract with our Company (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation)).

(b) Others

(i) None of the Directors, Supervisors, or any past Directors of our Company has been paid any sum of money for the three years ended December 31, 2020, 2021, 2022 (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a director of our Company or of any other office in connection with the management of the affairs of our Company.

(ii) There has been no arrangement under which a Director or Supervisor has waived or agreed to waive any remuneration or benefits in kind for the three years ended December 31, 2020, 2021, 2022.

(iii) None of the Directors or Supervisors has been or is interested in the promotion of, or in the property proposed to be acquired by, our Company, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him/her to become, or to qualify him/her as, a Director or a Supervisor, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

3. Agency fees or commissions received

Save as disclosed in this section, none of our Directors, Supervisors or any of the persons whose names are listed under "[**REDACTED**]" in this document, no commissions, discounts, agency fee, brokerages or other special terms were granted in connection with the issue or sale of any capital of our Company within the two years immediately preceding the date of this document.

4. Directors' and Supervisors' remuneration

For the three years ended December 31, 2020, 2021 and 2022, the aggregate remuneration (including Directors' fees, salaries, allowances, benefits in kind, discretionary bonuses and retirement scheme contributions) recorded for our Directors and Supervisors were approximately RMB0.95 million, RMB2.85 million and RMB4.03 million, respectively. For details, please refer to note 8 of the Accountants' Report set out in Appendix I to this document.

Under the arrangement currently in force, the aggregate remuneration (including salaries, allowances, benefits in kind, discretionary bonuses, retirement scheme contributions, share-based payments and performance related bonuses) of our Directors and Supervisors for the year ending December 31, 2023 is estimated to be no more than RMB5.38 million.

5. Disclaimers

(a) save as disclosed in this section, none of our Directors, Supervisors or chief executive of our Company has any interest or short position in our shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once our H Shares are [**REDACTED**] on the Stock Exchange;

(b) none of our Directors or Supervisors nor any of the experts referred to under "– D. Other Information – 7. Qualifications and consents of experts" in this appendix has any direct or indirect interest in the promotion of our Company, or in any assets which within the two years immediately preceding the date of this document, have been acquired or disposed of by or leased to our Company, or are proposed to be acquired or disposed of by or leased to our Company;

(c) none of our Directors or Supervisors nor any of the experts referred to under "– D. Other Information – 7. Qualifications and consents of experts" in this appendix, is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Company taken as a whole;

(d) save as disclosed in this section, none of our Directors or Supervisors has any existing or proposed service contracts with our Company (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

(e) save as disclosed in "Substantial Shareholders" and "– C. Further information about Directors, Supervisors and Substantial Shareholders – 1. Disclosure of interests" above, none of our Directors or Supervisors knows of any person (not being a Director, Supervisor or chief executive of our Company) who will, immediately following the completion of the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised, have an interest or short position in our Shares or underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the issued voting shares of our Company; and

(f) so far as is known to our Directors as of the Latest Practicable Date, none of our Directors, Supervisors or their respective close associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in any of our top five suppliers of the Directors is interested in any business (other than the business of our Company) which competes or is likely to compete, directly or indirectly, with our business.

D. OTHER INFORMATION

1. Tax and Indemnities

Our Single Largest Group of Shareholders [have entered] into the Deed of Indemnity with and in favour of our Company to provide indemnities on a joint and several basis in respect of, among other matters, taxation or taxation claims resulting from income, profits or gains earned, accrued or received, any late charges and penalties incurred as a result of tax filing matters as well as any estate duty to which our Company may be subject to and payable on or before the [**REDACTED**], save, among others, (a) to the extent that specific provision or reserve has been made for such liability in the audited combined financial statements of our Company as set out in Appendix I to this document; (b) to the extent that such liability would not have arisen but for any act or omission of, or delay by, our Company after the [**REDACTED**]; and (c) to the extent such loss arises or is incurred only as a result of a retrospective change in law or regulations or the interpretation or practice thereof by any relevant authority coming into force after the [**REDACTED**]

2. Estate duty

As advised by our PRC Legal Advisors, the PRC currently does not impose any estate duty.

3. Litigation

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any litigation, arbitration or administrative proceedings which could have a material adverse impact on our business, financial condition or results of operations. As of the Latest Practicable Date, we were not aware of any pending or threatened litigation, arbitration or administrative proceedings against us which may have a material and adverse impact on our business, financial condition or results of operations.

4. Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor will receive a fee of US$750,000 for acting as the sponsor for the [**REDACTED**].

5. Preliminary expenses

As of the Latest Practicable Date, our Company had not incurred any preliminary expenses for purpose of the Listing Rules.

6. Promoters

The promoters of our Company are Mr. Li Zhen, Mr. Li Yi, Backward Electronic, Backward Partnership, Rongxiang Venture, Yuanhe Puhua, Runke Investment, Guangfa Intelligent, Suzhou Technology Investment, Zhongke Quantum, Minyi Intelligent, Shanghai Yucheng, Nantong Zhouzhou, Taiyou Venture, Anji Chenfeng, Guangfa Environmental, Huiyi Ruijin, Hejiuxin, Heyuanxin, Jiangsu Huate, Nanjing Turing, Tsinghua Foundation, Taizhiyou, Xinyu Taiyi, Taisheng Technology, Huahui Taiyou and Xinyu Jimu.

Save as disclosed in the section headed "History, Development and Corporate Structure", within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [**REDACTED**] and the related transactions described in this document.

7. Qualifications and consents of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

Name	**Qualification**
China International Capital Corporation Hong Kong Securities Limited	Licensed corporation under the SFO permitted to conduct Type 1 (Dealing in securities), Type 2 (Dealing in futures contracts), Type 4 (Advising on securities), Type 5 (Advising on futures contracts) and Type 6 (Advising on Corporate Finance) of the regulated activities as defined under the SFO
KPMG	Certified Public Accountants, and Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
King & Wood Mallesons	Legal advisors to our Company as to PRC law
Frost & Sullivan	Industry consultant

Each of the experts named above has given and has not withdrawn its respective written consent to the issue of this document with the inclusion of its report and/or letter and/or opinion and/or the references to its name included in this document the form and context in which it is respectively included.

8. Interests of experts in our Company

Except as disclosed in this document and save for its obligations under the [**REDACTED**] Agreements, none of the persons named in "– D. Other Information – 7. Qualifications and consents of experts" above is interested beneficially or otherwise in any Shares or shares of our Company or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in our Company.

9. Taxation of holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty. The current rate chargeable on each of the seller and purchaser is 0.13% of the consideration or, if higher, the fair value of the H Shares being sold or transferred. For further information in relation to taxation, see "Taxation and Foreign Exchange" in Appendix III to this document.

10. Binding effect

This document shall have the effect, if an application is made in pursuance of this document, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

11. Miscellaneous

(a) Within the two years immediately preceding the date of this document:

(i) save as disclosed in "History, Development and Corporate Structure" in this document, no share or loan capital of our Company has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;

(iii) save as disclosed in "[**REDACTED**]" in this document, no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company; and

(iv) save as disclosed in "[**REDACTED**]" in this document, no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company.

(b) Our Directors confirm that:

(i) there has been no material adverse change in the financial or trading position or prospects of our Company since December 31, 2022 (being the date to which the latest audited consolidated financial statements of our Company were prepared); and

(ii) there has not been any interruption in the business of our Company which may have or has had a significant effect on the financial position of our Company in the 12 months preceding the date of this document;

(c) There are no founder, management or deferred shares nor any debentures in our Company;

(d) All necessary arrangements have been made to enable our H Shares to be admitted into CCASS for clearing and settlement;

(e) Our Company presently is not [**REDACTED**] on any stock exchange or [**REDACTED**] on any [**REDACTED**] system;

(f) Our Company has no outstanding convertible debt securities or debentures;

(g) There is no arrangement under which future dividends are waived or agreed to be waived;

(h) None of the equity and debt securities of our Company, if any, is [**REDACTED**] or dealt with in any other stock exchange nor is any [**REDACTED**] or permission to [**REDACTED**] being or proposed to be sought;

(i) Our Company is not a sino-foreign equity joint venture or which operates as or under a cooperative or contractual joint venture; and

(j) We currently do not intend to apply for the status of sino-foreign investment joint stock limited company and do not expect to be subject to the PRC Foreign Investment Law.

12. Bilingual document

The English and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and Chinese language version of this document, the English language version shall prevail.

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were, among others:

(a) a copy of the [**REDACTED**];

(b) the written consents referred to in the section headed "Statutory and General Information – D. Other Information – 7. Qualifications and consents of experts" in Appendix VI to this document; and

(c) a copy of each of the material contracts referred to in the section headed "Statutory and General Information – B. Further Information About Our Business – 1. Summary of Material Contracts" in Appendix VI to this document.

B. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (**www.hkexnews.hk**) and our Company (**www.batelab.com**) up to and including the date which is 14 days from the date of this document:

(a) the Articles of Association of our Company;

(b) the Accountant's Report for the three years ended December 31, 2020, 2021, 2022 prepared by KPMG, the text of which is set out in Appendix I to this document;

(c) the report from KPMG in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this document;

(d) the audited consolidated financial statements of our Company for the three years ended December 31, 2020, 2021 and 2022;

(e) the material contracts referred to in the section headed "Statutory and General Information – B. Further Information about Our Business – 1. Summary of Material Contracts" in Appendix VI to this document;

(f) the service contracts and appointment letters referred to in the section headed "Statutory and General Information – C. Further Information about Our Directors, Supervisors and Substantial Shareholders – 2. Further Information about Our Directors and Supervisors – (a) Particulars of Directors' and Supervisors' Service Contracts and Appointment Letters" in Appendix VI to this document;

(g) the legal opinion issued by King & Wood Mallesons, our PRC Legal Advisors, in respect of our Company's business operations and property interests in the PRC;

(h) the written consents referred to in the section headed "Statutory and General Information – D. Other Information – 7. Qualifications and consents of experts" in Appendix VI to this document;

(i) the PRC Company Law, the PRC Securities Law, the Overseas Listing Trial Measures together with their unofficial English translation; and

(j) the Industry Report issued by Frost & Sullivan.