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# BaTeLab

**BaTeLab Co., Ltd.**

**蘇州貝克微電子股份有限公司**

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

**(Stock Code: 2149)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023**

### **FINANCIAL HIGHLIGHTS**

	<b>Year ended 31 December</b>		<b>Change %</b>
	<b>2023</b>	<b>2022</b>	
	<b>RMB'000</b>	<b>RMB'000</b>	
Revenue	<b>463,881</b>	352,510	31.6
Cost of sales	<b>(206,770)</b>	(153,186)	35.0
Gross profit	<b>257,111</b>	199,324	29.0
Research and development expenses	<b>(119,147)</b>	(84,879)	40.4
Profit before taxation	<b>109,158</b>	96,824	12.7
Profit for the year	<b>109,158</b>	95,262	14.6

The Company's revenue increased by 31.6% from RMB352.5 million for the year ended 31 December 2022 to RMB463.9 million for the year ended 31 December 2023, primarily due to the launch of new products in the industrial category and the strong growth in demand for applications in the new energy sector.

The Company's cost of sales increased by 35.0% from RMB153.2 million for the year ended 31 December 2022 to RMB206.8 million for the year ended 31 December 2023, primarily due to the significant increase in the revenue of the Company for the year, which led to the increased cost of sales accordingly.

The Company's gross profit increased by 29.0% from RMB199.3 million for the year ended 31 December 2022 to RMB257.1 million for the year ended 31 December 2023, and the gross profit margin decreased from 56.5% for the year ended 31 December 2022 to 55.4% for the year ended 31 December 2023, primarily due to the fact that our gross profits and gross profit margins largely depend on the variety of our product mix, as we provide multi-variety products in small batches to our customers. The revenue of the Company increased significantly in 2023, leading to the higher gross profit, while the gross profit margin changed slightly due to the difference in sales of products with different gross profit margins.

The Company's R&D expenses increased by 40.4% from RMB84.9 million for the year ended 31 December 2022 to RMB119.1 million for the year ended 31 December 2023, primarily due to the increasing investment in R&D as the business scale of the Company continued to expand and profitability continued to improve. In particular, the material expenses for R&D increased by RMB17.6 million, representing an increase of 28.8% compared with the previous year; the total amount of employee compensation increased by RMB13.7 million, compared with the previous year including the share-based payment expense RMB10.0 million.

The Company's profit before taxation increased by 12.7% from RMB96.8 million for the year ended 31 December 2022 to RMB109.2 million for the year ended 31 December 2023, primarily due to the significant increase in the revenue of the Company for the year.

The Company's profit for the year increased by 14.6% from RMB95.3 million for the year ended 31 December 2022 to RMB109.2 million for the year ended 31 December 2023, primarily due to the significant increase in the revenue of the Company for the year.

## **FINAL DIVIDEND**

The Board does not recommend the payment of the final dividend for the year ended 31 December 2023.

## **ANNUAL RESULTS**

The board (the "**Board**") of directors (the "**Directors**") of BaTeLab Co., Ltd. (the "**Company**" or "**we**") hereby announces the audited annual results of the Company for the year ended 31 December 2023 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2022.

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

(Expressed in Renminbi)

	Note	2023 RMB'000	2022 RMB'000
<b>Revenue</b>	2	<b>463,881</b>	352,510
Cost of sales		<u>(206,770)</u>	<u>(153,186)</u>
Gross profit		<b>257,111</b>	199,324
Other income and net gain	3	<b>8,092</b>	9,791
Distribution costs		<b>(6,503)</b>	(3,580)
Administrative expenses		<b>(26,126)</b>	(22,181)
Research and development expenses		<u><b>(119,147)</b></u>	<u>(84,879)</u>
<b>Profit from operations</b>		<b>113,427</b>	98,475
Finance costs	4(a)	<u><b>(4,269)</b></u>	<u>(1,651)</u>
Profit before taxation	4	<b>109,158</b>	96,824
Income tax	5(a)	<u>—</u>	<u>(1,562)</u>
<b>Profit for the year</b>		<u><b>109,158</b></u>	<u>95,262</u>
<b>Other comprehensive income for the year, net of nil tax</b>		<u>—</u>	<u>—</u>
<b>Total comprehensive income for the year</b>		<u><b>109,158</b></u>	<u>95,262</u>
<b>Earnings per share</b>			
Basic and diluted (RMB)	6	<u><b>2.42</b></u>	<u>2.12</u>

# STATEMENTS OF FINANCIAL POSITION

At 31 December 2023

(Expressed in Renminbi)

		<b>31 December 2023</b>	31 December 2022
	<i>Note</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	7	<b>62,329</b>	59,253
Right-of-use assets		<b>6,873</b>	3,445
Intangible assets		<b>374</b>	254
Other non-current assets		<b>35,032</b>	2,660
		<u><b>104,608</b></u>	<u>65,612</u>
<b>Current assets</b>			
Inventories	8	<b>218,131</b>	76,316
Trade and other receivables	9	<b>69,169</b>	67,097
Prepayments	10	<b>261,319</b>	202,845
Pledged bank deposits		<b>66,862</b>	21,151
Cash and cash equivalents		<b>550,838</b>	162,507
		<u><b>1,166,319</b></u>	<u>529,916</u>
<b>Current liabilities</b>			
Loans and borrowings		<b>171,601</b>	95,512
Trade and other payables	11	<b>248,501</b>	96,049
Lease liabilities		<b>6,579</b>	3,627
		<u><b>426,681</b></u>	<u>195,188</u>
<b>Net current assets</b>		<u><b>739,638</b></u>	<u>334,728</u>
<b>Total assets less current liabilities</b>		<u><b>844,246</b></u>	<u>400,340</u>

## STATEMENTS OF FINANCIAL POSITION (CONTINUED)

At 31 December 2023

(Expressed in Renminbi)

		<b>31 December 2023</b>	31 December 2022
	<i>Note</i>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Non-current liabilities</b>			
Lease liabilities		<b>4,455</b>	2,943
Deferred tax liabilities		<b>1,562</b>	1,562
		<b>6,017</b>	4,505
<b>NET ASSETS</b>		<b>838,229</b>	395,835
<b>EQUITY</b>			
Share capital	12(b)	<b>60,000</b>	45,000
Reserves		<b>778,229</b>	350,835
<b>TOTAL EQUITY</b>		<b>838,229</b>	395,835

# STATEMENTS OF CASH FLOWS

For the year ended 31 December 2023

(Expressed in Renminbi)

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Operating activities:</b>		
<b>Net cash generated from/(used in) operating activities</b>	<u>30,277</u>	<u>(31,416)</u>
<b>Investing activities:</b>		
<b>Net cash used in investing activities</b>	<u>(41,699)</u>	<u>(15,480)</u>
<b>Financing activities:</b>		
Capital element of lease rentals paid	(805)	(728)
Interest element of lease rentals paid	(218)	(248)
Proceeds from loans and borrowings	171,439	153,747
Repayment of loans and borrowings	(95,414)	(88,814)
Proceeds from issuance of H shares, net of issuance costs	329,660	—
Interest paid	<u>(3,987)</u>	<u>(1,332)</u>
<b>Net cash generated from financing activities</b>	<u>400,675</u>	<u>62,625</u>
<b>Net increase in cash and cash equivalents</b>	<b>389,253</b>	15,729
<b>Cash and cash equivalents at 1 January</b>	<b>162,507</b>	146,778
<b>Effect of foreign exchange rate changes</b>	<b>(922)</b>	—
<b>Cash and cash equivalents at 31 December</b>	<u><b>550,838</b></u>	<u>162,507</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 1 General Information

BaTeLab Co., Ltd. (the “**Company**”) (蘇州貝克微電子股份有限公司) 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. The Company’s shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 28 December 2023 (the “**Listing**”).

The Company is principally engaged in research, development and sale of high-performance analog integrated circuit design products.

### (a) *Statement of compliance*

These financial statements have 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 (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Material accounting policies adopted by the Company are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Company for the current accounting period reflected in these financial statements.

### (b) *Basis of preparation of the financial statements*

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— *other investments*

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

## 1 General Information (continued)

### (b) Basis of preparation of the financial statements (continued)

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.

### (c) Changes in accounting policies

The HKICPA has issued the following new and amended HKFRSs that are first effective for the current accounting period of the Company. Of these, the following developments are relevant to the Company's financial statements:

- Amendments to HKAS 8, Accounting policies, changes in accounting estimates and errors: *Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making Materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

None of these developments have had a material effect on how the Company's results and financial position for the current or prior periods have been prepared or presented. The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 2 Revenue and segment reporting

### (a) Revenue

#### (i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products is as follows:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
— Sales of analog IC patterned wafers	<u>463,881</u>	<u>352,510</u>

All revenue was recognised at a point in time.



## 2 Revenue and segment reporting (continued)

### (a) Revenue (continued)

(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 reporting periods.

#### (ii) Information about major customers

Revenue from each major customer which accounted for 10% or more of the Company's revenue during the year is set out below:

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Customer A	<b>210,273</b>	156,094
Customer B	<b>195,222</b>	126,585
Customer C	<b>N/A*</b>	39,849

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

### 3 Other income and net gain

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest income	1,746	495
Net realised gains on financial assets measured at fair value through profit or loss	237	1,730
Government grants ( <i>Note</i> )	6,148	672
Rental income	798	710
Research and development service income	—	6,184
Net foreign exchange loss	(922)	—
Others	85	—
	<u>8,092</u>	<u>9,791</u>

Note: The government grant primarily comprise subsidies received from government for the encouragement of research and development projects and activities carried out in IC industry and high-technology advancement, and incentive for the initial listing. No other specific conditions are attached to the grant.

### 4 Profit before taxation

Profit before taxation is arrived at after charging:

#### (a) Finance costs:

	<i>Note</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest on			
— loans and borrowings		4,051	1,403
— lease liabilities		218	248
		<u>4,269</u>	<u>1,651</u>
Total interest expense		<u>4,269</u>	<u>1,651</u>

#### (b) Staff costs:

		2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Salaries, wages and other benefits		38,712	32,444
Contributions to defined contribution retirement plans	(i)	1,039	903
Equity-settled share-based payments		9,995	—
		<u>49,746</u>	<u>33,347</u>

## 4 Profit before taxation (continued)

### (b) Staff costs: (continued)

- (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.

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:

	<i>Note</i>	<b>2023</b> <b>RMB'000</b>	2022 <i>RMB'000</i>
Cost of inventories	8(b)	<b>284,692</b>	213,004
Depreciation:			
— owned property, plant and equipment	7	<b>3,702</b>	1,149
— right-of-use assets		<b>1,841</b>	2,241
Research and development expenses (i)		<b>119,147</b>	84,879
Amortisation of intangible assets		<b>48</b>	30
Listing expense		<b>1,460</b>	—
Auditors' remuneration:			
— audit services		<b>1,252</b>	42
— other services		<b>128</b>	—

- (i) During the years ended 31 December 2023, staff costs and depreciation expenses in research and development expenses are RMB22,165,000 (2022: RMB18,699,000), which are also included in the total amounts disclosed separately above.

## 5 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:*

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
<b>Current tax:</b>		
Provision for PRC income tax for the year	—	—
<b>Deferred tax:</b>		
Origination of temporary differences	—	1,562
	<u>—</u>	<u>1,562</u>

(b) *Reconciliation between tax expense and accounting profit at applicable tax rates:*

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Profit before taxation	<u><b>109,158</b></u>	<u>96,824</u>
Notional tax on profit before taxation, calculated at the rates applicable in the PRC (i)	<b>27,290</b>	24,206
Effect of preferential tax rate (ii)	<b>(12,580)</b>	(10,506)
Effect of additional deduction on research and development expenses (iii)	<b>(16,310)</b>	(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	<u><b>1,600</b></u>	<u>117</u>
Actual tax expense	<u>—</u>	<u>1,562</u>

## 5 Income tax in the statements of profit or loss and other comprehensive income (continued)

### *(b) Reconciliation between tax expense and accounting profit at applicable tax rates: (continued)*

- (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.

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 has entered into the first tax profitable year in 2023, therefore it applies tax exemption from 2023 to 2024, and tax rate of 12.5% from 2025 to 2027.

- (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 Enterprise Income Tax Law and its relevant regulations. Effective from 1 October 2022 to 31 December 2023, 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.

## 6 Earnings per share

### (a) *Basic earnings per share*

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB109,278,000 (2022: RMB95,262,000) and the weighted average of 45,164,000 ordinary shares (2022: 45,000,000) in issue during the year, calculated as follows:

	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Issued ordinary shares at 1 January	<b>45,000</b>	45,000
Effect of ordinary shares issued under initial public offering (note 12(b))	<b>164</b>	—
	<hr/>	<hr/>
Weighted average number of ordinary shares at 31 December	<b><u>45,164</u></b>	<u>45,000</u>

### (b) *Diluted earnings per share*

Diluted earnings per share for the year ended 31 December 2023 and 2022 were the same as the basic earnings per share as there were no dilutive potential ordinary shares.

## 7 Property, plant and equipment

	Equipment and machinery <i>RMB'000</i>	Passenger vehicles <i>RMB'000</i>	Office equipment and furniture <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Cost:</b>						
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
At 1 January 2023	<b>10,054</b>	<b>1,108</b>	<b>1,181</b>	<b>50,275</b>	<b>165</b>	<b>62,783</b>
Additions	<b>1,155</b>	<b>1,580</b>	<b>958</b>	<b>3,086</b>	—	<b>6,779</b>
Transfer	—	—	—	(11,264)	11,264	—
Disposals	—	—	(7)	—	—	(7)
At 31 December 2023	<b>11,209</b>	<b>2,688</b>	<b>2,132</b>	<b>42,097</b>	<b>11,429</b>	<b>69,555</b>
<b>Accumulated depreciation:</b>						
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)
At 1 January 2023	<b>(2,321)</b>	<b>(373)</b>	<b>(831)</b>	—	<b>(5)</b>	<b>(3,530)</b>
Charge for the year	<b>(883)</b>	<b>(607)</b>	<b>(280)</b>	—	<b>(1,932)</b>	<b>(3,702)</b>
Written back on disposals	—	—	6	—	—	6
At 31 December 2023	<b>(3,204)</b>	<b>(980)</b>	<b>(1,105)</b>	—	<b>(1,937)</b>	<b>(7,226)</b>
<b>Net book value:</b>						
At 31 December 2022	7,733	735	350	50,275	160	59,253
At 31 December 2023	<b>8,005</b>	<b>1,708</b>	<b>1,027</b>	<b>42,097</b>	<b>9,492</b>	<b>62,329</b>

The Company's property, plant and equipment are located in the PRC.

## 8 Inventories

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

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Raw materials	<b>179,638</b>	64,598
Finished goods	<b>38,493</b>	11,718
	<u><b>218,131</b></u>	<u>76,316</u>

*(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:*

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Carrying amount of inventories sold	<b>201,357</b>	150,067
Write-down of inventories	<b>4,563</b>	1,766
	<u><b>205,920</b></u>	<u>151,833</u>
Cost of inventories directly recognised as research and development expenses	<b>78,772</b>	61,171
	<u><b>284,692</b></u>	<u>213,004</u>



## 9 Trade and other receivables

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Amounts due from third parties		
Bills receivable, net of loss allowance	<b>2,131</b>	—
Trade receivables, net of loss allowance	<b>61,257</b>	64,870
Other receivables and deposits, net of loss allowance	<b>5,781</b>	2,227
	<u><b>69,169</b></u>	<u>67,097</u>

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 of the years ended 31 December 2023 and 2022, 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:

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 month	<b>23,729</b>	14,643
1 to 2 months	<b>25,539</b>	8,756
2 to 3 months	<b>11,464</b>	10,757
Over 3 months	<b>525</b>	30,714
	<u><b>61,257</b></u>	<u>64,870</u>

## 10 Prepayments

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Prepayments to suppliers	<b>261,135</b>	202,735
Others	<b>184</b>	110
	<u><b>261,319</b></u>	<u>202,845</u>

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

## 11 Trade and other payables

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Amounts due to third parties		
Trade payables	4,391	1,724
Bills payable	213,841	67,119
	<u>218,232</u>	<u>68,843</u>
Contract liabilities (i)	7,538	10,629
Other payables and accruals	22,731	16,577
	<u>248,501</u>	<u>96,049</u>

### (i) *Movements in contract liabilities:*

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Sale of goods or provision of services</b>		
Balance at the beginning of the year	10,629	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	(10,629)	(6,487)
Increase in contract liabilities as a result of receiving prepayments for sale of goods or provision of services in the next year	7,538	10,629
	<u>7,538</u>	<u>10,629</u>
Balance at the end of the year	<u>7,538</u>	<u>10,629</u>

- (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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 3 months	115,967	24,074
After 3 months but within 6 months	102,265	39,965
After 6 months but within 12 months	—	4,804
	<u>218,232</u>	<u>68,843</u>

## 12 Capital, reserves and dividends

### (a) Dividends

No dividends were paid or declared by the Company during the year.

### (b) Share capital

Issued and fully paid:

	<b>Numbers of ordinary shares RMB'000</b>	<b>Share capital RMB'000</b>	<b>Share premium RMB'000</b>	<b>Total RMB'000</b>
<b>Issued and fully paid At 31 December 2022 and 1 January 2023</b>	<b>45,000</b>	<b>45,000</b>	<b>222,407</b>	<b>267,407</b>
Shares issued under initial public offering	<u>15,000</u>	<u>15,000</u>	<u>308,241</u>	<u>323,241</u>
<b>At 31 December 2023</b>	<b><u>60,000</u></b>	<b><u>60,000</u></b>	<b><u>530,648</u></b>	<b><u>590,648</u></b>

On 28 December 2023, the Company issued 15,000,000 H shares with par value of RMB1 each at a price of HK\$27.47 per share by initial public offering. The proceeds of RMB15,000,000, representing the par value, were credited to the Company's share capital. The remaining proceeds of RMB308,241,000 (net of issuance costs) was recognized in share premium.

# Management Discussion and Analysis

## I. Business Review

### *Market Overview*

In 2023, the integrated circuit (or IC) industry, after experiencing rapid growth in 2021, entered the development stage of “total volume downward, structural optimization”, presenting a depressed overall situation in a large cycle of destocking. According to the data released by the National Bureau of Statistics, China’s IC production in 2023 reached 351.4 billion pieces, representing a year-on-year growth of 6.9%. Following the decline in 2022, production resumed its upward trend again. However, affected by the U.S. restrictions on China’s high-end chips and other impacts, China’s IC import and export volume has declined for two consecutive years, with import substitution trending increasingly. With the gradual opening of industrial and automotive markets to domestic chips, the localization penetration rate of China’s industrial-grade and automotive-grade chips is on the rise.

According to the data from World Semiconductor Trade Statistics, the global analog chip market saw a year-on-year growth rate of -8.9% in 2023, and is at the low point of the growth rate since 2011, indicating that the global industry was at the bottom of the cycle. Meanwhile, leading companies in the industry began to cut prices to seize the market, further aggravating the competitive situation. As a result, a number of domestic manufacturers are passively involved in the price war, with their performance impacted. According to Frost & Sullivan, China is the world’s leading analog chip consumer market, enjoying higher growth rate than the overall growth rate of the global analog chip market. The year 2023 witnessed stable overall scale of China’s analog IC market, but the self-sufficiency rate remained low. From the perspective of development trend, the focus of the global analog IC industry is shifting to China, promising vast market potential. Meanwhile, a large number of China’s analog IC enterprises are concentrated in the low-end product market, demonstrating obvious homogeneous competition, while the future market share will gradually gather to the leading enterprises.

Against the backdrop of the adjustment of the IC industry, the Company continued to focus on the high-end industrial-grade analog IC patterned wafer business, and worked further on exploring new customer bases such as new energy vehicles, etc. By virtue of the sustainable core competitiveness in products, business and technology, the Company maintained fast growth in performance during the Reporting Period.

### *Business Overview*

During the Reporting Period, through concrete overall planning and all employees’ dedicated efforts, the Company has achieved win-win cooperation with our customers and has achieved revenue objective of 2023. Meanwhile, the Company planned medium to long-term constructions program in a cautious manner to solidify the foundations for the Company to embrace the coming new round of industry growth cycle.

During the Reporting Period, the Company recorded a revenue of RMB463.9 million, representing a year-on-year increase of 31.6%, and a gross profit margin of 55.4%. Meanwhile, the shares of the Company successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 28 December 2023 (the “**Listing**”) with net proceeds of approximately HKD354.1 million from the offering (after deducting listing expenses paid or payable).

Against the backdrop of cyclical adjustments in the industry, the Company’s ability to withstand market fluctuations has been strengthened by its in-depth R&D efforts and continuous enrichment of product portfolios, and its focus on analog IC design and delivery of patterned wafers has achieved a significant scale effect in the Company’s business operations. The Company’s design efficiency has been enhanced and costs can be effectively controlled by virtue of the full-stack analog IC design platform. The Company has been making more efforts on automotive-grade products and has been benefiting from rapid growth of market demand in the downstream new energy vehicle industry. The above factors contributed to the ongoing fast growth in the Company’s operating results.

*(I) Principal business and products*

The Company is one of the leading providers of industrial-grade analog IC patterned wafers in China. Based on self-developed electronic design automation (the “**EDA**”) and reusable intellectual property (the “**IP**”) libraries, our deliverable products are analog IC patterned wafers with completed built-on circuits, which can be quickly fabricated into individual IC chips by downstream customers through standard and straightforward package testing.

The Company focuses on the R&D and sales of analog IC products. Relying on the profound technology accumulation in the field of analog ICs and the efficient design platform for the whole process of “EDA + IP + Design”, the Company owns a product matrix centering on energy management and signal chain, and extending to a full line of industrial-grade analog chips. As of the end of the Reporting Period, the Company has more than 400 product models, which can widely empower various application areas such as automotive electronics, healthcare, industrial automation, industrial Internet of Things, industrial lighting, instrumentation, communications, power, energy storage and consumer electronics.

The Company attaches great importance to product quality, and has been committed to breaking through the industrial-grade products with high reliability requirements since its incorporation. Currently, the Company has established a sound product quality control process and screening standards, forming a product system focusing on industrial-grade analog IC products and extending to automotive-grade products.

For the year ended 31 December 2023, in terms of core technologies, the Company continued to carry out research and development (or R&D) activities for improving product performance, and has made further breakthroughs in key technologies such as high common-mode rejection ratio, low noise, and low out-of-phase currents. In the field of design platform, the Company has further refined technologies such as low quiescent currents, low temperature drift, and low start-up voltage, while upgrading the product performance to further reduce the difficulty of research and development in collaboration

with EDA tools. In terms of market development, the Company focuses on industrial-grade analog ICs, with its products successfully reaching various subdivisions and new fields, expanding influence and market share in the new energy vehicle industry.

Relying on its own EDA software, the Company has accumulated more than 400 IP modules covering 12 core functions of analog IC design and applicable to 9 core process technologies. The Company has established 9 integrated technology platforms suitable for the whole process from process to independent R&D through extensive business cooperation and strategic synergies with its main cooperative fabricators, and implemented the design mechanism of “Tool-IP-chip design collaborative optimization” (the “**TID**”, Tool-IP-Design co-optimization), which has greatly lowered the threshold of chip design; realized the in-depth integration of product design and production process, and consolidated the Company’s stable supply chain channel advantages; expanded the application range of diversified terminals such as industry, automobile and communication.

The Company has products with either broad applicability or high precision and low power consumption researched and developed by nine technology platforms, and have achieved substantial revenue growth during the Reporting Period.

H770 platform, which specializes in the research and development of high-voltage and high-current products, has the most outstanding performance in terms of annual sales and the number of new products, with more than RMB100 million in revenue and nearly 30 new products for the year ended 31 December 2023, respectively, primarily due to the Company’s long-term deep cultivation and accumulation in the field, with the deepest knowledge and experience in the sub-field. The representative products are multi-channel high-current step-down modules, which have successfully reaching major new fields such as thermal management of new energy vehicles, current sensors, in-car chargers, and in-car DC-DC converters.

The T006 platform, which features low power consumption, high-precision analog signal processing, showed significant annual revenue growth of over 80% for the year ended 31 December 2023 compared to the year ended 31 December 2022. Compared to similar products, this product series offers higher bandwidth and conversion rates, lower input offset voltage, and lower noise and distortion, and is widely used in modems, line drivers, etc., providing a high-performance solution to the market with a strong competitive advantage.

The gross profit margin of the C140 platform products for the year ended 31 December 2023 was approximately 60% due to the products’ advantages of multi-functional support and high performance, which have received favorable market feedback. The platform focuses on the research and development of basic analog chips such as switching regulator, linear regulator, monitoring and protection ICs, which are widely used in industrial automation, communication, medical and other fields. In the future, the platform will continue to expand in the areas of hot-swap power supply, energy efficiency protection for motorcycle drives, intelligent charging pile controller and so on.

## *(II) Core competitiveness*

1. Focusing on high-end product positioning and continuous enrichment of the product portfolio

The Company's products align with the standardized products of international analog IC giants, focusing on less competitive vertical market segments in order to implement the idea of differentiated design. Since its incorporation, the Company has been committed to breaking through the layout of industrial-grade products with high reliability requirements, which allows the Company to fully benefit from the process of localization substitution, and promises the business a larger space for development. Product pricing is slightly lower than the price of international competing products, guaranteeing strong market competitiveness of products while ensuring the convergence of performance. Compared with other analog IC design vendors, the Company has higher gross profit margins of products and stronger profitability.

2. Business positioning focused on analog IC design and delivery of patterned wafers

Our business positioning focusing on analog IC design and delivery of patterned wafers has enabled the Company to concentrate more on design and achieve constantly enhanced R&D capability. The delivery of patterned wafers and the adoption of a distribution model have effectively reduced the market investment in finished products. Patterned wafers can be quickly made into chips after standard and straightforward packaging testing, which can widely empower chip design companies, commercial distributors, brand manufacturers, original design manufacturers and other downstream customers. This helps them flexibly and rapidly realize the low-cost development of high-performance products, and build a prosperous customer ecosystem, which, to a certain extent, solves the industry's pain point that it is difficult to form economies of scale, and is conducive to the Company's ability to seize more market share and promote the growth of its business scale.

3. Technology advantages centered on a full-stack analog IC design platform

The Company's self-developed full-stack analog IC design platform streamlines the whole process of analog IC "EDA + IP + Design", realizes the synergy between EDA software and reusable IP modules, and complements IP libraries and IC designs for system-level simulation and performance modeling, which alleviates the cost and efficiency concerns, and lowers the threshold of R&D personnel while improving efficiency, solving the heavy reliance on engineers' experience and expertise in traditional IC design. The Company has strong technological innovation capabilities and continues to upgrade and optimize its full-stack analog IC design platform, and this technological advantage will greatly facilitate the Company's future business development.

## II. Financial Review

### *Revenue*

#### *Revenue by Business Line*

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

	Year ended 31 December			
	2023		2022	
	<i>RMB'000</i>	<i>% of Revenue</i>	<i>RMB'000</i>	<i>% of Revenue</i>
Sales of power management products	<b>408,290</b>	<b>88.0</b>	294,797	83.6
Sales of signal chain products	<b>55,591</b>	<b>12.0</b>	57,713	16.4
<b>Total</b>	<b>463,881</b>	<b>100.0</b>	<b>352,510</b>	<b>100.0</b>

#### *Revenue by Sales Channel*

The following table sets forth a breakdown of the Company's revenue by sales channel, in absolute amounts and as a percentage of the total revenue, for the periods indicated:

	Year ended 31 December			
	2023		2022	
	<i>RMB'000</i>	<i>% of Revenue</i>	<i>RMB'000</i>	<i>% of Revenue</i>
Sales to distributors	<b>405,671</b>	<b>87.5</b>	282,679	80.2
Direct sales	<b>58,210</b>	<b>12.5</b>	69,831	19.8
<b>Total</b>	<b>463,881</b>	<b>100.0</b>	<b>352,510</b>	<b>100.0</b>



The Company's revenue increased by 31.6% from RMB352.5 million for the year ended 31 December 2022 to RMB463.9 million for the year ended 31 December 2023, primarily due to the launch of new products in the industrial category and the strong growth in demand for applications in the new energy sector.

Below are details of changes in our revenue by business line and revenue by sales channel:

The Company's revenue from sales of power management products increased by 38.5% from RMB294.8 million for the year ended 31 December 2022 to RMB408.3 million for the year ended 31 December 2023, primarily due to the launch of new products and increase in customer demand.

The Company's revenue from sales of signal chain products decreased by 3.6% from RMB57.7 million for the year ended 31 December 2022 to RMB55.6 million for the year ended 31 December 2023, primarily due to the decrease in customer demand for certain models of the Company's products, which are characterized by multi-variety in small batches.

The Company's revenue from sales to distributors increased by 43.5% from RMB282.7 million for the year ended 31 December 2022 to RMB405.7 million for the year ended 31 December 2023, primarily due to steady increase in purchase from the Company by major distributors, as well as the Company's expansion into several new distributors.

The Company's revenue from direct sales decreased by 16.6% from RMB69.8 million for the year ended 31 December 2022 to RMB58.2 million for the year ended 31 December 2023, primarily due to focus of the Company's business promotion in the distribution area in 2023.

### ***Cost of Sales***

The Company's cost of sales increased by 35.0% from RMB153.2 million for the year ended 31 December 2022 to RMB206.8 million for the year ended 31 December 2023, primarily due to the significant increase in the revenue of the Company for the year which led to the increased cost of sales accordingly.

### ***Gross Profit and Gross Profit Margin***

As a result of the foregoing, the Company's gross profit increased by 29.0% from RMB199.3 million for the year ended 31 December 2022 to RMB257.1 million for the year ended 31 December 2023, and the gross profit margin decreased from 56.5% for the year ended 31 December 2022 to 55.4% for the year ended 31 December 2023, primarily due to the fact that our gross profits and gross profit margins largely depend on the variety of our product mix, as we provide multi-variety products in small batches to our customers. The revenue of the Company increased significantly in 2023, leading to the higher gross profit, while the gross profit margin changed slightly due to the difference in sales of products with different gross profit margins.

Below are breakdowns of gross profit and gross profit margin of product portfolio by business line:

	<b>Year ended 31 December</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Gross profit</b>	<b>Gross profit</b>	<b>Gross profit</b>	<b>Gross profit</b>
	<b><i>RMB'000</i></b>	<b>margin</b>	<b><i>RMB'000</i></b>	<b>margin</b>
		<b>%</b>		<b>%</b>
Sales of power management products	<b>222,852</b>	<b>54.6</b>	163,668	55.5
Sales of signal chain products	<b>34,259</b>	<b>61.6</b>	35,656	61.8
<b>Total</b>	<b><u>257,111</u></b>	<b><u>55.4</u></b>	<b><u>199,324</u></b>	<b><u>56.5</u></b>

The Company's gross profit from sales of power management products increased by 36.2% from RMB163.7 million for the year ended 31 December 2022 to RMB222.9 million for the year ended 31 December 2023, and the gross profit margin decreased from 55.5% for the year ended 31 December 2022 to 54.6% for the year ended 31 December 2023. The change in gross profit margin was mainly due to the increase in the revenue share of products with lower gross profit margins, such as multi-channel ICs and power management ICs, during the Reporting Period.

The Company's gross profit from sales of signal chain products decreased by 3.9% from RMB35.7 million for the year ended 31 December 2022 to RMB34.3 million for the year ended 31 December 2023, and the gross profit margin decreased from 61.8% for the year ended 31 December 2022 to 61.6% for the year ended 31 December 2023. There was no significant change in gross profit margin of signal chain products during the Reporting Period.

### ***Other Income and Net Gain***

The Company's other income and net gain during the Reporting Period primarily consist of (i) government grants; (ii) interest income from bank deposits; (iii) rental income from lease of our testing equipment; (iv) net realized gains on financial assets measured at fair value through profit or loss, representing gains from wealth management products offered by reputable commercial banks in the PRC, including primarily wealth management products that invest mainly in money market instruments and debt securities with low risk and high liquidity, and structured deposits; and (v) R&D service income. The Company's other income and net gain decreased by 17.3% from RMB9.8 million for the year ended 31 December 2022 to RMB8.1 million for the year ended 31 December 2023, primarily due to the decrease in revenue from R&D services. None of the Company's new entrusted R&D contracts entered into in the current year had reached the acceptance stage, therefore, no other revenue related to R&D services was recognized in 2023.

### ***Distribution Costs***

The Company's distribution costs during the Reporting Period primarily consist of (i) employee benefits expenses of our sales and marketing staff, which mainly include salaries and welfare; and (ii) travel and entertainment expenses. The Company's distribution costs increased by 80.6% from RMB3.6 million for the year ended 31 December 2022 to RMB6.5 million for the year ended 31 December 2023, primarily due to the increase in the Company's employee remuneration in 2023 and the establishment of the Shanghai branch office (sales center) in December 2022, in which its newly incurred depreciation of fixed assets and right-of-use assets, travelling expenses, business hospitality expenses, salaries of the additional sales staff, property and office expenses, among others, were included in the cost of sales in 2023.

### ***Administrative Expenses***

The Company's administrative expenses during the Reporting Period primarily consist of (i) employee benefits expenses of our senior management and business operations and administration staff, which mainly include salaries and welfare; (ii) consultation and agency fees; (iii) depreciation and amortization; (iv) listing expenses; (v) travel and entertainment expenses; (vi) impairment loss; and (vii) office expenses, which mainly include property management fees and other general office expenses. The Company's administrative expenses increased by 17.6% from RMB22.2 million for the year ended 31 December 2022 to RMB26.1 million for the year ended 31 December 2023, primarily due to the increase in the Company's employee remuneration in 2023 and its IPO in Hong Kong in 2023 with the related intermediary fees increased compared with the previous year.

### ***R&D Expenses***

The Company's R&D expenses during the Reporting Period primarily consist of (i) material costs for R&D projects; (ii) employee benefits expenses, which mainly include salaries and welfare of our R&D staff; and (iii) share-based payments. The Company's R&D expenses increased by 40.4% from RMB84.9 million for the year ended 31 December 2022 to RMB119.1 million for the year ended 31 December 2023 primarily due to the increasing investment in R&D as the business scale of the Company continued to expand and profitability continued to improve, of which the material expenses for R&D increased by RMB17.6 million, representing an increase of 28.8% compared with the previous year, and the total amount of employee compensation increased by RMB13.7 million, compared with the previous year including the share based payment expense RMB10.0 million.

### ***Finance Costs***

The Company's finance costs during the Reporting Period primarily consist of (i) interest on loans and borrowings, which mainly include interest on short-term bank loans; and (ii) interest on lease liabilities. The Company's finance costs increased by 152.9% from RMB1.7 million for the year ended 31 December 2022 to RMB4.3 million for the year ended 31 December 2023, primarily due to the increase in short-term bank loans.

### ***Profit before Taxation***

As a result of the foregoing, the Company's profit before taxation increased by 12.7% from RMB96.8 million for the year ended 31 December 2022 to RMB109.2 million for the year ended 31 December 2023, primarily due to the significant increase in the revenue of the Company for the year.

### ***Income Tax***

The Company's income tax expense was RMB1.6 million for the year ended 31 December 2022, and was nil for the year ended 31 December 2023, primarily due to the Company's entitlement to preferential tax, such as favorable income tax and additional deduction on R&D expenses for the year ended 31 December 2023.

### ***Profit for the Year***

As a result of the foregoing, the Company's profit for the year increased by 14.6% from RMB95.3 million for the year ended 31 December 2022 to RMB109.2 million for the year ended 31 December 2023, primarily due to the significant increase in the revenue of the Company for the year.

### ***Non-HKFRS Measure***

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

The Company defines adjusted net profit (Non-HKFRS measure) as profit for the year adjusted by adding back listing expenses and share-based payments. Listing expenses are expenses relating to the Listing.

Share-based payments are non-cash in nature. The following table reconciles our adjusted net profit (Non-HKFRS measure) for the year presented to profit for the year:

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Profit for the year	<b>109,158</b>	95,262
Add:		
Listing expenses	<b>1,460</b>	—
Share-based payments	<b>9,995</b>	—
	<u>120,613</u>	<u>95,262</u>
Adjusted net profit (non-HKFRS measure)	<u><b>120,613</b></u>	<u>95,262</u>

### ***Main Risks and Uncertainties***

Details of the main risks and uncertainties of the Company as of the end of the Reporting Period are set out in the “Report of the Board of Directors” in the annual report of the Company for the year ended 31 December 2023.

### ***Foreign Exchange Risk***

The Company’s financial statements are presented in RMB. Fluctuations in exchange rates between other currencies in which the Company conducts its business may affect the Company’s financial position and operation results. The Company currently do not have a foreign currency hedging policy. However, the Company’s management will manage foreign currency risk through regular reviews and consider hedging significant foreign currency risk exposures when necessary.

### ***Capital Management***

The key objective of the Company’s capital management is to ensure the Company’s ability to operate on a going concern basis and maintain healthy capital ratios so as to support business growth and maximize Shareholder value.

The Company manages its capital structure and makes adjustments in response to changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may adjust the distribution of profits to Shareholders, or issue new shares. The Company is not constrained by any external mandatory requirements on capital. The capital structure of the Company primarily consists of equity attributable to owners of the Company, comprising issued share capital and various reserves. There was no significant change in the capital management objectives, policies or procedures in 2023 and 2022.

The Company manages its capital with the gearing ratio. The gearing ratio of the Company as of 31 December 2023, which is total loans and borrowings and lease liabilities divided by all components of equity attributable to equity Shareholders of the Company during the Reporting Period and then multiplied by 100.0%, is approximately 21.8% (as of 31 December 2022: 25.8%).

## ***Liquidity and Financial Resources***

The Company maintains an excellent financial position and sufficient liquidity for the year ended 31 December 2023. The Company's current assets amounted to RMB1,166.3 million as of 31 December 2023 (as of 31 December 2022: RMB529.9 million), representing an increase of approximately 120.1% as compared to the previous year, primarily due to the increase in inventories, pledged bank deposits and cash and cash equivalents. Of these assets, cash and cash equivalents amounted to RMB550.8 million (as of 31 December 2022: RMB162.5 million), representing an increase of approximately 239.0% as compared to the previous year, primarily due to the Listing in December 2023 and the net proceeds of HKD354.1 million obtained from the offering (after deducting listing expenses paid or payable).

As of 31 December 2023, the Company had bank loans of RMB171.6 million (as of 31 December 2022: RMB95.5 million), all which are repayable within one year.

## ***Capital Expenditures***

The Company's capital expenditures during the Reporting Period consist of expenditures on the additions to property, plant and equipment and other non-current assets. The Company made prepayments for the non-current assets during the Reporting Period, and such prepayments were classified as other non-current assets in our statements of financial position, which affected the our capital expenditures during the Reporting Period. The Company's capital expenditures amounted to RMB43.5 million, including the land deposit RMB15 million and prepaid construction funds RMB20 million, and RMB18.7 million for the year ended 31 December 2023 and 31 December 2022, respectively. Historically, we have funded our capital expenditures mainly through cash generated from our operations, the capital contributions by investors and bank borrowings.

The Company expects that our capital expenditures will increase in the future as our business continues to grow, which the Company will use primarily for the on the additions to property, plant and equipment. The Company expects to fund future capital expenditures through cash generated from operations, bank borrowings and the net proceeds from the global offering in relation to the Listing.

## ***Capital Commitments***

The Company's capital commitments during the Reporting Period primarily relate to additions to property, plant and equipment contracted but not provided for. The Company's capital commitments amounted to RMB66.5 million and RMB0.8 million for the year ended 31 December 2023 and 31 December 2022, respectively.

## ***Pledge of Assets***

As of 31 December 2023, the Company's bank deposits totaling RMB66.9 million were pledged as a guarantee to issue bank acceptance bills, which will be released upon the settlement of relevant bills payable. As of 31 December 2023, the Company did not pledge any assets other than the above.

## ***Loans and Borrowings***

The Company's total outstanding bank loans increased from RMB95.5 million as of 31 December 2022 to RMB171.6 million as of 31 December 2023, primarily due to the fulfilment of capital requirements for its daily operating activities. Financing activities were increased as a result of the business expansion of the Company, which was used to support our working capital, such as payment for raw materials, salaries and welfare of our employees and office expenses.

As of 31 December 2023, the Company had interest-bearing borrowings of RMB171.6 million, all of which were unguaranteed and unsecured borrowings with effective interest rates ranging from 2.90% to 3.75 % per annum, all of which will become due in 2024. The Company's bank borrowing agreements contain standard terms, conditions and covenants that are customary for commercial bank loans.

## ***Contingent Liabilities***

The Company did not have any contingent liabilities as of 31 December 2023.

## ***Future Plans for Material Investments and Capital Assets***

Except as disclosed in the "Future Plans and Use of Proceeds" section of the Company's prospectus dated 18 December 2023, for the year ended 31 December 2023, the Company had no other plan for material investments and capital assets.

## ***Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures***

For the year ended 31 December 2023, the Company did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

## ***Property, Plant and Equipment***

The Company's property, plant and equipment primarily consist of equipment and machinery, passenger vehicles, office equipment and furniture, construction in progress and leasehold improvements. The Company's construction in progress primarily consists of (i) R&D equipment that the Company purchased, which has been delivered to the Company and pending installation. When the Company completes substantially all of the activities necessary to prepare the R&D equipment for its intended use, the Company will transfer it from construction in progress to equipment and machinery; and (ii) renovation of the Company's office buildings in Suzhou and Shanghai and R&D center in Suzhou. The Company's property, plant and equipment increased from RMB59.3 million as of 31 December 2022 to RMB62.3 million as of 31 December 2023, primarily due to the acquisition of new semiconductor testers of RMB698,000 and two pieces of triple-temperature equipment totaling RMB350,000, with the new equipment being used for R&D purposes.

### ***Right-of-use Assets***

The Company's 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. The Company's right-of-use assets increased from RMB3.4 million as of 31 December 2022 to RMB6.9 million as of 31 December 2023, primarily due to the addition of new leases during the year and the extension of the lease terms of existing leases.

### ***Inventories***

The Company's inventories primarily consist of (i) raw materials, including untested foundry-manufactured wafers; and (ii) finished goods. The Company's inventories increased from RMB76.3 million as of 31 December 2022 to RMB218.1 million as of 31 December 2023, primarily due to the inventories held in stock based on our customers' needs and the Company's judgement of market demand, which was in line with our business growth.

### ***Trade and Other Receivables***

The Company's trade receivables during the Reporting Period primarily represent receivables from customers for sales of analog IC patterned wafer products. The Company's other receivables and deposits primarily represent VAT recoverable, contingency cash for business trips and sporadic purchases and rental deposits. The Company's trade receivables decreased from RMB64.9 million as of 31 December 2022 to RMB61.3 million as of 31 December 2023, primarily due to the fact that the Company strengthened its collection management of accounts receivable during the year and received a higher return at the end of 2023.

### ***Prepayments***

The Company's prepayments during the Reporting Period primarily are prepayment to suppliers for the purchase of raw materials and chip probing services. The Company's prepayments increased from RMB202.8 million as of 31 December 2022 to RMB261.3 million as of 31 December 2023, primarily due to the addition of a new supplier, namely Jiangsu Dongbuzhou Integrated Circuit Industry Service Co., Ltd.\* (江蘇東布洲集成電路產業服務有限公司), in order to diversify the supplier structure in the current year, the balance of prepayment to this company in 2023 was RMB43.8 million.

### ***Trade and Other Payables***

The Company's trade and other payables during the Reporting Period mainly 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 the Company 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 R&D equipment. The Company's trade and other payables increased from RMB96.0 million as of 31 December 2022 to RMB248.5 million as of 31 December 2023, primarily due to the gradual increase in the proportion of the Company's prepayment for goods using notes payable in 2023, the balance of notes payable increased by RMB146.7 million compared with the previous year.

## Employees

### *Employees*

As of 31 December 2023, the Company had 113 full-time employees, all of whom were based in China. The following table sets forth the number of the Company's employees by function as of 31 December 2023:

<b>Function</b>	<b>Number of employees</b>
Senior management	2
R&D	68
Sales and marketing	10
Business operations and administration	33
	<hr/>
<b>Total</b>	<b>113</b>
	<hr/> <hr/>

### *Remuneration Policy*

The Company offers a comprehensive remuneration package to its employees, which is generally structured with reference to market terms and individual merits, and reviewed by the management on a regular basis. The Company recognizes the importance of talents for sustainable business growth and competitive advantages. The Company believes that our success depends on our ability to attract, retain and motivate qualified personnel. As part of human resources strategy, the Company offers employees relatively competitive salaries, performance-based bonuses, and other incentives. The Company typically signs non-competition agreement with our senior management or other key employees. The Company regularly reviews the performance of our employees on the basis of, among other criteria, their abilities to achieve stipulated performance targets. As a result, the Company has generally been able to attract and retain qualified employees and maintain a stable core management team.

## ***Training Plans***

Based on the full-stack design platform, the Company has 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. The Company provides on-board training for all of our employees as well as periodic training or seminars to ensure their self-development. In particular, the Company provides 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, the Company holds lectures and exchange ideas through seminars with external professionals. The Company also provides courses for our employees as an important part of their continuous self-learning. The Company strives to create a multiple-incentive mechanism and a friendly working environment to fulfil our employees' full potential. Due to our efforts, the Company generally maintains a stable team of employees that make continuous contributions.

## **Compliance with Laws and Regulations**

The Directors deem the compliance with laws and regulations as the cornerstone of a business and attach considerable importance to it; therefore, they strictly comply with laws and regulations of PRC, mainly including laws and regulations of PRC on IC industry, cyber security, data protection, intellectual property, labor and product liability. The Company has allocated abundant resources to ensure ongoing compliance with applicable laws and regulations and to maintain healthy relationships with regulators through effective communications.

To the best knowledge of the Board of Directors and management, the Company has complied in all material respects with the relevant laws and regulations that have a significant impact on the Company's business and operations. For the year ended 31 December 2023, the Company had no material violations of or non-compliance with applicable laws and regulations.

## **Purchase, Sale or Redemption of Listed Securities**

From 28 December 2023 (the “**Listing Date**”) to 31 December 2023, the Company has not purchased, sold and redeemed any of the Company's listed securities.

## **Significant Events after the End of the Reporting Period**

Subsequent to 31 December 2023 and up to the date of this announcement, so far as the Directors are aware, there have been no events that have materially affected the Company.

## Outlook

Looking back to 2023, we continued to focus on the development of our patterned wafers business by refreshing our R&D efforts to further improve our product performance and product matrix; we entered into new major fields such as thermal management of new energy vehicles, current sensors, in-car chargers, and in-car DC-DC converters, with a view to expanding our influence and market share, which achieved encouraging results.

2023 is the first year of successful listing of our H shares on the Stock Exchange. In 2024, the Company will continue to consolidate and enhance its comprehensive competitive advantages in technology, talents, sales and quality, further expand its production capacity and product high-end applications, as well as continuously increase the coverage of the Company's business in the industrial chain, so as to achieve a sustainable, rapid and healthy development of the Company. Meanwhile, the Company will continue to consolidate the Company's technological advantages through technical cooperation between colleges and enterprises and continuous investment in research and development, and actively focus on advanced technologies and products overseas to build up the Company's competitive advantages in the international market. In terms of product technology, the Company will focus on product line layout, study industry trends actively, follow the market situation closely and accelerate product implementation. In terms of product planning and technology pre-research, each product line will closely follow the development trend of the industry, strengthen product differentiation, strive for technological advance and enhance its core competitiveness. In terms of marketing and operation, which is driven by the market and technology, the Company will keep track of external information and changes in the situation in a timely manner, and formulate a reasonable strategy in line with the its long-term development. Through products with reliable performance and high quality, the Company continues to create value for our customers. The Company insists on people-oriented, market-centric and customer-focused standards to maintain good customer relations, build corporate culture, create a positive corporate image and improve corporate social responsibility, thereby creating a solid foundation for the Company's sustainable development.

In 2024, we will strengthen our hard power and maintain our development resilience by accelerating the research and development of new products and the upgrading of EDA tools; meanwhile, we will promote the transformation of core technologies by leveraging the key advantages of independently controllable EDA tools; moreover, we will grasp customer resources and opportunities in the industry chain to enhance the market share, for the sake of bring sustainable and long-lasting development benefits to the Company and our Shareholders.

## **Corporate Governance**

The Company has adopted the provisions of the Corporate Governance Code (the “**CG Code**”) set out in Part 2 of Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as its own corporate governance code. During the period from the Listing Date to 31 December 2023, the Company has complied with all applicable provisions of the CG Code.

More information on the Company’s corporate governance practices will be included in the Corporate Governance Report in the Company’s annual report for the year ended 31 December 2023.

The Company will continue to review and monitor its corporate governance practices on a regular basis to ensure compliance with the CG Code and to maintain the Company’s high standard of corporate governance practices.

## **Model Code for Securities Transactions**

The Company has adopted a code of conduct regarding securities transactions by Directors and supervisors of the Company on terms no less favourable than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the “**Model Code**”). Having made specific inquiry of all Directors and supervisors of the Company, the Directors and supervisors of the Company have confirmed that they have complied with the Model Code from the Listing Date to 31 December 2023.

## **Review of Accounts**

The audit committee of the Board has reviewed the audited financial statements of the Company for the year ended 31 December 2023 and discussed with the management of the Company and the auditor the accounting principles and practices adopted by the Company, risk management and internal controls and financial reporting.

## **Scope of Work of KPMG**

The financial figures in respect of the Company’s statement of profit or loss and other comprehensive income, statement of financial position, cash flow statement and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Company’s auditor, KPMG, Certified Public Accountants, to the amounts set out in the Company’s financial statements for the year. Pursuant to the Hong Kong Standards on Auditing, Hong Kong Standard on Review Engagement or Hong Kong Standard on Assurance Engagements issued by the Auditing and Assurance Standards Committee of the Hong Kong, the work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on this announcement.

## **Sufficient Public Float**

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, since the Listing Date and up to the date of this announcement, the Company has maintained sufficient public float in compliance with the Listing Rules.

## **Final Dividend**

The Board does not recommend the payment of the final dividend for the year ended 31 December 2023.

## **2023 AGM**

The notice of the 2023 AGM, which contains the date, time and place of the 2023 AGM, as well as details of the period during which the register of members and the registration of share transfers is closed, will be published and dispatched to the Shareholders of the Company who requested for a printed copy in due course.

## **Publication of Annual Results and Annual Report**

This annual results announcement has been published on the Company's website ([www.batelab.com](http://www.batelab.com)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The annual report of the Company for the year ended 31 December 2023, which contains all the information required under the Listing Rules, will be dispatched to the Shareholders who requested for a printed copy and published on the above websites in due course.

By order of the Board  
**BaTeLab Co., Ltd.**  
**Mr. Li Zhen**  
*Chairman*

Hong Kong, 25 March 2024

*As at the date of this announcement, the Board of Directors comprises Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi as executive Directors; Mr. Kong Jianhua and Mr. Zhou Yufeng as non-executive Directors; and Mr. Zhao Heming, Mr. Wen Chengge, Mr. Ma Ming and Ms. Kang Yuanshu as independent non-executive Directors.*