Innoscience®
英诺赛科

英諾賽科（蘇州）科技股份有限公司
InnoScience (Suzhou) Technology Holding Co., Ltd.

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

Stock Code: 2577

GLOBAL OFFERING

Joint Sponsors, Joint Representatives, Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

CICC 中金公司　CMBI 招銀国际

(in no particular order)

Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

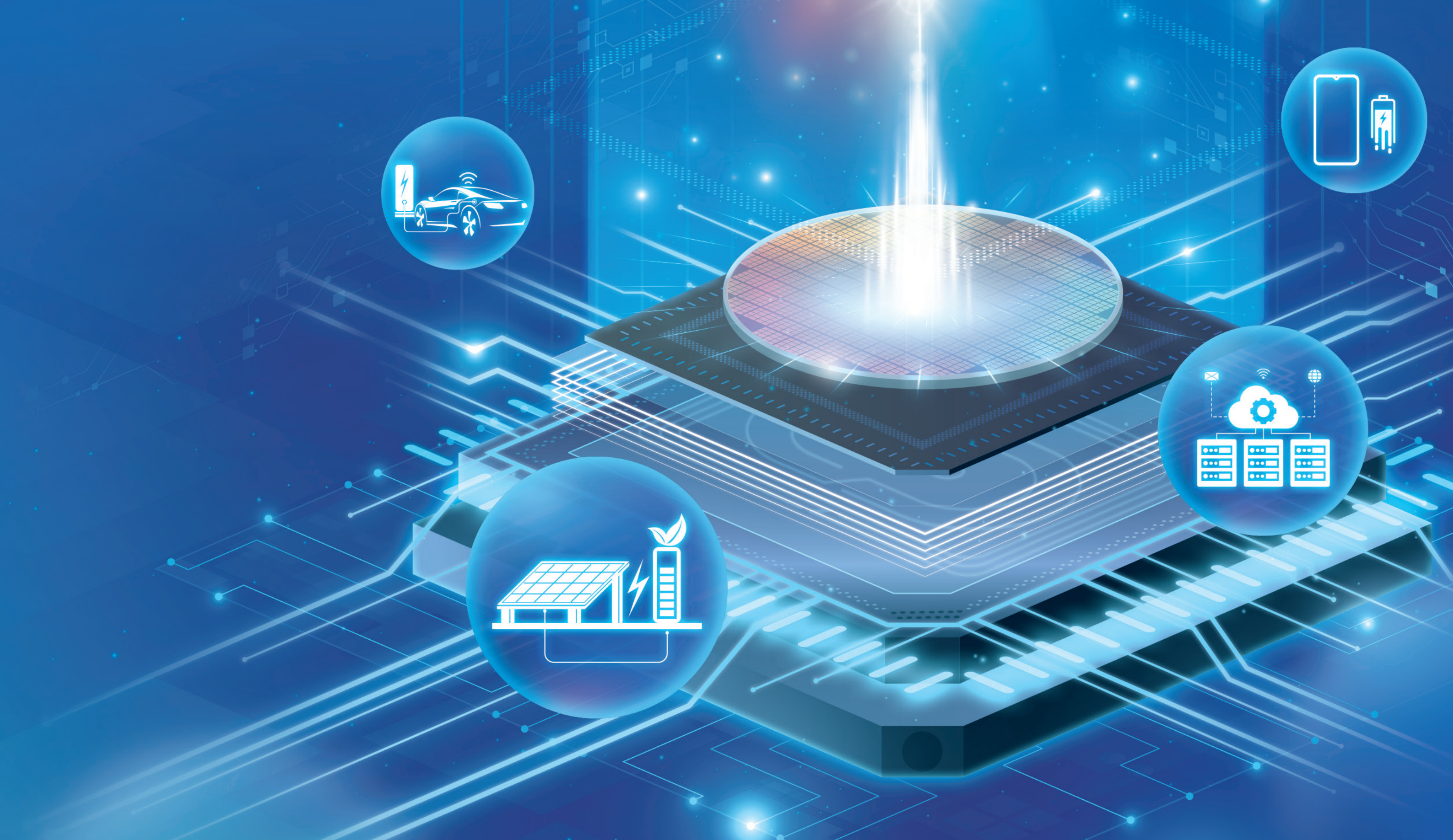
Jefferies　CITIC SECURITIES　华泰国际 HUATAI INTERNATIONAL

(in no particular order)

Joint Bookrunners and Joint Lead Managers

中銀國際 BOCI　洪泰證券有限公司 Hong Tai Securities Limited　農銀國際 ABC INTERNATIONAL　百惠金控 PATRONS
長橋證券 LONGBRIDGE　富途證券　老虎證券　TradeGo Markets

(in no particular order)



IMPORTANT

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

InnoScience (Suzhou) Technology Holding Co., Ltd.
英諾賽科（蘇州）科技股份有限公司

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

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**45,364,000 H Shares (subject to the Offer Size Adjustment Option and the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**4,536,400 H Shares (subject to reallocation and the Offer Size Adjustment Option)**
Number of International Offer Shares	**:**	**40,827,600 H Shares (subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$33.66 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Hong Kong 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**
Stock code	**:**	**2577**

Joint Sponsors, Joint Representatives, Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers
(in no particular order)

Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers
(in no particular order)

Joint Bookrunners and Joint Lead Managers
(in no particular order)

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix VIII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Representatives (on behalf of the Hong Kong Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, December 24, 2024 (Hong Kong time). The Offer Price will be not more than HK$33.66 and is currently expected to be not less than HK$30.86 per Offer Share. If, for any reason, the Offer Price is not agreed by 12:00 noon on Tuesday, December 24, 2024 (Hong Kong time) between the Joint Representatives (on behalf of the Hong Kong Underwriters) and us, the Global Offering will not proceed and will lapse.

Applicants for Hong Kong Offer Share may be required to pay, on application (subject to the application channels), the maximum Offer Price of HK$33.66 for each Hong Kong Offer Share together with a brokerage fee of 1.0%, a SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and a Hong Kong Stock Exchange trading fee of 0.00565%, subject to refund if the Offer Price as finally determined is less than HK$33.66.

The Joint Representatives, on behalf of the Underwriters, and with our consent may, where considered appropriate, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that is stated in this prospectus (which is HK$30.86 to HK$33.66) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published on the website of our Company at www.innoscience.com and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set forth in "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

We are incorporated, and the majority of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investment in PRC-incorporated businesses. Potential investors 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 "Risk Factors," "Appendix V — Summary of Principal Legal and Regulatory Provision" and "Appendix VI — Summary of Articles of Association" to this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Representatives (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting — Grounds for Termination" of this prospectus.

The Offer Shares have not been and will not be registered under the US Securities Act or securities law of any state in the United States and may be offered and sold only outside the United States in offshore transactions according to Regulation S under the US Securities Act.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the websites of the Stock Exchange (**www.hkexnews.hk**) and our Company (**www.innoscience.com**). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

December 18, 2024

IMPORTANT NOTICE TO INVESTORS:
FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at **www.hkexnews.hk** under the "***HKEXnews > New Listings > New Listing Information***" section, and our website at **https://www.innoscience.com**. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
HK eIPO White Form service	**www.hkeipo.hk**	Investors who would like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Wednesday, December 18, 2024 to 11:30 a.m. on Monday, December 23, 2024, Hong Kong time. The latest time for completing full payment of application monies will be 12:00 noon on Monday, December 23, 2024, Hong Kong time.

Application Channel	Platform	Target Investors	Application Time
HKSCC EIPO channel	Your broker or custodian who is a HKSCC Participant will submit a HKSCC EIPO application on your behalf through HKSCC's FINI system in accordance with your instruction.	Investors who would not like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed document as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary, broker** or **agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application through the **HK eIPO White Form** service or the HKSCC EIPO channel must be for a minimum of 100 Hong Kong Offer Shares and in one of the numbers set out in the table below. If you are applying through the **HK eIPO White Form** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares. If you are applying through the HKSCC EIPO channel, you are required to prefund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

No. of Hong Kong Offer Shares applied for	Maximum Amount payable(2) on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable(2) on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable(2) on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable(2) on application/ successful allotment
	HK$		*HK$*		*HK$*		*HK$*
100	3,399.95	2,500	84,998.65	30,000	1,019,983.82	600,000	20,399,676.65
200	6,799.89	3,000	101,998.39	40,000	1,359,978.44	700,000	23,799,622.76
300	10,199.84	3,500	118,998.12	50,000	1,699,973.05	800,000	27,199,568.88
400	13,599.78	4,000	135,997.85	60,000	2,039,967.67	900,000	30,599,514.99
500	16,999.73	4,500	152,997.58	70,000	2,379,962.28	1,000,000	33,999,461.10
600	20,399.68	5,000	169,997.30	80,000	2,719,956.89	1,500,000	50,999,191.66
700	23,799.63	6,000	203,996.76	90,000	3,059,951.49	2,268,200(1)	77,117,577.67
800	27,199.57	7,000	237,996.22	100,000	3,399,946.11		
900	30,599.52	8,000	271,995.68	200,000	6,799,892.22		
1,000	33,999.46	9,000	305,995.15	300,000	10,199,838.34		
1,500	50,999.19	10,000	339,994.61	400,000	13,599,784.45		
2,000	67,998.92	20,000	679,989.23	500,000	16,999,730.56		

Notes:

(1) Maximum number of Hong Kong Offer Shares you may apply for and this is 50% of the Hong Kong Offer Shares initially offered.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** Service Provider) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

If there is any change in the following expected timetable of the Global Offering, we will issue an announcement on the website of our Company at ***www.innoscience.com*** and *the website of the Stock Exchange at* ***www.hkexnews.hk***.

Date[1]

Hong Kong Public Offering commences . . . . .9:00 a.m. on Wednesday, December 18, 2024

Latest time for completing electronic applications via the **HK eIPO White Form** service through the designated website at **www.hkeipo.hk** . . . . .11:30 a.m. on Monday, December 23, 2024

Application lists of the Hong Kong Public Offering open[3] . . . . .11:45 a.m. on Monday, December 23, 2024

Latest time for (a) completing full payment of application monies via the **HK eIPO White Form** service, or; (b) giving **electronic application instructions** to HKSCC[4] . . . . .12:00 noon on Monday, December 23, 2024

If you are instructing your **broker** or **custodian** who is a HKSCC Participant to submit **HKSCC EIPO** applications on your behalf through HKSCC's FINI system in accordance with your instruction, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists of the Hong Kong Public Offering close[3] . . . . .12:00 noon on Monday, December 23, 2024

Expected Price Determination Date[5] . . . . .on or before 12:00 noon Tuesday, December 24, 2024

Announcement of:

- the final Offer Price;
- the level of indications of interest in the International Offering;
- the level of applications in the Hong Kong Public Offering; and
- the basis of allocations of the Hong Kong Offer Shares

to be published on the website of our Company at **www.innoscience.com**[6] and the website of the Stock Exchange at **www.hkexnews.hk** . . . . .no later than 11:00 p.m. on Friday, December 27, 2024

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through the **HK eIPO White Form** service or **HKSCC EIPO** channel:

- from the "Allotment Results" page at the designated results of allocations website at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID" function from[7] . . . . .11:00 p.m. on Friday, December 27, 2024 to 12:00 midnight on Thursday, January 2, 2025
- The Stock Exchange's website at **www.hkexnews.hk** and our website at **www.innoscience.com**[6] which will provide links to the above mentioned websites of the H Share Registrar . . . . .no later than 11:00 p.m. on Friday, December 27, 2024
- from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from. . . . . Monday, December 30, 2024 to Friday, January 3, 2025 on a business day
- For those applying through **HKSCC EIPO** channel, you may also check with your broker or custodian from. . . . . 6:00 p.m. on Tuesday, December 24, 2024

For applications through the **HK eIPO White Form** service:
H Share certificates to be collected in person at the H Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for application of 1,000,000 Hong Kong Offer Shares or more from[8][9] . . . . .9:00 a.m. to 1:00 p.m. on Monday, December 30, 2024

- H Share certificates to be sent for application of less than 1,000,000 Hong Kong Offer Shares[8][9] . . . . . .Friday, December 27, 2024

For applications through **HKSCC EIPO** channel, H Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant's stock account.[8][9]

e-Auto Refund payment instructions/refund cheque(s) via the **HK eIPO White Form** service to be dispatched[10] . . . . .Monday, December 30, 2024

Dealings in the H Shares on the Stock Exchange expected to commence at[9]. . . . . .9:00 a.m. on Monday, December 30, 2024

Notes:

(1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates.

(2) You will not be permitted to submit your application under the **HK eIPO White Form** Service Provider through the designated website **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above and/or Extreme Conditions (collectively, "Bad Weather Signal") in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, December 23, 2024, the application lists will not open or close on that day. For further details, see "How to Apply for Hong Kong Offer Shares — E. Bad Weather Arrangements."

(4) Applicants who apply via **HKSCC EIPO** channel shall contact their broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

(5) The Price Determination Date is expected to be on or about Tuesday, December 24, 2024. If, for any reason, the Offer Price is not agreed between the Joint Representatives (for themselves and on behalf of the other Underwriters) and us by 12:00 noon on Tuesday, December 24, 2024, the Global Offering will not proceed and will lapse.

(6) Neither of the websites nor any of the information contained on the websites forms part of this prospectus.

(7) The full list of (i) wholly or partially successful applicants using the **HK eIPO White Form** service and **HKSCC EIPO** channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed at **www.hkeipo.hk/IPOResult** or **www.tricor.com.hk/ipo/result**.

(8) H Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in "Underwriting — Underwriting Arrangements — Hong Kong Public Offering — Grounds for Termination" has not been exercised. Investors who trade the Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid evidence of title do so entirely at their own risk.

(9) If a Bad Weather Signal in force is hoisted on Friday, December 27, 2024, the H Share Registrar will make appropriate arrangements for the delivery of the H Share certificates to the HKSCC Depository's service counter so that they would be available for trading on Monday, December 30, 2024.

(10) Refund mechanism for surplus application monies paid by application via **HKSCC EIPO** channel is subject to the arrangement between applicants and their broker or custodian.

Applicants who have applied for Hong Kong Offer Shares through the **HKSCC EIPO** channel should refer to "How to Apply for Hong Kong Offer Shares — D. Dispatch/Collection of H Share Certificates and Refund of Application Monies" for details.

Applicants who have applied through the **HK eIPO White Form** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the designated bank account in the form of e-Auto Refund payment instructions. Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund cheques in favour of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post at their own risk.

Further information is set out in "How to Apply for Hong Kong Offer Shares — D. Dispatch/Collection of H Share Certificates and Refund of Application Monies."

The above expected timetable is a summary only. For further details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, see "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such case, our Company will make an announcement as soon as practicable thereafter.

IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to subscribe for or buy any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Representatives, the Overall Coordinators, the Capital Market Intermediaries, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors or advisors, or any other person or party involved in the Global Offering. Information contained on our website, located at ***www.innoscience.com****, does not form part of this prospectus.*

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This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be in conjunction with, the full text of this document. You should read the entire document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in "Risk Factors" in this document. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are driving innovation in the global power semiconductor industry, dedicated to advancing the GaN power semiconductor industry and fostering its ecosystem. A power semiconductor is a type of semiconductor device that is used as a switch or rectifier in power electronics and serves as the core component of power supplies. Gallium Nitride on Silicon ("GaN-on-Si") is a technology of growing gallium nitride crystals on silicon substrates, a combination that leverages the high electron mobility and thermal stability of GaN with the cost-effectiveness and scalability of Silicon, making it ideal for high-power and high-frequency applications. We are the first in the world to achieve mass production of 8-inch Gallium Nitride on Silicon ("GaN-on-Si") wafers and the only company that offers a full voltage spectrum of GaN-on-Si semiconductor products on industrial scale. In terms of revenue in 2023, we had a market share of 0.2% in the global power semiconductor industry and 0.4% in the power semiconductor industry in China, according to Frost & Sullivan. Additionally, we ranked first among all GaN power semiconductor companies globally in 2023 in terms of revenue, according to the same source. The emergence of renewable energy and compute intensive applications has been transforming the world. This trend leads to a surging demand for more efficient and economical power semiconductors products. GaN, a wide bandgap semiconductor material featuring high frequency and low on-resistance, has become the centerpiece in the ongoing revolution of the power semiconductor industry and is set to accelerate its market penetration. In 2023, the GaN power semiconductors accounted for 0.5% of the global power semiconductor market, and it is expected to constitute 10.1% of the market by 2028. Underpinned by our continual innovation and strong technological expertise, we design, develop and manufacture various types of GaN products, including discrete chips, integrated circuits ("ICs"), wafers and modules. Our products are widely adopted in diverse power supply applications across a broad range of sectors, such as fast chargers and adapters in consumer electronics, battery management systems in renewable energy and industrial applications, LiDAR systems in automotive electronics and power supply units in data centers.

We have adopted an Integrated Device Manufacturer ("IDM") model that enables in-house control over the entire process from design, manufacturing, packaging, testing and sales of the finished products. As of June 30, 2024, we house the world's largest GaN power semiconductor production base, with a production capacity of 12,500 wafers per month. Such capacity enables us to capture growing market opportunities with stable supplies, thus nurturing customer confidence. Our advanced mass production technologies also led to an 80% increase in die per wafer and a 30% reduction in single chip cost compared to 6-inch GaN-on-Si wafers, showcasing our cost advantages as well as leadership in the ongoing innovation and commercialization of the GaN products.

Our position at the forefront of the GaN semiconductor industry is solidified by our continuous efforts in innovation and technological advancement. Through long-term dedication to R&D, we lead the market in 8-inch GaN-on-Si process technologies. As of the Latest Practicable Date, we had 406 patents and 387 patent applications in the world, covering critical areas such as chip design, device structuring, wafer manufacturing, packaging and reliability testing. We pioneered the effort in expanding the application of GaN products by working closely with reputable customers in diverse sectors, introducing innovative products and delivering unique value. Leveraging our comprehensive expertise in GaN technologies, we design, develop and manufacture high-performance and reliable GaN discrete chips for various applications across low-, medium- and high-voltage ranges in different packaging options, and our product R&D covers 15V to 1,200V.

Benefiting from our technological leadership and commercialization capabilities, our GaN products have gained wide market recognition, contributing to the development of an ecosystem centered on GaN products. According to Frost & Sullivan, with a revenue of RMB592.7 million in 2023, we ranked first among all GaN power semiconductor companies globally, holding a market share of 33.7%. As of June 30, 2024, our cumulative shipment exceeded 850 million in terms of equivalent GaN discrete chips. Our GaN products gained recognition from customers across various application areas, resulting in a strong revenue growth during the Track Record Period. Our revenue increased by 99.7% from RMB68.2 million in 2021 to RMB136.2 million in 2022, and by 335.2% to RMB592.7 million in 2023. Our revenue increased by 25.2% from RMB308.1 million in the six months ended June 30, 2023 to RMB385.8 million in the six months ended June 30, 2024.

We recorded net losses, adjusted net losses (non-HKFRS measure) and net operating cash outflows throughout the Track Record Period. We had loss for year of RMB3,399.3 million, RMB2,205.5 million and RMB1,101.9 million in 2021, 2022, 2023, and we had loss for the period of RMB579.7 million and RMB488.0 million in the six months ended June 30, 2023 and 2024, respectively. Our adjusted net loss (non-HKFRS measure), which was adjusted by adding back (i) changes in the carrying amount of liabilities recognized for financial instruments issued to investors and (ii) equity-settled share-based payment expenses, amounted to RMB1,080.8 million, RMB1,276.9 million, RMB1,015.6 million, RMB549.0 million and RMB377.8 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. Our net cash used in operating activities amounted to RMB562.1 million, RMB936.3 million, RMB593.6 million, RMB240.9 million and RMB155.5 million, respectively, in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024. Our net losses and adjusted net losses (non-HKFRS measure), as well as the net operating cash outflows during the Track Record Period, were primarily due to (i) the significant depreciation of production equipment prior to the realization of economies of scale; (ii) the significant amount of R&D expenses recognized during the Track Record Period; and (iii) the increasing selling and marketing expenses during the Track Record Period. The net losses incurred during the Track Record Period reflect our strategic focus on growth, technological enhancement and the expansion of our product portfolio, all of which pave the way for long-term profitability. We plan to improve our profitability through (i) achieving sustained growth in revenue; (ii) narrowing gross loss margin; (iii) improving operating efficiency; and (iv) improving cash flow performance. While we expect to incur net loss, adjusted net losses (non-HKFRS measure) and net operating cash outflows in 2024, with the growing economies of scale, rigorous cost control measures and ongoing improvements in operating efficiency, we anticipate significant improvements in margins that will underpin our long-term sustained profitability. For details, see “Business — Sustainability.”

OUR STRENGTHS

We believe that the following strengths contribute to our market position, ensuring our success and distinguishing us from our competitors:

- Driving innovation in the global power semiconductor industry;
- IDM model tailored to industry needs with high barriers;
- Established technology leadership;
- Industrial-scale commercialization; and
- Winning team with track record of value creation.

OUR STRATEGIES

GaN power semiconductors have gone through multiple development stages including the early development period, the development period, the commercialization period and the boom period, which started from 2023. We are dedicated to the innovation of the power semiconductor industry and ecosystem with GaN products. We plan to implement the following strategies:

- Enhancing global GaN ecosystem development and market penetration;
- Expanding GaN product portfolio and customer base;
- Further expanding production capacity;
- Continual R&D strengthening technological barriers; and
- Relentless implementation of global strategy.

OUR BUSINESS MODEL

We have adopted an IDM model that provides in-house control over the entire process from design and manufacturing to packaging, testing and sales of finished products. This integrated model fosters coordination and synergy, ensuring the quality of our power semiconductor products while providing stable production capacities, facilitating innovation through iterative design and process improvements and supporting cost-effective scaling. By maintaining control over every stage of the operation, the IDM model allows us to swiftly identify and address application challenges, giving us a significant first-mover advantage over competitors.

Unlike the fabless and foundry model where fabless companies rely on external foundries for production and are often limited by the capabilities of their partners, and foundries rely on fabless companies for design and lack control over the design process, the IDM model integrates design and manufacturing, creating operational synergies. Companies adopting the IDM model in our industry typically undergo a cyclical process of substantial capital and R&D expenditures during the ramp-up phase, which may lead to short-term losses. However, the long-term benefits of the IDM model in the GaN power semiconductor industry far outweigh these initial costs. These advantages include enhanced synergy between design and manufacturing, greater capacity and supply stability, cost benefits from large-scale production and continual process and technological advancements. See "Industry Overview — Analysis Of Global GaN Power Semiconductor Industry — Value Chain Of GaN Power Semiconductor Industry And Business Model Comparison." Given these advantages, the IDM model is expected to become the dominant business model in the power semiconductor industry. By choosing this model, we are positioning ourselves for sustainable growth and leadership in the rapidly evolving GaN power semiconductor sector, ensuring we remain competitive and profitable in the long term.

OUR PRODUCTS AND SOLUTIONS

We offer various types of GaN products across the entire industry value chain, including GaN wafers, GaN discrete chips, GaN ICs and GaN modules, which showcases our capabilities to provide tailored GaN solutions to our customers in various industries including consumer electronics, renewable energy and industrial applications, automotive electronics and data centers.

Our GaN Product Types

GaN Wafers

Wafers serve as the foundation for producing semiconductor electronics. Through the wafer fabrication procedure, which is composed of many repeated sequential processes to build up numerous layers of different materials in microscopic structures, dies are created on finished wafers upon dicing. Depending on the size and type of dies, a finished wafer can contain thousands of dies.

We are the first in the world to achieve mass production of 8-inch GaN-on-Si wafers, empowered by our strong in-house production capacity and collaborations with third-party service providers for packaging, testing and assembly. As of June 30, 2024, our production capacity reached 12,500 wafers per month. According to Frost & Sullivan, we held the largest GaN power semiconductor production capacity worldwide. Our 8-inch GaN-on-Si wafers offer more effective areas, excellent processing capabilities, enhanced production efficiency and reduced costs, with die per wafer increased by 80% and single chip cost decreased by 30%, as compared with that of conventional 6-inch wafers. We supply 8-inch GaN-on-Si wafers to cater to specific customer requirements for chip selection and integrated design. These wafers are delivered in un-diced and un-packaged form, providing customers with the flexibility of wafer dicing and IC packaging based on their own product designs.

GaN Discrete Chips and GaN ICs

Discrete chips are individually packaged dies that provide basic functions to manage power activation and deactivation processes and require integration with drive and protection circuits for functionality. We design, develop and manufacture high-performance and reliable GaN discrete chips for various applications across low-, medium- and high-voltage ranges in different packaging options, and our product R&D covers 15V to 1,200V. Notably, we developed the V-GaN series, our flagship line of bi-directional GaN chips that can conduct electrical current in forward and reverse directions, which can be applied to a variety of sectors, including consumer electronics and industrial applications. The V-GaN series, featuring our proprietary patented technologies, is distinguished by its bi-directional conductivity, allowing one V-GaN chip to replace two silicon metal oxide semiconductor field effect transistors ("MOSFETs") used for transferring electric current, facilitating space saving while reducing heat generation.

GaN ICs integrate GaN dies with drive and protection circuits, offering a comprehensive solution with high power density and compactness. We design, develop and manufacture high-performance and reliable GaN ICs. Our GaN IC solutions streamline circuit complexity while delivering low heat generation, exceptional driver efficiency, high precision and reduced size, thereby enhancing overall system reliability.

GaN modules

GaN modules are produced by integrating GaN discrete chips, drive and protection circuits and passive components such as inductors and capacitors and through the process of surface mounting and molding. GaN modules serve as complete power conversion solutions, converting the input power into one or more stable output voltages, providing users with efficient and reliable power solutions.

We are committed to providing one-stop, high-efficiency, high-frequency and high-power-density integrated GaN solutions. In response to power supply design challenges and to maximize the efficiency and capabilities of GaN discrete chips, we introduced a broad range of GaN modules, including our GaN power supply modules for lithium-battery forming and grading equipment. Our GaN modules can significantly boost power density and operational efficiency.

Application Areas

Consumer Electronics

Our GaN products are widely used in consumer electronics, encompassing mobile phones, laptops, e-bikes, e-scooters and small household appliances. Benefiting from its unique characteristics such as high frequency, high efficiency, fast switching speed and low power loss in operation ("on-resistance") per unit area, GaN significantly enhances performance and efficiency and reduces size of various consumer electronics products, delivering better and more convenient experience to consumers.

Renewable Energy and Industrial Applications

Our GaN products offer advanced, efficient and cost-effective solutions for renewable energy and industrial applications. They are applied in many renewable energy and industrial applications, including lithium-ion battery formation and grading equipment, battery management systems, LED lighting, photovoltaic and energy storage systems and motor drivers and controls.

Automotive Electronics

In automotive electronics, our GaN products are mainly applied to 48V power systems and LiDAR systems. In 2021, we received IATF 16949 automotive-grade certification. In the LiDAR systems for autonomous vehicles, the high power and rapid response offered by GaN products empower the vehicles to detect and identify nearby objects and obstacles instantaneously. This boosts the vehicles' reaction time, facilitating more efficient vehicle safety monitoring and an improved autonomous driving experience.

Data Center

A data center is a specialized facility that contains computer systems, telecommunications equipment and storage systems, crucial for an organization's IT functions. Our GaN products boost the efficiency and compactness of power devices used for power conversion in data server and GPUs. Notably, our GaN discrete chips can reduce the size and increase the efficiency of power conversion, leading to a more energy-efficient design. Power devices adopting our GaN discrete chips not only meets the high-power demands of data centers but also significantly enhances power conversion efficiency due to GaN's low-conduction loss characteristic. In addition, the high-frequency capabilities of GaN products allow for a reduction in component size by eliminating or reducing the size of certain components. Such reduction in size not only provides additional space for computing units on the motherboard but also reduces costs for GPU chip manufacturers.

The table below sets forth the breakdown of our revenue in both absolute amount and percentage of our total revenue by product and service category for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
							(unaudited)			
GaN Discrete Chips and GaN ICs	27,769	40.7	86,138	63.3	192,066	32.4	57,293	18.6	138,443	35.9
GaN Wafers	39,412	57.8	50,036	36.7	208,666	35.2	91,653	29.7	138,928	36.0
GaN Modules[(1)]	–	–	–	–	190,420	32.1	159,167	51.7	106,470	27.6
Others[(2)]	1,034	1.5	–	–	1,565	0.3	–	–	1,970	0.5
Total	**68,215**	**100.0**	**136,174**	**100.0**	**592,717**	**100.0**	**308,113**	**100**	**385,811**	**100**

Notes:

(1) We were able to generate 32.1% of our total revenue from GaN modules immediately upon the launch of such products in 2023, primarily due to our early engagement with potential customers prior to 2023 to explore opportunities for GaN modules. The development process spanned from 2021 to 2022. We then commenced production of GaN modules in November 2022 and delivered the GaN modules to the customers in 2023 for installation in their battery production lines.

(2) Others primarily include non-recurring engineering ("NRE") services we provide to customers in the broader semiconductor and electronics industries. Such services are on a one-off basis, and revenue is recognized when customers accept our services. Depending on the customer needs, our NRE services may include (i) customized R&D and (ii) testing to verify if the application of the Company's GaN devices meets customer requirements.

See "Business — Our Products and Solutions."

RESEARCH AND DEVELOPMENT

We are committed to innovation and focus on the R&D of our technology platform and products. Our technology platform undergoes continual iterations and refinement. In general, every new generation of our technology platform leads to improvement of product performance and reduction of production costs each by 30%. Specifically, the iteration of our technology platform drives improvement in critical performance metrics of our products, including on-resistance per unit area, saturation current, dynamic resistance, figures of merit, which are composite metrics used to evaluate the overall performance and efficiency of semiconductor devices, heat dissipation and power efficiency.

The iteration of our technology platform enables us to improve product reliability and manage cost effectively, as well as to expand the product portfolio and diversify application areas. Leveraging our technology platform, we expanded our portfolio of GaN products to encompass a wide voltage spectrum, continuing to innovate in the development of 900-1,200V high-voltage products and 15-30V low-voltage products. In addition, our products now have advanced from consumer grade to industrial grade and are progressing towards automotive grade, covering a broader range of application areas with higher quality standards.

PRODUCTION

We adopt an IDM integrated vertical operation model that spans chip design, device structuring, wafer manufacturing, packaging and reliability testing. This integrated approach enables us to exert effective control over the entire production process. By applying our core technologies at each stage of manufacturing and processing, we are able to perform prompt optimization and enhancement across all technical aspects. As a result, our production model facilitates high yield rates of our GaN products.

As of the Latest Practicable Date, we had two production bases, namely, the Suzhou production base and the Zhuhai production base. Set forth below are the production capacity, production volume and utilization rates of our production bases for the periods indicated.

	Year Ended December 31,									Six months ended June 30,					
	2021			2022			2023			2023			2024		
	Production Capacity	Production Volume	Utilization Rate (%)	Production Capacity	Production Volume	Utilization Rate (%)	Production Capacity	Production Volume	Utilization Rate (%)	Production Capacity	Production Volume	Utilization Rate (%)	Production Capacity	Production Volume	Utilization Rate (%)
	(pieces of wafers)														
Suzhou production base	18,000	16,563	92.0	36,000	28,726	79.8	48,000	41,297	86.0	22,000	19,516	88.7	49,000	35,194	71.8
Zhuhai production base	30,200	18,302	60.6	37,700	22,680	60.2	44,700	25,262	56.5	22,200	10,072	45.4	24,000	17,953	74.8
Total	**48,200**	**34,865**	**72.3**	**73,700**	**51,406**	**69.8**	**92,700**	**66,559**	**71.8**	**44,200**	**29,588**	**66.9**	**73,000**	**53,147**	**72.8**

Notes:

(1) The production capacity for each period is calculated based on the hourly capacity and working hours.

(2) The production volume refers to equivalent wafer output for the relevant period. Equivalent wafer output is calculated based on total moves, average moves per wafer and yield rate.

(3) The utilization rate during the year or period is calculated by dividing production volume by the production capacity for the same period.

(4) The production capacity of our Suzhou production base increased from 18,000 pieces in 2021 to 36,000 pieces in 2022 and further to 48,000 in 2023, which was in line with our production capacity planning following the establishment of Suzhou production base in 2020. The utilization rate of the Suzhou production base decreased from 92.0% in 2021 to 79.8% in 2022 primarily due to the significant increase in the production capacity in 2022 and increased to 86.0% in 2023 primarily due to the increased demand of our GaN wafer products. The utilization rate of the Suzhou production base then decreased from 88.7% in the six months ended June 30, 2023 to 71.8% in the six months ended June 30, 2024, primarily due to the significant expansion of our production capacity to 49,000 pieces in the six months ended June 30, 2024 to meet rising customer demand.

(5) The production capacity of our Zhuhai production base increased from 30,200 pieces in 2021 to 37,700 pieces in 2022, and further to 44,700 pieces in 2023, primarily due to the gradual optimization of our production process. The utilization rate of the Zhuhai production base remained relatively stable at 60.6% in 2021 and 60.2% in 2022. The utilization rate slightly decreased to 56.5% in 2023 primarily due to the enhanced production capacity at the Suzhou production base, as it gradually undertakes the production of most of our low-voltage GaN-on-Si wafers. The utilization rate of the Zhuhai production base then increased from 45.4% in the six months ended June 30, 2023 to 74.8% in the six months ended June 30, 2024, primarily due to the increased demand of our GaN wafer products.

See “Business — Production.”

SALES AND MARKETING

During the Track Record Period, our products were primarily sold in the PRC. As we started to expand overseas, our revenue from sales to customers outside mainland of the PRC amounted to RMB58.0 million and RMB40.4 million in 2023 and the six months ended June 30, 2024, respectively, accounting for 9.8% and 10.5% of our total revenue for the respective periods.

The table below sets forth the breakdown of our revenue by geographic region, based on the locations of our customers, for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
							(unaudited)			
Mainland China	68,034	99.7	130,028	95.5	534,764	90.2	299,019	97.0	345,454	89.5
South Korea	–	–	4,638	3.4	8,360	1.4	4,080	1.3	27,603	7.2
Europe	145	0.2	122	0.1	19,251	3.2	2,106	0.7	2,504	0.6
United States	–	–	152	0.1	3,067	0.5	255	0.1	5,639	1.5
Hong Kong, China	–	–	10	0.0	514	0.1	513	0.2	4,010	1.0
Taiwan, China	36	0.1	1,200	0.9	26,434	4.5	2,014	0.7	452	0.1
Japan	–	–	34	0.0	327	0.1	126	0.0	150	0.0
Total	**68,215**	**100.0**	**136,174**	**100.0**	**592,717**	**100.0**	**308,113**	**100.0**	**385,811**	**100.0**

We have an experienced and highly trained sales and marketing team, consisting of 65 personnel as of June 30, 2024, who proactively identify market opportunities and design sales strategies. Our products are sold through both direct sales and distribution. The table below sets out a breakdown of our revenue in both absolute amount and percentage of our total revenue by sales channel for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
							(unaudited)			
Direct sales	43,900	64.4	50,511	37.1	416,601	70.3	246,960	80.2	257,675	66.8
Distribution	24,315	35.6	85,663	62.9	176,116	29.7	61,153	19.8	128,136	33.2
Total	**68,215**	**100.0**	**136,174**	**100.0**	**592,717**	**100.0**	**308,113**	**100.0**	**385,811**	**100.0**

We price our products by considering a variety of factors, including: (i) the costs of relevant products, which encompass production, R&D expenses and operational costs, and may vary depending on the type of products (ii) customer demand, and (iii) the competitive landscape, which takes into account our strengths and weaknesses relative to our competitors, their pricing strategies and our customers' cost sensitivity. Once we set the base prices according to these factors, we adjust the pricing on a case-by-case basis in consideration of specific requirements of our customers. We adopt a volume-based pricing structure to encourage customers to order more units at once, and thereby increase our sales volume and potentially dilute production costs. This also incentivizes customers to form long-term partnerships with us, thereby resulting in more stable revenue streams.

See "Business — Sales and Marketing."

CUSTOMERS

We collaborate with a broad base of reputable domestic and international customers across various applications, including consumer electronics, renewable energy and industrial applications, automotive electronics and data centers. Our customers comprise leading providers of semiconductor manufacturing services, high-tech companies specializing in renewable energy technology as well as Tier-1 suppliers of automotive OEMs. We have achieved breakthroughs in multiple subfields of GaN applications, positioning us as one of the leading Chinese GaN semiconductor chip company with supply collaborations with major companies worldwide, according to Frost & Sullivan. During the Track Record Period, we provided our GaN products to approximately 140 customers in China and overseas, primarily including Asia and Europe.

Revenue generated from each of our largest customer for the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024 accounted for 32.7%, 10.2%, 32.1% and 27.1% of our total revenue for the respective periods. Revenue generated from our five largest customers in each period during the Track Record Period accounted for 63.5%, 39.7%, 56.3% and 49.1% of our total revenue for the respective periods.

See "Business — Sales and Marketing — Customers."

PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

We procure from suppliers a variety of materials necessary for the manufacturing of our GaN products, including monocrystalline silicon substrates, photoresists, cleaning fluids, sputtering targets and special gases. In order to maintain the stability of our supply chain, we started to procure more raw materials from domestic suppliers due to their cost-effectiveness.

We typically engage experienced and reputable suppliers to ensure the quality of our products. Factors that may affect our selection mainly include technological expertise, infrastructure and equipment, product quality, qualifications and credentials, reputation and price. We require our raw material suppliers to obtain ISO9001 certifications in relation to quality management systems. Additionally, in our commitment to meet the IATF16949 standards for automotive-grade quality and safety management system, we consistently oversee the advancement of our suppliers' quality management systems.

Purchases from each of our largest supplier for the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024 accounted for 17.2%, 12.3%, 21.5% and 12.3%, of our total purchase amount for the respective periods. Purchases from our five largest suppliers in each period during the Track Record Period accounted for 46.4%, 38.8%, 55.6% and 45.6%, of our total purchases for the respective periods.

See "Business — Procurement and Supply Chain Management."

COMPETITIVE LANDSCAPE

The power semiconductor industry in which we operate is highly competitive and characterized by rapid technological evolvement, fast changes in customer demands and preferences, frequent introduction of new products and services and constant emergence of new industry standards and practices. In addition, according to Frost & Sullivan, the global power semiconductor industry is marked by a high level of concentration, with the top ten companies holding a combined market share of 66.9%.

We offer a broad range of GaN solutions including wafers, discrete chips, ICs and modules. Leveraging our comprehensive expertise in GaN technologies, we design, develop and manufacture high-performance and reliable GaN discrete chips for various applications across low-, medium- and high-voltage ranges in different packaging options, and our product R&D covers 15V to 1,200V. We compete with both solution providers of GaN power semiconductors and market participants offering solutions based on alternative semiconductor materials. The competition with fabless companies challenges our capital investment and technological prowess while simultaneously accentuating our strengths as an IDM, such as design and manufacturing integration, assured production capacity and supply chain stability, economies of scale in production costs and consistent enhancement of processes and technologies. Meanwhile, driven by the growing demand for high-energy efficiency materials, lower solution costs and supportive policies, GaN materials are poised for a surge in downstream applications.

We ranked first among all GaN power semiconductor companies globally in 2023 in terms of revenue, with a market share of 33.7%. See "Industry Overview." Leveraging the IDM model that offers coordination and synergy, our advanced technologies and industrial-scale commercialization capabilities, we believe we are well prepared to excel in industry competition and remain at the forefront of the GaN power semiconductor industry. However, we operate in a highly competitive industry. Failure to compete effectively could adversely affect our market share, growth and profitability. See "Risk Factors — The power semiconductor industry is highly competitive. If we are not able to compete successfully, our business, results of operations and future prospects will be harmed."

See "Industry Overview."

SUMMARY OF HISTORICAL AND FINANCIAL INFORMATION

The tables below present our summary consolidated financial data derived from our consolidated statements of profit or loss and other comprehensive income and consolidated cash flow statements for the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024 and our consolidated statements of financial position as of December 31, 2021, 2022, 2023 and June 30, 2024 included in the Accountants' Report in Appendix I to this prospectus. The following data and discussion should be read in conjunction with our consolidated financial statements and related notes and the section headed "Financial Information."

Key Items of the Consolidated Statements of Profit or Loss and Other Comprehensive Income

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the periods indicated.

	Year Ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	(RMB in thousands)				
				(unaudited)	
Revenue	68,215	136,174	592,717	308,113	385,811
Cost of sales	(249,749)	(530,280)	(954,785)	(542,755)	(469,051)
Gross loss	**(181,534)**	**(394,106)**	**(362,068)**	**(234,642)**	**(83,240)**
Other net income	43,557	67,961	64,962	19,408	37,648
Selling and marketing expenses	(28,434)	(69,317)	(90,097)	(44,843)	(50,650)
Administrative expenses	(179,097)	(199,231)	(247,068)	(88,923)	(202,015)
R&D expenses	(661,699)	(581,092)	(348,749)	(167,884)	(145,453)
Loss from operations	**(1,007,207)**	**(1,175,785)**	**(983,020)**	**(516,884)**	**(443,710)**
Changes in the carrying amount of liabilities recognized for financial instruments issued to investors	(2,298,862)	(897,996)	–	–	–
Other finance costs	(93,273)	(131,628)	(118,912)	(62,812)	(44,124)
Finance costs	(2,392,135)	(1,029,624)	(118,912)	(62,812)	(44,124)
Loss before taxation	(3,399,342)	(2,205,409)	(1,101,932)	(579,696)	(487,834)
Income tax	–	(67)	(14)	–	(169)
Loss for the year/period	**(3,399,342)**	**(2,205,476)**	**(1,101,946)**	**(579,696)**	**(488,003)**

	Year Ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	(RMB in thousands)				
				(unaudited)	
Other comprehensive income for the year/period	(436)	4,195	(609)	(91)	(1,181)
Total comprehensive income for the year/period	(3,399,778)	(2,201,281)	(1,102,555)	(579,787)	(489,184)

Non-HKFRS Measure

To supplement our consolidated financial statements, which are presented in accordance with HKFRS, we also use adjusted net loss (non-HKFRS measure) as an additional financial measure, which is not required by, or presented in accordance with HKFRS. We believe this non-HKFRS measure facilitates comparisons of operating performance from year to year by eliminating potential impacts of items.

We believe that this measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as it helps our management. However, our presentation of adjusted net loss (non-HKFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of this non-HKFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under HKFRS. In addition, the non-HKFRS measure may be defined differently from similar terms used by other companies.

We define adjusted net loss (non-HKFRS measure) as loss for the year/period adjusted by adding back (i) changes in the carrying amount of liabilities recognized for financial instruments issued to investors, (ii) equity-settled share-based payment expenses and (iii) listing expenses, which relate to the Global Offering. The adjustments were consistently made during the Track Record Period. The following table sets forth the reconciliations of our adjusted net loss (non-HKFRS measure) for the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024 to the nearest measure prepared in accordance with HKFRS:

	Year Ended December 31,			**Six months ended June 30,**	
	2021	**2022**	**2023**	**2023**	**2024**
	(RMB in thousands)				
				(unaudited)	
Reconciliation of loss for the year to adjusted loss for the year (non-HKFRS measure):					
Loss for the year	(3,399,342)	(2,205,476)	(1,101,946)	(579,696)	(488,003)
Add:					
– Changes in the carrying amount of liabilities recognized for financial instruments issued to investors[1]	2,298,862	897,996	–	–	–
– Equity-settled share-based payment expenses[2]	19,716	30,596	86,363	30,722	88,103
– Listing expenses	–	–	–	–	22,159
Adjusted net loss (non-HKFRS measure)	**(1,080,764)**	**(1,276,884)**	**(1,015,583)**	**(548,974)**	**(377,831)**

Notes:

(1) Changes in the carrying amount of liabilities recognized for financial instruments issued to investors represent the fair value changes of the redemption rights granted by us, which were reclassified to equity after the termination of the investors' redemption rights in September 2022.

(2) Equity-settled share-based payment expenses is non-cash in nature and mainly represents the arrangement that we receive services from employees as consideration for our equity instruments. Equity-settled share-based payment expenses is not expected to result in future cash payments.

We have experienced strong revenue growth during the Track Record Period. We primarily derived revenue from sales of GaN discrete chips and GaN ICs, GaN wafers and GaN modules. Our revenue increased from RMB68.2 million in 2021 to RMB136.2 million in 2022, and to RMB592.7 million in 2023, and from RMB308.1 million in the six months ended June 30, 2023 to RMB385.8 million in the six months ended June 30, 2024, with the expansion of our production capacity and product offerings, as well as the maturity of our core technologies. The increase in our revenue well-represents our growing market position, the expansion of our customers across various downstream applications and the increase in sales to our existing customers. We had loss for the period of RMB3,399.3 million, RMB2,205.5 million, RMB1,101.9 million, RMB579.7 million and RMB488.0 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively, primarily due to (i) the significant depreciation of production equipment prior to the realization of economies of scale; (ii) the significant amount of R&D expenses recognized during the Track Record Period; and (iii) the increasing selling and marketing expenses during the Track Record Period. The losses incurred during the Track Record Period reflect our strategic focus on growth, technological enhancement and the expansion of our product portfolio, all of which pave the way for long-term profitability. See "Business — Business Sustainability." Nevertheless, we expect to incur net loss in 2024.

Selected Items from the Consolidated Statements of Financial Position

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated:

	As of December 31,			As of June 30,
	2021	**2022**	**2023**	**2024**
	(RMB in thousands)			
Total current assets	2,603,353	1,927,496	1,111,681	1,582,642
Total non-current assets	4,018,411	3,767,580	3,479,723	3,273,054
Total assets	**6,621,764**	**5,695,076**	**4,591,404**	**4,855,696**
Total current liabilities	(1,565,519)	(1,011,347)	(926,389)	(967,588)
Total non-current liabilities	(9,181,617)	(1,723,614)	(1,701,092)	(1,684,589)
Total liabilities	**(10,747,136)**	**(2,734,961)**	**(2,627,481)**	**(2,652,177)**
Net current assets	1,037,834	916,149	185,292	615,054
Total (deficit)/equity	**(4,125,372)**	**2,960,115**	**1,963,923**	**2,203,519**

Our net current assets increased to RMB615.1 million as of June 30, 2024 from RMB185.3 million as of December 31, 2023, primarily due to (i) an increase in financial assets at fair value through other comprehensive income of RMB201.5 million, (ii) an increase of RMB130.7 million in cash and cash equivalents, and (iii) an increase of RMB50.5 million in trade and other receivables, partially offset by an increase of RMB33.0 million in loans and borrowings.

Our net current assets decreased to RMB185.3 million as of December 31, 2023, from RMB916.1 million as of December 31, 2022, primarily due to (i) a decrease of RMB638.8 million in FVPL and (ii) a decrease of RMB381.9 million in cash and cash equivalents, partially offset by (i) a decrease of RMB155.6 million in trade and other payables, (ii) an increase of RMB186.6 million in trade and other receivables.

Our net current assets decreased from RMB1,037.8 million as of December 31, 2021 to RMB916.1 million as of December 31, 2022, primarily due to (i) a decrease of RMB567.9 million in cash and cash equivalents and (ii) a decrease of RMB341.4 million in FVPL, partially offset by (i) an increase of RMB300.1 million in inventories, (ii) a decrease of RMB283.6 million in loans and borrowings, and (iii) a decrease of RMB272.3 million in trade and other payables.

We recorded total deficit of RMB4,125.4 million as of December 31, 2021. As of December 31, 2022, we had total equity of RMB2,960.1 million, primarily attributable to an increase in capital reserve of RMB9,256.2 million from termination of financial instruments issued to investors, offset by a loss for the year of 2022 of RMB2,205.5 million. Our total equity then decreased to RMB1,963.9 million as of December 31, 2023, primarily due to a loss for the year of 2023 of RMB1,101.9 million, offset by (i) an increase in capital reserve of RMB86.4 million from equity-settled share-based transactions and (ii) capital injection from shareholders of RMB20.0 million. As of June 30, 2024, our total equity increased to RMB2,203.5 million, primarily attributable to (i) capital injection from shareholders of RMB640.7 million and (ii) an increase of RMB88.1 million in capital reserve from equity-settled share-based transactions, offset by loss for the six months ended June 30, 2024 of RMB488.0 million. Please see the Consolidated Statements of Changes in Equity to the Accountants' Report included in Appendix I to this prospectus.

Summary of the Consolidated Statements of Cash Flow

	Year Ended December 31,			Six Months ended June 30,	
	2021	2022	2023	2023	2024
			(RMB in thousands)		
				(Unaudited)	
Net cash used in operating activities	(562,138)	(936,296)	(593,612)	(240,935)	(155,523)
Net cash (used in)/generated from investing activities	(2,114,949)	(93,795)	338,196	332,114	(308,565)
Net cash generated from/(used in) financing activities	3,824,855	460,158	(126,797)	(9,109)	594,773
Net increase/(decrease) in cash and cash equivalents	**1,147,768**	**(569,933)**	**(382,213)**	**82,070**	**130,685**
Effect of foreign exchange rate changes	(567)	2,073	350	(692)	41
Cash and cash equivalents at the beginning of the period	131,500	1,278,701	710,841	710,841	328,978
Cash and cash equivalents at the end of the period	1,278,701	710,841	328,978	792,219	459,704

We had net cash outflows from operating activities during the Track Record Period. In the six months ended June 30, 2024, our net cash used in operating activities was RMB155.5 million. Our net cash used in operating activities is calculated by adjusting our loss before taxation of RMB487.8 million by non-cash and other items to arrive at an operating loss before changes in working capital of RMB57.4 million. Our movements in working capital primarily reflect (i) an increase in inventories of RMB69.4 million, (ii) an increase in trade and other receivables of RMB46.0 million, partially offset by and increase in trade and other payables of RMB21.0 million.

In 2023, our net cash used in operating activities was RMB593.6 million. Our net cash used in operating activities is calculated by adjusting our loss before taxation of RMB1,101.9 million by non-cash and other items to arrive at an operating loss before changes in working capital of RMB377.5 million. Our movements in working capital primarily reflect (i) an increase in trade and other receivables of RMB189.0 million, (ii) a decrease in trade and other payables of RMB80.6 million and (iii) a increase in inventories of RMB32.8 million, partially offset by an increase in deferred income of RMB69.7 million.

In 2022, our net cash used in operating activities was RMB936.3 million. Our net cash used in operating activities is calculated by adjusting our loss before taxation of RMB2,205.4 million by non-cash and other items to arrive at an operating loss before changes in working capital of RMB638.2 million. Our movements in working capital primarily reflect (i) an increase in inventories of RMB364.4 million and (ii) an increase in pledged bank deposits of RMB7.8 million, partially offset by (i) an decrease in trade and other receivables of RMB65.1 million and (ii) an increase in trade and other payables of RMB5.1 million.

In 2021, our net cash used in operating activities was RMB562.1 million. Our net cash used in operating activities is calculated by adjusting our loss before taxation of RMB3,399.3 million by non-cash and other items to arrive at an operating loss before changes in working capital of RMB665.6 million. Our movements in working capital primarily reflect (i) an increase in trade and other payables of RMB200.0 million, and (ii) a decrease in trade and other receivables of RMB43.7 million partially offset by (i) an increase in inventories of RMB116.1 million, and (ii) a decrease in deferred income of RMB43.6 million.

We expect to incur net operating cash outflows in 2024. See "Risk factors — Risks Relating to Our Industry and Business — We have incurred loss for the period and negative cash flow from operations in the past, and we may continue to incur loss for the period and negative cash flow from operations in the near future" and "Financial Information — Liquidity and Capital Resources."

BUSINESS SUSTAINABILITY

Since our inception in 2017, we have been dedicated to building our mass production capabilities and the investment in the R&D of our core technology as a foundation to capture the opportunities in the booming GaN power semiconductor industry. We commenced mass production in April 2022. As a result, from 2021 to 2023, we started to benefit from economies of scale and experienced a vast increase in revenue with the expansion of our production capacity and product offerings, as well as the maturity of our core technologies. Our revenue increased from RMB68.2 million in 2021 to RMB592.7 million in 2023, with a CAGR of 194.8%. Our revenue increased from RMB308.1 million in the six months ended June 30, 2023 to RMB385.8 million in the six months ended June 30, 2024. The increase in our revenue well-represents our growing market position, the expansion of our customers across various downstream applications and the increase in sales to our existing customers.

Notwithstanding the above significant increase in our revenue, we incurred loss for the year of RMB3,399.3 million, RMB2,205.5 million and RMB1,101.9 million in 2021, 2022, 2023 and loss for the period of RMB579.7 million and RMB488.0 million in the six months ended June 30, 2023 and 2024, respectively. In the semiconductor industry, companies that adopt the IDM model typically experience a common industry cycle, which involves incurring significant upfront capital expenditures and R&D expenses, along with their increase in production capacities. Additionally, these companies undergo a design-in and design-win process, which refers to the process where customers engage suppliers early in the product design phase to propose and refine designs that align with customer needs and market trends ("design-in") and subsequently confirmation from customers adopting the product design ("design-win"), prior to achieving economies of scale. Consequently, they inevitably face certain amount of upfront losses. Specifically, our operational losses during the Track Record Period were primarily due to (i) the significant depreciation of production equipment prior to the realization of economies of scale; (ii) the significant amount of R&D expenses recognized during the Track Record Period; and (iii) the increasing selling and marketing expenses during the Track Record Period.

We expect to improve our financial performance and achieve profitability in the near future through continual revenue growth, growing economies of scale and improving operating efficiency.

- *Achieving sustained growth in revenue:* we seek to drive continual overall revenue growth through the following measures: (i) increasing the penetration rate of GaN power semiconductors among the various downstream applications while reinforcing our robust positioning in the consumer electronics market, (ii) continually enhancing our technologies to develop a broader array of products in terms of type, including GaN discrete chips and ICs, wafers and modules, and (iii) enhancing our marketing activities and marketing efficiency.

- *Narrowed gross loss margin:* as our business and revenue grow, we expect to benefit from growing economies of scale, thereby leading to significant improvements in gross profit and gross margin. With the increase in product shipment and the growing economies of scale, depreciation, which is an important contribution of our cost of sales as a fixed cost, is expected to be greatly diluted in terms of cost per product shipped. We also expect our running costs, primarily comprising packaging and testing, material and utilities, each as a percentage of revenue continues to be further optimized. Therefore, we expect our gross margin to improve significantly and realize positive gross profit in the near future.

- *Improving operating efficiency:* in terms of operating expenses, we intend to efficiently manage our expenses as a percentage of our total revenues and expect margin improvements from economies of scale and enhanced operating efficiency.

- *Improving cash flow performance:* our net cash used in operating activities experienced significant improvements, decreasing from RMB936.3 million in 2022 to RMB593.6 million in 2023 and from RMB240.9 million in the six months ended June 30, 2023 to RMB155.5 million in the six months ended June 30, 2024. With our expanding business scale, growing economies of scale, improving operating efficiency and more effective management of our working capital, we expect a further improvement in our operating cash flow, leading to net operating cash inflow in the near future.

SELECTED FINANCIAL RATIOS

The following table sets forth our key financial ratios for the periods or as of the dates indicated:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
				(Unaudited)	
Revenue growth[(1)]	–	99.7%	335.3%	–	25.2%
Gross margin[(2)]	(266.1)%	(289.4)%	(61.0)%	(76.2)%	(21.6)%
Adjusted net loss margin (non-HKFRS measure)[(3)]	(1,584.3)%	(937.7)%	(171.3)%	(178.2)%	(97.9)%

	As of December 31,			As of June 30,
	2021	2022	2023	2024
Current ratio *(times)*[(4)]	1.7	1.9	1.2	1.6
Quick ratio *(times)*[(5)]	1.6	1.5	0.8	1.2
Net gearing ratio[(6)]	–	45.9%	87.9%	72.7%

Notes:

(1) Revenue growth is calculated as the period-on-period growth rate of revenue.

(2) The calculation of gross margin is based on gross loss for the period divided by revenue and multiplied by 100%. See "Description of Key Components of Our Results of Operations — Gross Loss and Gross Margin."

(3) Adjusted net loss margin (non-HKFRS measure) is calculated based on adjusted net loss (non-HKFRS measure) divided by revenue and multiplied by 100%. See "— Non-HKFRS Measures" for a reconciliation from our loss for the year/period to adjusted net loss (non-HKFRS measure).

(4) Current ratio is calculated as current assets divided by current liabilities as of the relevant period end.

(5) Quick ratio is calculated as current assets less inventories divided by current liabilities as of the relevant period end.

(6) Net gearing ratio is calculated as total borrowings less cash and cash equivalents divided by the total deficit/equity as of the end of the respective period and multiplied by 100%.

RISK FACTORS

Our business and the Global Offering involve certain risks as set out in "Risk Factors" in this prospectus. You should read that section in its entirety carefully before you decide to invest in our Shares. We believe the most significant risks we face include but are not limited to the following:

- Our historical results may not be indicative of our future performance, and we may not be successful in expanding our operations or managing our growth;
- Our business depends on our ability to protect our intellectual property rights, and we may be subject to intellectual property infringement and other claims by third parties in the PRC or other jurisdictions, which, if successful, could cause us to pay significant damages and incur other costs;
- We are subject to risks relating to litigations and disputes with employees, competitors, business partners or other parties, which could adversely affect our business, financial condition, results of operations and prospects;
- Our business, financial condition and results of operations may be materially and adversely affected by international policies and international export controls and economic sanctions; and
- If we fail to develop new products that address customer preferences and achieve market acceptance in a timely and cost-effective manner, our results of operations could be adversely affected.

See "Risk Factors."

THE CONTROLLING SHAREHOLDERS GROUP

As of the date of this prospectus, Dr. Luo is directly interested in approximately 5.90% of the total issued share capital of our Company and indirectly interested in approximately 23.10% of our total issued share capital, including (i) through being the controller of Inno Holding, which holds approximately 10.31% of our Company, (ii) being the ultimate general partner of Innocore, which holds approximately 3.95% of our Company, (iii) through being the controller of Inno HK, which holds approximately 3.37% of our Company, (iv) through being the ultimate general partner of Inno Youpeng, which holds 4.19% of our Company, and (v) through being the general partner of Xinsheng Dapeng, which holds 1.28% of our Company.

Mr. Son agreed, among others, to have acted and will continue to act pursuant to Dr. Luo's direction for all actions in relation to the voting rights attached to the shares of our Company and Inno Holding, in which he was or has been interested directly or indirectly pursuant to a written voting rights arrangement entered into between Dr. Luo and Mr. Son on October 15, 2021. Further, pursuant to the voting rights proxy agreement (the "Voting Rights Proxy Agreement") entered into between Dr. Luo and Mr. Son on November 24, 2024, Mr. Son confirmed that he has appointed and will appoint Dr. Luo as his true and lawful proxy to vote all shares of our Company and Inno Holding that Mr. Son has been and will be interested at any and all meetings of shareholders of our Company and Inno Holding (as the case may be), and on any and all actions taken by written consent of shareholders of our Company and Inno Holding (as the case may be). Prior to the Voting Rights Proxy Agreement, Mr. Son has acted pursuant to Dr. Luo's direction for all actions in relation to the voting rights attached to the shares of our Company and Inno Holding, in which he was or has been interested directly or indirectly. As such, as of the date of this prospectus, Dr. Luo is also deemed to be interested in 5.47% of the total issued share capital of our Company, which is held by Mr. Son.

As a result, Dr. Luo, Inno Holding, Innocore, Inno HK, Inno Youpeng and Xinsheng Dapeng are a group of controlling shareholders of the Company, which directly and indirectly control approximately 34.48% and 32.70% of the total issued share capital of our Company as of the date of this prospectus and immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), respectively. See the section headed "History, Development and Corporate Structure — The Controlling Shareholders Group" and "Relationship with the Controlling Shareholders Group."

PRE-IPO INVESTMENTS

We have conducted several rounds of Pre-IPO Investments. See "History, Development and Corporate Structure — Pre-IPO Investments."

CONTINUING CONNECTED TRANSACTIONS

We have entered into and are expected to continue with certain transactions after the completion of the Global Offering which will constitute our non-exempt continuing connected transactions under Chapter 14A of Listing Rules upon Listing. See "Connected Transactions" and "Waivers from Strict Compliance with the Listing Rules — Waiver in Respect of Non-Exempt Continuing Connected Transactions" for further details.

USE OF PROCEEDS

Assuming an Offer Price of HK$32.26 per H Share (being the mid-point of the Offer Price range), we estimate that we will receive net proceeds of approximately HK$1,363.7 million from the Global Offering after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering and assuming that the Over-allotment Option is not exercised. In line with our strategies, we intend to use our proceeds from the Global Offering for the purposes and in the amounts set forth below:

- Approximately 60.0% of the net proceeds, or HK$818.3 million, will be used as one of the sources to expand our production capacity of the 8-inch GaN wafer from 12,500 wafers per month as of June 30, 2024 to 70,000 wafers per month over the next five years, purchase and upgrade equipment and machinery for production and recruit manufacturing personnel;

- Approximately 20.0% of the net proceeds, or HK$272.8 million, will be used for R&D and expansion of our product portfolio to increase the penetration rate of GaN products in end markets, such as consumer electronics, renewable energy and industrial applications, automotive electronics and data center;

- Approximately 10.0% of the net proceeds, or HK$136.4 million, will be used for expanding the global distribution network of our GaN products;

- Approximately 10.0% of the net proceeds, or HK$136.4 million, will be used for working capital and other general corporate purposes.

See "Future Plans and Use of Proceeds."

LEGAL PROCEEDINGS AND COMPLIANCE

In the course of general business operations, we may be involved in contract disputes, litigation or other legal procedures, including claims of alleged infringement of intellectual property rights and share transfer disputes. During the Track Record Period and up to the Latest Practicable Date, we were subject to several litigation matters against us, including (i) litigation from two competitors concerning potential intellectual property infringement by certain of our products, including (a) EPC cases, including the EPC ITC case and the EPC California case; and (b) Infineon cases, including the Infineon California case, Infineon ITC case and Infineon Germany case (together, the "IP Legal Proceedings"); and (ii) litigation against us, Dr. Luo, Dr. Wu Jingang ("Dr. Wu"), our executive Director and chief executive officer and Mr. Zhong Shan ("Mr. Zhong"), our executive Director and chief financial officer, the summary of which are set forth below. Such proceedings or claims, regardless of merit, may prevent, limit, or interfere with our production, use, development, sales, or marketing, and could therefore disturb our daily operations and distract our management.

EPC Cases

EPC ITC Case. In May 2023, Efficient Power Conversion Corporation ("EPC") initially alleged infringement of four patents, at the United States International Trade Commission ("ITC"). These patents are related to certain GaN HEMT devices and methods of making the same. During the ITC investigation, EPC withdrew the claims on two patents, but continued to assert claims on the other two patents. On November 7, 2024, the ITC issued its final determination (the "Final Determination"). Pursuant to which, we obtained a favorable ruling as to the '508 patent. As to the '294 patent, the Final Determination found that (i) one claim is invalid, so there is no violation by us with respect thereto; and (ii) there was violation by us with respect to the other two claims. Based on the Final Determination regarding the '294 patent, the ITC has issued a limited exclusion order and cease-and-desist orders (together, the "Remedial Orders"). However, as we disagree with the ITC's Final Determination regarding the two claims of the '294 patent where violations were found, we plan to appeal to the U.S. Court of Appeals for the Federal Circuit by March 7, 2025. Meanwhile, we have filed petitions for inter partes review ("IPRs") with the United States Patent and Trademark Office ("USPTO") to challenge the validity of all four of the originally asserted patents by EPC. The

IPRs have been instituted by the USPTO. As advised by our IP litigation counsel, if we secure final determinations from the USPTO in the IPR proceedings that invalidate the ’294 patent, the ITC could stay the Remedial Orders, even if issued. For the reasons detailed in “Business — Legal Proceedings and Compliance — Legal Proceedings — EPC Cases — EPC ITC Case,” our Directors are of view that the ITC’s Final Determination does not have any material adverse impact on our business, financial condition and results of operations.

EPC California Case. In May 2023, EPC asserted the same four patents as those initially asserted in the ITC case in the U.S. District Court for the Central District of California. As of the Latest Practicable Date, the California case was stayed pending the resolution of the EPC ITC case (which includes exhaustion of all appeals). Once the ITC case concludes, both parties are required to notify the district court, and the district court can lift the stay. Upon reactivation of the case, we will vigorously defend our non-infringement and invalidity positions. As advised by our IP litigation counsel, the ITC’s Final Determination should have no impact on the EPC California case, on the grounds that (i) the California court is not bound by the ITC’s decision and will make its own independent finding. Should the USPTO invalid the ’294 patent in response to the Company’s IPR filings by March 2025, the ITC may stay its Remedial Orders, effectively removing EPC’s valid patent basis for pursuing the California case; (ii) we have cited prior art that discloses the claim term “compensated GaN layer” in the ’294 patent under the Office of Unfair Import Investigations’ (“OUII”) construction, which would render the patent invalid due to obviousness; and (iii) our products do not include the “compensated GaN layer” under OUII’s construction, supporting our position of non-infringement.

Infineon Cases

Infineon California Case. In March 2024, Infineon Technologies Austria AG (“Infineon”) filed a complaint with the U.S. District Court for the Northern District of California alleging certain of our packaged GaN transistors infringe a single U.S. patent, namely, Patent No. 9,899,481 (the “’481 patent”). On July 23, 2024, Infineon filed an amended complaint, adding three additional patents to the case, namely, U.S. Patent Nos. 8,686,562 (the “’562 patent”), 9,070,755 (the “’755 patent”), and 8,264,003 (the “’003 patent”). We firmly deny each of Infineon’s allegations of patent infringement. On August 30, 2024, the presiding district court judge issued an order staying all proceedings in the Infineon California case, due to the pending Infineon ITC case (see below). Before the stay, no substantial activities had yet occurred in the Infineon California case. Our IP litigation counsel is of the view that we are more likely than not to prevail in this case because (i) it is hard for Infineon to meet all the requirements to establish a violation of the relevant U.S statute or that it is entitled to any relief; and (ii) we have solid grounds to prove the invalidity of the asserted patents as illustrated below in the Infineon ITC case. In addition, our IP litigation counsel is of the view that our potential exposure to economic outflow due to any injunction or damages award in this case is likely remote, because we are more likely than not to prevail in this case and our volume, revenue and profits of sales in the U.S. for the accused products during the Track Record Period were small (contributing to less than 1% of our total revenue during each period of the Track Record Period).

Infineon ITC Case. On July 26, 2024, Infineon filed a lawsuit at the ITC and asserted the same four patents asserted in the Infineon California case, namely, the ’481 patent, the ’562 patent, the ’755 patent and the ’003 patent. As with the Infineon California case, we firmly deny each of Infineon’s allegations of patent infringement as well as the validity of each asserted patent. On August 27, 2024, the ITC issued a notice of institution of the investigation and assigned an Administrate Law Judge. As of the Latest Practicable Date, the Infineon ITC case was still at its early stage. The target date for completion of the ITC investigation is expected to be around March 2026. Based on initial assessment, our IP litigation counsel is of the view that we are likely to obtain a favorable ruling in the ITC case, and that the chances of us to receive an adverse ruling in the Infineon ITC case are relatively low, given that (i) it is hard for Infineon to meet all the requirements to establish a violation of the relevant U.S statute or that it is entitled to any relief; (ii) we have solid grounds to prove the invalidity of the ’481 and ’755 patents due to insufficient written description and obviousness, supported by substantial prior art such as printed publications and prototype systems. We are also actively uncovering other prior art systems to invalidate the ’562 and ’003 patents; and (iii) Infineon’s products lack domestic industry relating to the asserted patent.

Infineon Germany Case. On June 12, 2024, Infineon also filed lawsuits in Germany, asserting infringement of three patents, namely, DE102017100947 (the “’947 patent”), DE102017103054 (the “’054 patent”) and DE102014113465 (the “’465 patent”). As with the Infineon California case and Infineon ITC case, we deny and oppose Infineon’s allegations of patent infringement as well as the validity of each asserted patent. Developments regarding potential monetary amounts of damages for the Infineon Germany case had not occurred as of the Latest Practicable Date. A trial is expected to be schedule in the summer of 2025, with specific date to be determined. Based on the current information, our IP litigation counsel is of the view that we are more likely than not to prevail in the Infineon Germany case, given that we have substantial grounds to assert that the accused products do not constitute infringement, and there is ample evidence proving the invalidity of the asserted patents due to missing novelty or lack of inventive step over existing patents, internet publications or product data sheets. In addition, our IP litigation counsel is of the view that our potential exposure to economic outflow due to any injunction or damages award in this case is likely remote, because we are more likely than not to prevail in this case and our volume, revenue and profits of sales in Germany for the accused products (which only constitute a small fraction of the our product portfolio) during the Track Record Period were small (contributing to less than 0.1% of our total revenue during each period of the Track Record Period).

Analysis on Impacts of IP Legal Proceedings

Our Directors and senior management were not personally involved in the aforementioned IP proceedings, nor did they knowingly engage in designing or selling the disputed products that could lead to IP infringement. As advised by our IP litigation counsel, our Directors and senior management are not personally liable for the outcomes of these IP proceedings. As advised by our IP litigation counsel, decisions from the ITC, U.S. district courts, and Munich (German) Court do not have a direct extra-territorial effect outside the respective countries as patent laws are inherently territorial. While determined based on each country’s own law, their rulings would have no extra-territorial effect and have no collateral damage in other jurisdictions, including the PRC. For the U.S. district courts and ITC proceedings, the patents involved are U.S. patents, and thus the rulings are only enforceable in the U.S. An adverse ruling would not impact our ownership of or right to use the disputed technology in non-U.S. jurisdictions. As advised by our IP litigation counsel, a similar analysis holds for the German patents asserted in Germany. In addition, as advised by our PRC Legal Advisor, decisions from the ITC, U.S. District Court and Munich (German) Court are not enforceable in the PRC unless they are reviewed and recognized by a PRC court.

On the grounds that, as advised by our IP litigation counsel, (i) we are more likely than not to prevail in the aforementioned EPC and Infineon cases that were still pending as of the Latest Practicable Date, and the ITC's Final Determination on the EPC ITC Case does not have any material adverse effect on our business and results of operations; (ii) we will not be liable for any monetary damages in the ITC proceedings; (iii) for the California and Germany cases, our potential exposure to economic outflow due to any injunction or damages award is likely remote; (iv) our volume, revenue and profits of sales in the U.S. from the accused products during the Track Record Period were small (EPC and Infineon cases each implicating products that contributed to less than 1% of our total revenue during each period of the Track Record Period), which would result in considerably small loss of business or income in the U.S., and there will not be any extra-territorial impacts outside of the U.S. affecting our ownership of and right to use the disputed technologies in non-U.S. jurisdictions arising from any adverse rulings from the U.S. litigations, which is also applicable to the German litigations; and (v) we have various design-around options to mitigate or avoid the impacts brought about by any adverse ruling at considerably small costs, our Directors are of the view that the impact of the aforementioned IP proceedings filed by EPC and Infineon will not have any material adverse effect on our business operations, R&D and financial performance.

Having reviewed the basis of the Directors' view and the independent due diligence work conducted by the Joint Sponsors, the Joint Sponsors are of the view that the aforementioned IP proceedings filed by EPC and Infineon will not have material adverse effect on the Company's business operations and financial performance.

Share Transfer Litigation Matters

Share Transfer Litigation 1. In July 2024, Shandong Chanyan Microelectronics Technology Research Institute Co., Ltd. (山東產研微電子技術研究院有限公司) ("Shandong Chanyan"), an Independent Third Party, filed a lawsuit against the Company ("Share Transfer Litigation 1"). Shandong Chanyan alleged that the Company failed to acquire Shandong Chanyan's equity interests in Longshan Microelectronics (Shandong) Co., Ltd. (龍山微電子(山東)有限公司) ("Longshan Microelectronics") as allegedly agreed and requested the Company to pay RMB56,360,000. On December 9, 2024, the relevant court decided that the Share Transfer Litigation 1 was regarded as withdrawn by Shandong Chanyan as the plaintiff did not complete the relevant litigation procedures.

Share Transfer Litigation 2. In August 2024, Changsha Xindai Enterprise Management Consulting Co., Ltd. (長沙芯時代企業管理諮詢有限公司) ("Changsha Xindai"), an Independent Third Party, filed a further lawsuit against Dr. Wu and an Independent Third Party (the "Share Transfer Litigation 2"). With respect to Dr. Wu, Changsha Xindai claimed that, pursuant to an agreement that was allegedly entered into between the parties in December 2021, Dr. Wu shall (i) join and work full-time for Longshan Microelectronics, (ii) acquire 55% of the equity interests of Longshan Microelectronics, (iii) fulfill obligations of capital contribution to Longshan Microelectronics of RMB27.5 million, and (iv) make compensation of RMB30 million to Changsha Xindai.

Share Transfer Litigation 3. In September 2024, Changsha Xindai filed a further lawsuit against Dr. Luo, Mr. Zhong and the Company largely based on the same allegations made in the Share Transfer Litigation 2, except that Changsha Xindai also alleged that Dr. Luo and Mr. Zhong solicited employees of Longshan Microelectronics to join the Company (the "Share Transfer Litigation 3", together with the Share Transfer Litigation 1 and the Share Transfer Litigation 2, the "Share Transfer Litigation Matters"). Changsha Xindai requested the Company to cease the tortious behaviour and terminate the labour contract with Dr. Wu; and requested Dr. Luo, Mr. Zhong and the Company to be jointly and severally liable for the loss suffered by Changsha Xindai of RMB30 million.

As of the Latest Practicable Date, the relevant court decided that the Share Transfer Litigation 1 was regarded as withdrawn by Shandong Chanyan, and no judgment in connection with the Share Transfer Litigation 2 and 3 had been released.

Considering (i) the Company's PRC legal advisers is of the view that the Share Transfer Litigation Matters will not materially adversely affect the business operation, research and development, and financial position of the Company as it is highly unlikely that the Company, Dr. Luo, Dr. Wu or Mr. Zhong will lose the respective Share Transfer Litigation Matters (as the case may be) as advised by the Company's counsel for the Share Transfer Litigation Matters; and (ii) the Directors are not aware that the Share Transfer Litigation Matters involved any circumstances under Rule 13.51(2)(h) to (w) of the Listing Rules, including but not limited to non-compliance of any applicable laws and regulations by Dr. Luo, Dr. Wu, Mr. Zhong or Longshan Microelectronics, the Directors are of the view that the Share Transfer Litigation Matters do not impact on the suitability of the Directors to act as the Company's directors.

Considering (i) the Share Transfer Litigation Matters are not related to the core business operations or financial performance of the Company and (ii) the relevant court decided that the Share Transfer Litigation 1 was regarded as withdrawn by Shandong Chanyan and the aforesaid view of the Company's PRC legal advisers, no provision has been made for the Share Transfer Litigation Matters and the Directors are of the view that the Share Transfer Litigation Matters will not adversely affect the business operation, research and development, and financial position of the Company.

Having reviewed the basis of the Directors' view and the independent due diligence work conducted by the Joint Sponsors, the Joint Sponsors are of the view that the Share Transfer Litigation Matters will not have material adversely effect on the business operation and financial position of the Company.

To avoid litigation concerning intellectual property infringement, we have implemented various internal policies and standard processes. See "Business — Legal Proceedings and Compliance — Legal Proceedings — Internal Control Measures." There is no contingent liability associated with the legal proceedings and Share Transfer Litigation Matters.

For further details, see "Business — Legal Proceedings and Compliance — Legal Proceedings."

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period, our business operations remained relatively stable as of the Latest Practicable Date. We expect our revenue to continue increasing, however, since we only began benefiting from economies of scale in 2021 and are still actively implementing measures to reduce the cost of sales and achieve better operating efficiency with our control over the operating expenses, we anticipate to record a loss for the year ending December 31, 2024.

On August 9, 2023, the Biden Administration issued the Executive Order on Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern ("Reverse CFIUS EO") granting the U.S. government the authority to establish and enforce an outbound investment screening regime ("Outbound Investment Program"). On October 28, 2024, the Department of the Treasury issued the Provisions Pertaining to U.S. Investments in Certain National Security Technologies and Products in Countries of Concern (the "Final Rule") to implement the President's Order of August 9, 2023. The Final Rule will become effective on January 2, 2025. As advised by our Export Control Consultant, the Final Rule is the primary restriction to impact new investments by U.S. persons in specified sectors in countries of concern. As advised by our Export Control Consultant, considering that the U.S. Department of the Treasury does not propose to apply the Final Rule retroactively, existing investments made by U.S. persons in our Company (including investment by Dr. Luo) or investments made before the implementation of the forthcoming regulations are not expected to be affected. Moreover, as the Final Rule targets U.S. persons "investing" in specified sectors, it will not affect Dr. Luo and Mr. Son's positions as key management personnel in our Company. See "Business — Export Control Implications — Outbound Investment Program."

Following the completion of the Global Offering, upon effectiveness of the Final Rule in January 2025, it is expected that U.S. persons will be able to invest in our H Shares based on the publicly traded securities exception under the Final Rule as long as the investment made do not afford a U.S. person certain rights that are not standard minority shareholder protections. However, the Final Rule nonetheless may increase the compliance burden of U.S. investors and affect investor sentiment. See "Risk Factors — Risks Relating to Our Industry and Business — Our business, financial condition and results of operations may be materially and adversely affected by international policies and international export controls and economic sanctions."

The global GaN power semiconductor industry has experienced a steady growth in the first half of 2024, primarily driven by the growing demand for new materials with high energy efficiency from down stream industries, as well as the favorable policy environment. According to Frost & Sullivan, the global GaN power semiconductor industry is expected to increase from RMB1,759.5 million in 2023 to RMB3,227.7 million in 2024 in terms of sales value. Our Directors have confirmed that up to the date of this prospectus there has been no material adverse change in our financial or trading position or prospects since June 30, 2024 (being the date of our latest audited financial statements) and there has been no event since June 30, 2024 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

OFFERING STATISTICS

	Based on an Offer Price of HK$30.86 per H Share	**Based on an Offer Price of HK$33.66 per H Share**
Market capitalization of our Shares immediately after completion of the Global Offering assuming Offer Size Adjustment Option and the Over-allotment Option are not exercised[(1)]	HK$27,130.6 million	HK$29,592.3 million
Market capitalization of our H Shares immediately after completion of the Global Offering[(1)]	HK$15,108.8 million	HK$16,479.7 million
Unaudited pro forma adjusted net tangible assets per Share[(2)]	HK$3.92	HK$4.06

(1) The calculation of market capitalization is based on 389,559,466 Domestic Unlisted Shares in issue, 444,228,787 H Shares converted from Domestic Unlisted Shares and 45,364,000 H Shares expected to be in issue and outstanding following the completion of the Global Offering (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised).

(2) The unaudited pro forma adjusted net tangible assets of the Group attributable to owners of the Company per Share are calculated after the adjustments referred to in "Appendix II — Unaudited Pro Forma Financial Information" to this prospectus and on the basis that 879,152,253 Shares were in issue assuming that the Global Offering had been completed on June 30, 2024 and without taking into account any trading results or other transactions of the Group entered into subsequent to June 30, 2024.

(3) No adjustment has been made to the unaudited pro forma adjusted net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2024.

NO DIVIDEND POLICY

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 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 and any other applicable PRC laws and regulations. See "Financial Information — No Dividend Policy."

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commission and other fees incurred in connection with the Global Offering. We estimate that our listing expenses will be approximately HK$99.7 million (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised and based on the Offer Price of HK$32.26), which accounts for approximately 6.8% of the gross proceeds from the Global Offering. We estimate the listing expenses to consist of approximately HK$51.2 million in underwriting fees and HK$48.5 million in non-underwriting fees (which consist of fees and expenses of legal advisors and our Reporting Accountant of approximately HK$30.8 million and other fees and expenses of approximately HK$17.7 million). Among the total listing expenses, approximately HK$55.6 million will be directly attributable to the issue of our Shares, which will be deducted from equity upon the completion of the Global Offering, and the remaining approximately HK$44.1 million will be expensed in our consolidated statements of comprehensive loss.

In this prospectus, 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 prospectus.

"April 2018 Financing"	the financing of our Company completed in April 2018, details of which are set out in the section headed "History, Development and Corporate Structure" in this prospectus
"AFRC"	Accounting and Financial Reporting Council (會計及財務匯報局)
"Articles" or "Articles of Association"	the articles of association of our Company, conditionally adopted on June 6, 2024 with effect from the Listing Date, and as amended from time to time, a summary of which is set out in "Appendix VI — Summary of Articles of Association" to this prospectus
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors of our Company
"Business day" or "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
"Capital Market Intermediaries" or "capital market intermediary(ies)" or "CMI(s)"	the capital market intermediaries as named in the section headed "Directors, Supervisors and Parties Involved in the Global Offering" of this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CMB Shenzhen"	CMB International Capital Management (Shenzhen) Co., Ltd. (招銀國際資本管理(深圳)有限公司), a limited liability company established under the laws of the PRC and ultimately controlled by CM Bank, a connected person of our Company, details of which are set out in the sections headed "History, Development and Corporate Structure — Pre-IPO Investments — Information about Our Major Pre-IPO Investors" and "Connected Transactions — Connected Person" in this prospectus

"CM Bank"	China Merchants Bank Co., Ltd. (招商銀行股份有限公司), a bank listed on the Hong Kong Stock Exchange (stock code: 03968.HK) and the Shanghai Stock Exchange (stock code: 600036.SH), a connected person of our Company, details of which are set out in the sections headed "History, Development and Corporate Structure — Pre-IPO Investments — Information about Our Major Pre-IPO Investors" and "Connected Transactions — Connected Person" in this prospectus
"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" or "our Company" or "the Company"	InnoScience (Suzhou) Technology Holding Co., Ltd. (英諾賽科(蘇州)科技股份有限公司), a limited liability company established under the laws of the PRC on July 21, 2017 and converted into a joint stock limited liability company in the PRC on September 27, 2023
"Controlling Shareholders Group"	Dr. Luo, Inno Holding, Innocore, Inno HK, Inno Youpeng and Xinsheng Dapeng, see "Relationship with the Controlling Shareholders Group" in this prospectus for details
"CSDC"	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
"CSDC (Hong Kong)"	China Securities Depository and Clearing (Hong Kong) Company Limited
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	director(s) of our Company
"Domestic Unlisted Shares"	ordinary shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are not listed on any stock exchange

"Dr. Luo"	Dr. Weiwei Luo, the founder, chairperson of the Board, executive Director of our Company, and a member of the Controlling Shareholders Group
"EIT Law"	Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》), as amended, supplemented or otherwise modified from time to time
"Exchange Participant(s)"	a person: (a) who, in accordance with the Hong Kong Listing Rules, may trade on or through the Hong Kong Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange
"Export Control Consultant"	Hogan Lovells, legal advisor to our Company as to U.S. export controls
"Extreme Conditions"	the occurrence of "extreme conditions" as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below
"FINI"	"Fast Interface for New Issuance," an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for new listings in Hong Kong
"General Rules of HKSCC"	General Rules of HKSCC published by the Hong Kong Stock Exchange and as amended from time to time
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Group" or "our Group" or "we" or "us"	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require)

"Guide"	The Guide for New Listing Applicants, as published by the Hong Kong Stock Exchange on November 29, 2023 and effective on January 1, 2024, as amended or supplemented or otherwise modified from time to time
"H Share(s)"	ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which is/are to be subscribed for and traded in HK dollars and to be listed on the Hong Kong Stock Exchange
"H Share Registrar"	Tricor Investor Services Limited
"HK$" or "HK dollars"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"**HK eIPO White Form**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name, submitted online through the designated website at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company as specified on the designated website at **www.hkeipo.hk**
"HKFRS"	Hong Kong Financial Reporting Standards, issued by the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
"HKSCC Operational Procedures"	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time in force
"HKSCC Participant"	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Hong Kong Offer Shares"	the 4,536,400 H Shares initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation and the Offer Size Adjustment Option as described in the section headed "Structure of the Global Offering" in this prospectus)
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus) at the Offer Price (plus brokerage, SFC transaction levy, AFRC transaction levy and Hong Kong Stock Exchange trading fee), on and subject to the terms and conditions described in this prospectus as further described in "Structure of the Global Offering — The Hong Kong Public Offering" in this prospectus
"Hong Kong Stock Exchange" or "Stock Exchange"	the Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in "Underwriting — Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated December 17, 2024 relating to the Hong Kong Public Offering and entered into by, among others, our Company, our Controlling Shareholders, the Joint Sponsors, the Joint Representatives and the Hong Kong Underwriters, as further described in "Underwriting — Underwriting Arrangements and Expenses" in this prospectus
"Innocore"	Suzhou Innocore Enterprise Management Center L.P. (蘇州英諾芯企業管理中心(有限合夥)), a member of the Controlling Shareholders Group, our Company's employee shareholding platform, and a limited liability partnership established in the PRC with Dr. Luo as its ultimate general partner

"Inno HK"	Inno Investment (Hong Kong) Limited, a member of the Controlling Shareholders Group, our Company's employee shareholding platform, and a company incorporated in Hong Kong with limited liability
"Inno Holding"	InnoScience Holding Pte. Ltd., a member of the Controlling Shareholders Group, and an exempt private company limited by shares incorporated in Singapore and held by Dr. Luo and Mr. Son as to 55.38% and 44.62%, respectively
"Inno Shenzhen"	InnoScience (Shenzhen) Semiconductor Technology Co., Ltd. (英諾賽科(深圳)半導體有限公司), a limited liability company established in the PRC on November 9, 2020 and a wholly-owned subsidiary of our Company
"Inno Suzhou"	InnoScience (Suzhou) Semiconductor Technology Co., Ltd. (英諾賽科(蘇州)半導體有限公司), a limited liability company established in the PRC on October 23, 2017 and a wholly-owned subsidiary of our Company
"Inno Youpeng"	Shanghai Inno Youpeng Enterprise Consulting L.P. (上海英諾優朋企業諮詢合夥企業(有限合夥)), a member of the Controlling Shareholders Group and a limited partnership established in the PRC with Dr. Luo as its ultimate general partner
"Inno Zhuhai"	InnoScience (Zhuhai) Technology Co., Ltd. (英諾賽科(珠海)科技有限公司), a limited liability company established in the PRC on December 17, 2015 and a wholly-owned subsidiary of our Company
"Independent Third Party(ies)"	any entity or person who is not a connected person of our Company within the meaning ascribed thereto under the Listing Rules

"International Offer Shares"	the 40,827,600 H Shares initially offered by our Company for subscription pursuant to the International Offering (assuming that no Over-allotment Option is exercised) together with, where relevant, any additional H Shares which may be issued by our Company pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option (subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus)
"International Offering"	the offer of the International Offer Shares by the International Underwriters outside the United States in offshore transactions in accordance with Regulation S, as further described in "Structure of the Global Offering" in this prospectus
"International Underwriters"	the group of international underwriters expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the underwriting agreement expected to be entered into on or around December 24, 2024 by, among others, our Company, our Controlling Shareholders, the Joint Sponsors, the Joint Representatives and the International Underwriters in respect of the International Offering, as further described in "Underwriting — Underwriting Arrangements and Expenses — The International Offering" in this prospectus
"Joint Global Coordinators", "Joint Bookrunners" or "Joint Lead Managers"	the joint bookrunners, the joint global coordinators and the joint lead managers as named in the section headed "Directors, Supervisors and Parties Involved in the Global Offering" in this prospectus
"Joint Representatives"	the joint representatives as named in the section headed "Directors, Supervisors and Parties Involved in the Global Offering" in this prospectus
"Joint Sponsors"	China International Capital Corporation Hong Kong Securities Limited and CMB International Capital Limited (in no particular order)

"Latest Practicable Date"	December 10, 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Listing"	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on or around Monday, December 30, 2024, on which our H Shares are listed and on which dealings of our H Shares first commences dealings therein are permitted to take place on the Hong Kong Stock Exchange
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Son"	Mr. Jay Hyung Son, an executive Director of our Company
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"New Regulations on Filing"	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》and relevant supporting guidelines which were promulgated by the CSRC on February 17, 2023 and became effective on March 31, 2023
"Nomination Committee"	the nomination committee of the Board

"Offer Price"	the final offer price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%), at which Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and International Offer Shares are to be offered pursuant to the International Offering
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares, together with, where relevant, any additional H Shares which may be issued by our Company pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option
"Offer Size Adjustment Option"	the option under the Hong Kong Underwriting Agreement, exercisable by the Company on or before the Price Determination Date, pursuant to which the Company may issue and allot up to an aggregate of approximately 6,804,000 additional H Shares at the Offer Price, to cover additional market demand, if any, as described in the section headed "Structure of the Global Offering" in this prospectus
"Offer Size Adjustment Option Shares"	any additional H Shares issued by the Company pursuant to the Offer Size Adjustment Option
"Overall Coordinators"	the overall coordinators as named in the section headed "Directors, Supervisors and Parties Involved in the Global Offering" of the prospectus

"Over-allotment Option"	the option expected to be granted by our Company to the Over-allotment Underwriters, exercisable by the Joint Representatives (for themselves and on behalf of the Over-allotment Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to issue up to an additional 6,804,600 H Shares (representing not more than 15% of the number of Offer Shares initially being offered under the Global Offering assuming the Offer Size Adjustment Option is not exercised at all) or up to an additional 7,825,200 H Shares (representing not more than 15% of the number of the Offer Shares being offered under the Global Offering assuming the Offer Size Adjustment Option is exercised in full) at the Offer Price, to, among other things, cover over-allocations in the International Offering, if any, further details of which are described in the section headed "Structure of the Global Offering" in this prospectus
"Over-allotment Underwriters"	China International Capital Corporation Hong Kong Securities Limited, CMB International Capital Limited, CLSA Limited, Huatai Financial Holdings (Hong Kong) Limited, BOCI Asia Limited, Hong Tai Securities Limited, ABCI Securities Company Limited, Patrons Securities Limited, Long Bridge HK Limited, Futu Securities International (Hong Kong) Limited, Tiger Brokers (HK) Global Limited, TradeGo Markets Limited, being the International Underwriters who are expected to be granted with the Over-allotment Option
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC" or "China"	the People's Republic of China, but for the purpose of this document and for geographical reference only and except where the context requires, references in this document to "China" and the "PRC" do not apply to Hong Kong, Macau Special Administrative Region and Taiwan, China

"PRC Company Law"	the Company Law of the PRC (《中華人民共和國公司法》), as enacted by the 5th session for the Standing Committee of the 8th National People' Congress on December 29, 1993 and became effective on July 1, 1994, as amended, supplemented or otherwise modified from time to time
"PRC Legal Advisor"	CM Law Firm, the PRC legal advisor of our Company
"Pre-IPO Investment(s)"	the Pre-IPO investments in our Company undertaken by the Pre-IPO Investors, details of which are set out in the section headed "History, Development and Corporate Structure" in this prospectus
"Pre-IPO Investor(s)"	the investor(s) who participated in our Pre-IPO Investments, details of which are set out in the section headed "History, Development and Corporate Structure" in this prospectus
"Pre-IPO Share Plan"	the currently effective pre-IPO share plan of the Company as amended and approved by our Board on April 7, 2024, with principal terms of which are summarized in "Appendix VII — Statutory and General Information — Further Information about our Directors, Supervisors, Management and Substantial Shareholders — 5. Pre-IPO Share Plan"
"Price Determination Agreement"	the agreement to be entered into by the Joint Representatives and our Company on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or around Tuesday, December 24, 2024 (Hong Kong time) on which the Offer Price is determined, or such later time as the Joint Representatives and our Company may agree, but in any event no later than 12:00 noon on Tuesday, December 24, 2024
"prospectus" or "Prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering
"province"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC

"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of the Board
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Series B Financing"	the financing of our Company completed in October 2019, details of which are set out in the section headed "History, Development and Corporate Structure" in this prospectus
"Series C Financing"	the financing of our Company completed in January 2021, details of which are set out in the section headed "History, Development and Corporate Structure" in this prospectus
"Series D Financing"	the financing of our Company completed in February 2022, details of which are set out in the section headed "History, Development and Corporate Structure" in this prospectus
"Series E Financing"	the financing of our Company completed in April 2024, details of which are set out in the section headed "History, Development and Corporate Structure" in this prospectus
"SFC"	the Securities and Futures Commission of Hong Kong
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)
"Share(s)"	ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each, comprising Domestic Unlisted Share(s) and H Share(s)

"Shareholder(s)"	holder(s) of our Shares
"Stabilizing Manager"	China International Capital Corporation Hong Kong Securities Limited
"State Council"	State Council of the People's Republic of China (中華人民共和國國務院)
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"Supervisor(s)"	member(s) of Supervisory Committee
"Supervisory Committee"	supervisory committee of the Company
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buybacks issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the period comprising the three financial years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024
"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"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States

"Xinsheng Dapeng"	Suzhou Wujiang District Xinsheng Dapeng Equity Investment Partnership (Limited Partnership) (蘇州市吳江區芯生大鵬股權投資合夥企業(有限合夥)), a member of the Controlling Shareholders Group, our employee shareholding platform, a limited partnership established under the laws of the PRC with Dr. Luo as its general partner
"%"	percent

In this prospectus, the terms "associate," "close associate," "connected person," "core connected person," "connected transaction," and "substantial shareholder" shall have the meanings given to such terms in the Hong Kong Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this prospectus have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

"ANSI/ESD S20.20"	a standard developed by the American National Standards Institute (ANSI) and the Electrostatic Discharge Association (ESD Association) for managing and mitigating the effects of electrostatic discharge (ESD) on electronic devices. This standard outlines how to establish, implement and maintain an effective ESD control program to protect electrostatic-sensitive components and equipment
"AI"	artificial intelligence
"analog circuit"	a circuit that transmits, transforms, processes, amplifies, measures and displays analog signals
"bandgap"	the energy difference in semiconductors between the top of the valence band and the bottom of the conduction band. Wide bandgap semiconductors permit devices to operate at much higher voltages, frequencies, and temperatures than conventional semiconductors
"bidirectional structure"	a single-component power switch capable of handling power flow in both directions, offering cost and efficiency advantages in applications like EVs and renewable energy generation
"BMS"	battery management system, an electronic system embedded within EVs that monitors, controls and optimizes the performance, safety and longevity of the vehicle's battery pack
"CAGR"	compound annual growth rate
"CMP"	chemical mechanical polishing, a fabrication technique that combines chemical oxidation and mechanical abrasion to achieve high levels of planarity in semiconductor components
"CPU"	central processing unit, the central unit in a computer containing the logic circuitry that performs the instructions of a computer program
"CVD"	chemical vapor deposition, a process in which gaseous chemicals react on a heated wafer surface to form solid film

"DC-DC converters"	an electronic circuit that converts a source of direct current (DC) from one voltage level to another
"design-in"	a process where customers engage suppliers early in the product design phase to propose and refine designs that align with customer needs and market trends
"design-win"	a confirmation from customers adopting a supplier's product design, indicating the supplier's ability to meet the customer's production, delivery, and cost requirements
"die"	one single chip cut from a wafer before being packaged
"discrete chips"	individual semiconductor devices that perform elementary electronic functions
"doping profiles"	the distribution in the concentration and type of impurities, or dopants, that are intentionally introduced into the semiconductor material. This profile is crucial because it directly influences the performance of the semiconductor
"EFlops"	a unit of measurement indicating the speed of a computer, equal to one quintillion floating point operations per second
"epitaxial growth"	a process of crystal growth or material deposition where new crystalline layers are formed with well-defined orientations on a crystalline seed layer, enhancing the performance of semiconductor devices
"EVs"	electric vehicles
"fabless"	an IC design company that does not own a chip manufacturing plant and only focuses on design
"figures of merit"	the performance metrics used to benchmark and compare the efficiency and effectiveness of semiconductor devices, helping designers make informed decisions about which devices to use in their designs

"frequency"	the rate at which a power electronic device, such as a switch or rectifier, operates. It is a crucial factor influencing the performance and efficiency of power systems
"foundry"	a manufacturer specializing in the production and manufacture of chips in the field of integrated circuits
"GaAs"	gallium arsenide, a III–V compound direct bandgap semiconductor well-suited for microwave devices and high-speed digital circuits. It is acknowledged for its high-frequency, high-speed and high-efficiency characteristics in electronic and optoelectronic devices
"GaN"	gallium nitride, a binary III/V direct bandgap semiconductor well-suited for high-power transistors capable of operating at high temperatures. It is acknowledged for its capability to enhance power system efficiency, performance and system cost
"GaN-on-Si"	gallium nitride on silicon, the technology of growing gallium nitride crystals on silicon substrates
"GPU"	graphic processing unit, a specialized electronic circuit designed to rapidly manipulate and alter memory to accelerate the creation of images
"HEMTs"	high electron mobility transistors, these are field-effect transistors known for their high performance at microwave frequency and ability to operate at higher frequencies, delivering faster switching speeds with reduced transmission loss. They are particularly well-suited for applications requiring high-frequency performance in the medium-voltage range
"IATF16949"	international technical specification of automotive industry quality management system, which prepared by International Automotive Task Force (IATF) and ISO
"IEC 61340-5-1"	an international standard that outlines requirements for handling electrical or electronic parts and equipment to protect them from electrostatic discharges and fields

"integrated circuit" or "IC"	integrated circuit, 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
"IDM"	integrated device manufacturer, a company that takes charge of design, manufacturing, packaging, testing and subsequent sales of the finished products
"ISO"	the International Organization for Standardization, a worldwide federation of national standards bodies
"ISO14001"	the Environmental Management System published by the ISO
"ISO45001"	the Occupational Health and Safety Management System published by the ISO
"ISO9001"	the International Quality Management System published by the ISO
"LED"	light-emitting diode, a semiconductor diode that emits light when voltage is applied
"LiDAR"	a remote sensing method that uses light to measure the distance or range of objects
"Loan Prime Rate"	a basic loan reference rate calculated and published by the National Interbank Lending Centre authorized by the People's Bank of China. Loan Prime Rate serves as a benchmark interest rate for lending rates among commercial banks in China
"MOCVD equipment"	metal-organic chemical vapor deposition equipment, a key tool used for depositing ultra-thin layers of compound semiconductor material onto a semiconductor wafer. It's a recognized controllable synthesis method that ensures process repeatability and high yield
"modules"	packaged components that include integrated circuits or other electronic components, which are used to build larger systems or devices. They are essential for enhancing performance, efficiency, and scalability in electronic products

"MOSFET"	metal oxide semiconductor field effect transistor, used for amplifying or switching electronic signals
"moves"	the individual steps or processes that a wafer undergoes during its production process, including all transitions between equipment and processing stages. The total number of moves indicates the complexity and length of the production cycle
"new customer(s)/ new distributor(s)/ new direct customer(s)"	customer(s)/distributor(s)/direct sales customer(s) from whom we recognized revenue for the first time in a given period
"NMOS transistor"	N-channel metal-oxide semiconductor transistor, it consists of two N+ region drains D, source S and gate G with high doping concentration. It forms a closed circuit when receiving a voltage bigger than threshold voltage and an open circuit when it receives a voltage smaller than threshold voltage
"NRE"	non-recurring engineering, non-recurring R&D expenses incurred for the development of new products or customized projects
"OBC"	on-board charger, a power electronics device for electric vehicle batteries on EVs, which converts alternating current (AC) power from external sources, such as residential outlets, into DC power to charge the vehicle's battery pack
"on-resistance"	the total resistance between the drain and source terminals of a field-effect transistor (FET) when it is in operation. It is a critical parameter in power devices, as it directly impacts the power loss during operation, with lower on-resistance resulting in lower power loss
"OVP"	over voltage protection, a feature in power supply units designed to shut down the unit or suspend the output when the voltage exceeds a preset level
"power density"	the amount of power processed per unit volume or unit area

"power semiconductor(s)"	a type of semiconductor device that is used as a switch or rectifier in power electronics, and serves as the core component of power supplies
"PVD"	a vacuum deposition method that involves high-temperature vacuum evaporation and sputtering to produce a metal vapor, which is then deposited on electrically conductive materials as a thin, highly adhered pure metal or alloy coating. It is a critical process in the manufacturing of semiconductor devices, enabling the creation of thin films and coatings on substrates
"radiation resistance"	the ability of semiconductor devices to withstand and function in high radiation environments
"R&D"	research and development
"SiC"	silicon carbide, a semiconductor material used in various electronic applications
"sq.m."	square meter(s)
"substrate"	the base layer of material used in the manufacturing process of semiconductor devices and integrated circuits. It is typically a thin slice of single-crystal silicon, gallium arsenide or other semiconductor materials. Various circuit components are grown and fabricated on the substrate
"switching frequency"	the rate at which a switch-mode power supply turns on and off. It influences the performance of the device, including its efficiency and power output, and plays a crucial role in the design of compact and low-cost circuits
"V"	basic unit of voltage
"V-GaN"	bidirectional gallium nitride, the flagship technology of our Group that uses bidirectional GaN switches. These switches are capable of bidirectional voltage blocking and current conduction, reducing power dissipation, offering a significantly smaller footprint, and facilitating fast charging

"wafer"	a thin slice of semiconductor material, used in the manufacture of ICs and other microelectronic devices
"wafer dicing"	a process in which a single chip is separated from a wafer using a scribing saw or strike-off technology
"voltage resistance"	the ability of semiconductor devices to withstand overvoltage. It is usually characterized by the voltage value of the device at the time of breakdown or current reaching a specific value

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- general political and economic conditions, including those related to the jurisdictions where we operate;
- our business prospects and our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial condition and performance;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the jurisdictions where we operate and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the jurisdictions, the industry and markets in which we operate;
- various business opportunities that we may pursue; and
- capital market developments, changes in the global economic conditions and material volatility in the global financial markets.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors" and elsewhere in this prospectus. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our H Shares could decline, and you may lose all or part of your investment.

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 is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof and is subject to the cautionary statements in the section headed "Forward-Looking Statements" in this prospectus.

RISKS RELATING TO OUR INDUSTRY AND BUSINESS

Our historical results may not be indicative of our future performance, and we may not be successful in expanding our operations or managing our growth.

We remain in the early stage of development. We have experienced rapid revenue growth and generated revenue of RMB68.2 million, RMB136.2 million and RMB592.7 million in 2021, 2022 and 2023, respectively, representing a CAGR of 194.8% from 2021 to 2023. Our revenue increased from RMB308.1 million in the six months ended June 30, 2023 to RMB385.8 million in the six months ended June 30, 2024. However, there can be no assurance that we will be able to maintain our historical growth rates in future periods. We may encounter risks and difficulties frequently experienced by rapidly growing companies in constantly evolving industries, and any predictions about our future revenue and expenses may not be as accurate as they would be if we had a longer operating history or operated in a more predictable industry. Our business, results of operations and financial condition depend in part on our ability to effectively manage our growth or implement our growth strategies. See "Business — Our Strategies." We intend to grow by expanding our business, increasing market penetration of our existing products and developing new ones. The management of our growth may place significant demands on our managerial, administrative, operational, financial and other resources. Moreover, our growth depends on the ability to maintain stable production capacity and offer reliable products to our customers. Our efforts to grow our business may be more costly than we expect, and we may not be able to increase our revenue enough to offset our increased operating expenses. We may incur significant losses in the future for a number of reasons, including the other risks described herein, and unforeseen expenses, difficulties, complications and delays, and other unknown events. If we are unable to achieve and sustain profitability, our business may be harmed. If we fail to achieve the necessary level of efficiency as we grow, our growth rate may decline, investors' perceptions of our business and prospects may be adversely affected and the market price of our Shares could decline.

Our business depends on our ability to protect our intellectual property rights, and we may be subject to intellectual property infringement and other claims by third parties in the PRC or other jurisdictions, which, if successful, could cause us to pay significant damages and incur other costs.

We rely primarily on a combination of our patents, trade secrets, trademarks, the confidentiality agreements signed by the employees, and confidentiality agreements signed with third parties to protect our intellectual property rights. There is no assurance that we are able to successfully apply and be granted new intellectual property rights in a timely and cost-effective manner in the future, as such applications are expensive and time consuming. See "Business — Intellectual Property." Despite our efforts to protect our proprietary rights, unauthorized parties may be able to obtain and use information that we regard as proprietary. Under such circumstances, to protect our intellectual property rights and maintain our competitive advantages, we may initiate legal proceedings against parties who we believe are infringing our intellectual property rights. Legal proceedings are often costly and may divert management attention and resources away from our business. In certain situations, we may have to initiate such legal proceedings in foreign jurisdictions, in which case we are subject to additional risks as to the result of the proceedings, the amount of damages that we can recover, and the enforcement process.

Our success is also subject to our ability to use, develop and protect our technology and trade secrets without infringing the intellectual property rights of third parties. Others may hold or obtain patents, copyrights, trademarks, or other proprietary rights used in our products and service. This might prevent, limit, or interfere with our production, use, development, sales, or marketing, and could therefore disturb our daily operations and distract our management. From time to time, we may receive communications from intellectual property rights holders regarding their proprietary rights. Companies holding patents or other intellectual property rights may, in the PRC or other jurisdictions, bring suits alleging infringement of such rights or otherwise assert their rights and urge us to obtain licenses. We may also be subject to liability due to the misconduct of our employees in relation to third party IP rights. Our use of trademarks relating to our design, software, and technology could be found to infringe upon existing intellectual property rights owned by others. In addition, if we are found to have infringed upon a third party's intellectual property rights, we may be required to do one or more of the following:

- cease to sell products that are involved in the challenged intellectual property rights owned by others;
- pay damages to the rights holders or the customers who purchased our products;
- redesign our products; or
- establish and maintain alternative branding for our products.

During the Track Record Period, we were subject to several litigation matters against us from two competitors concerning potential intellectual property infringement by certain of our products. As of the Latest Practicable Date, (i) we have received the ITC's Final Determination in the EPC ITC case and plan to appeal to the U.S. Court of Appeals for the Federal Circuit regarding the two claims of the '294 patent where violations were found; (ii) the EPC California case was stayed pending the resolution of the EPC ITC case; (iii) the Infineon ITC case was at its early stage with the target date for completion of the ITC investigation expected between January and April 2026; (iv) the Infineon California case was stayed pending the resolution of the Infineon ITC case; and (v) the Infineon Germany case was also at its early stage with developments regarding potential monetary amounts of damages not occurred yet. In the case of adverse rulings, we may be barred from manufacturing or selling the infringing products and/or ordered to pay monetary damages. See "Business — Legal Proceedings and Compliance." The determinations or judgments from these litigation matters may also have effects outside the U.S. and Germany in other countries or regions where we operate. The validity and scope of any potential claims or requests can be complicated and involve complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain. The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings or requests can be both costly and time consuming and may significantly divert the efforts and resources of our management. A determination in any such litigation or proceedings or requests to which we are a party may invalidate our patents, subject us to pay damages to third parties, require us to seek licenses from third parties, pay ongoing royalties, redesign our products, and subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Any of the aforementioned will materially and adversely affect our business, financial condition and results of operations.

We are subject to risks relating to litigations and disputes with employees, competitors, business partners or other parties, which could adversely affect our business, financial condition, results of operations and prospects.

We may be subject to disputes or claims of various types brought by various external or internal parties. We have been subject to certain labor disputes and could be subject to future labor disputes and adverse employee relations. Such disputes and any future labor disputes and adverse employee relations could result in legal proceedings and lead to reputational harm, monetary damages, interruptions of our operation or diversion of managerial attention.

We may also be subject to disputes with our competitors, suppliers, business partners or governmental entities relating to contractual disputes, IP right infringements or legal compliance. Such claims and disputes may evolve into litigations or law enforcement actions. We cannot guarantee that we will not be subject to legal proceedings in the ordinary course of business. legal proceedings are distractive and expensive as it may cause us to incur defense costs, utilize a significant portion of our resources and divert managerial attention from our day-to-day operations, any of which could harm our business. In the case of an adverse verdict, we may be required to pay significant monetary damages, assume significant liabilities or suspend or terminate parts of our operations. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

As of the Latest Practicable Date, our Company, Dr. Luo, Dr. Wu Jingang ("Dr. Wu"), our executive Director and chief executive officer and Mr. Zhong Shan ("Mr. Zhong"), our executive Director and chief financial officer, were subject to certain lawsuits (the "Share Transfer Litigation Matters"): (a) In July 2024, Shandong Chanyan Microelectronics Technology Research Institute Co., Ltd. (山東產研微電子技術研究院有限公司) ("Shandong Chanyan"), an Independent Third Party, filed a lawsuit against our Company. Shandong Chanyan alleged that our Company failed to acquire Shandong Chanyan's equity interests in Longshan Microelectronics (Shandong) Co., Ltd. (龍山微電子(山東)有限公司) ("Longshan Microelectronics") as allegedly agreed and requested the Company to pay RMB56,360,000 (the "Share Transfer Litigation 1"); (b) In August 2024, Changsha Xindai Enterprise Management Consulting Co., Ltd. (長沙芯時代企業管理諮詢有限公司) ("Changsha Xindai") filed a further lawsuit against Dr. Wu and an Independent Third Party. With respect to Dr. Wu, Changsha Xindai claimed that, pursuant to an agreement that was allegedly entered into between the parties in December 2021, Dr. Wu shall (i) join and work full-time for Longshan Microelectronics, (ii) acquire 55% of the equity interests of Longshan Microelectronics, (iii) fulfill obligations of capital contribution to Longshan Microelectronics of RMB27.5 million, and (iv) make compensation of RMB30 million to Changsha Xindai (the "Share Transfer Litigation 2"); and (c) In September 2024, Changsha Xindai filed a further lawsuit against Dr. Luo, Mr. Zhong and the Company largely based on the same allegations made in the litigation initiated by it in August 2024, except that Changsha Xindai also alleged that Dr. Luo and Mr. Zhong solicited employees of Longshan Microelectronics to join the Company. Changsha Xindai requested the Company to cease the tortious behaviour and terminate the labour contract with Dr. Wu; and requested Dr. Luo, Mr. Zhong and the Company to be jointly and severally liable for the loss suffered by Changsha Xindai of RMB30 million (the "Share Transfer Litigation 3"). As of the Latest Practicable Date, the relevant court decided that the Share Transfer Litigation 1 was regarded as withdrawn by Shandong Chanyan as the plaintiff did not complete the relevant litigation procedures, and no judgment in connection with the Share Transfer Litigation 2 and 3 had been released. In the case of adverse rulings received for the Share Transfer Litigation 2 and 3, our Company, Dr. Luo, Dr. Wu and Mr. Zhong may be liable for the compensation claimed by the plaintiffs with respect to the Share Transfer Litigation 2 and 3. Nevertheless, Dr. Luo provided a personal indemnity to the Company, pursuant to which Dr. Luo will indemnify and hold harmless the Company of any and all losses and compensation responsibilities arising from any of the Share Transfer Litigation Matters. See "Business — Legal Proceedings and Compliance."

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

Certain foreign jurisdictions have imposed or may impose export controls, economic sanctions or other trade-related measures 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. Export controls and 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, heightened tensions between major economies, such as the United States and China, could result in stricter export controls on chips and/or semiconductors, including the licensing requirements on certain high performance chips and items subject to the EAR depending on the end-user and/or end-use of the items set forth in relevant rules. In addition, the recent U.S.-China trade tensions have led to the introduction of higher tariffs on various goods traded between the two countries, including high-technology goods, semiconductors and electronics. For example, the new Section 744.23 of the EAR, known as the "Supercomputer and Semiconductor Manufacturing End Use restrictions," imposes license requirements where an exporter, reexporter or transferor knows or has reason to know that certain items subject to the EAR are intended for a "supercomputer" end-use or are intended for semiconductor manufacturing end-uses. See "Business — Export Control Implications." There is a possibility that the trade restrictions could expand if the U.S. and China do not reach an agreement to resolve the issues. There is no assurance as to how the U.S.-China trade tensions might develop or whether there will be any changes to the scope and extent of goods that are or will be being subject to such export controls, sanctions, tariffs, or new trade policies introduced by the two countries. We cannot predict the implications of the ongoing U.S.-China trade tensions and the resulting impact on our industry and the global economy. In addition, on August 9, 2023, the Biden Administration issued the Executive Order on Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern ("Reverse CFIUS EO") granting the U.S. government the authority to establish and enforce an outbound investment screening regime ("Outbound Investment Program"). On October 28, 2024, the Department of the Treasury issued the Provisions Pertaining to U.S. Investments in Certain National Security Technologies and Products in Countries of Concern (the "Final Rule") to implement the President's Order of August 9, 2023. The Final Rule will become effective on January 2, 2025. Following the completion of the Global Offering, upon effectiveness of the Final Rule, it is expected that U.S. persons will be able to invest in our H Shares based on the publicly traded securities exception under the Final Rule as long as the investment made do not afford a U.S. person certain rights that are not standard minority shareholder protections. However, the Final Rule nonetheless may increase the compliance burden of U.S. investors and may cause certain U.S. investors to adopt a more cautious approach in their investments, affecting the investor sentiment towards us, and therefore negatively impacting our ability to raise capital. See "Business — Export Control Implications — Outbound Investment Program."

During the Track Record Period, our products are offered to customers primarily in Asia. There is, however, no assurance that our sales or our customers' sales of their semiconductor products 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 sanctions or export controls in the future and/or if the scope of the export controls or sanctions are 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 customers will sell and/or export their end products. If the export sales of the customers' end products are restricted, prohibited or made subject to any trade conditions under any international policies or international export controls or economic sanctions imposed by any jurisdictions, the customers' demand in our products may drop and, as a result, our business, financial condition and results of operations may be materially and adversely affected.

If we fail to develop new products that address customer preferences and achieve market acceptance in a timely and cost-effective manner, our results of operations could be adversely affected.

Our products are primarily based on the GaN-on-Si technologies, and our future success depends on the successful expansion of our GaN product portfolio and customer base. Our customers are constantly seeking new products with more features and functionality at lower cost, and our success relies heavily on our ability to continue to develop and provide our customers with new and innovative products and improvements of existing products. In order to gain market share and remain at the forefront of the GaN semiconductor industry, we must constantly introduce new and innovative products and respond to new and evolving customer demands.

The success of a new product depends on a variety of specific implementation factors, including:

- timely development of new technologies and adaption to changes in existing technologies;
- timely and cost-effective processing and mass production to accommodate new product designs, while ensuring functionality, performance and reliability;
- effective marketing, sales and services to gain market share; and
- strong and sustainable market demand.

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. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, we had R&D expenses of RMB661.7 million, RMB581.1 million, RMB348.7 million, RMB167.9 million and RMB145.5 million, respectively. Our R&D expenses decreased consistently during the Track Record Period, primarily due to a reduction in engineering test expenses. However, the power semiconductor industry is highly competitive, characterized by rapidly changing technologies and technological obsolescence. We may invest significant resources in R&D activities and incur significant R&D expenses in the future to achieve technological breakthroughs, as well as maintain our technological leadership and the competitiveness of our products and solutions. There can be no assurance that we will be able to develop and introduce new and enhanced products in a timely or efficient manner or that we will continue to achieve technological breakthroughs and successfully commercialize such breakthroughs through our R&D activities. Failure to timely develop new technologies or to react quickly to changes in existing technologies could materially delay our development of new and enhanced products, which could result in product obsolescence, decreased revenue, and/or a loss of market share to competitors. Our investments in R&D activities may not generate sufficient revenue to offset liabilities assumed and expenses associated with these investments.

In addition, although we strive to respond to customer preferences and industry expectations in the development of our products, we may not be able to optimize our production processes and the ability to mass produce in a cost-effective manner. We may also encounter lower manufacturing yields and longer delivery schedules in commencing mass production of new products that we introduce, which could increase our costs and disrupt our supply of such products. Further, if initial sales volumes for new or enhanced products do not reach anticipated levels within the time periods we expect, we may be required to engage in additional marketing efforts to promote such products and the costs of developing and commercializing such products may be higher than we predict. To the extent that we fail to timely develop new products or to quickly achieve market acceptance in a cost-effective manner, our results of operations could be materially and adversely affected.

We depend on growth in the end markets that adopt our products. Any slowdown in the growth of these end markets could adversely affect our business, financial condition and results of operations.

Our GaN products are adopted in the product offerings of customers operating across various industries, including consumer electronics, renewable energy and industrial applications, automotive electronics, data centers and others. Demand for our products largely depends on growth within the markets for the end products, which is impacted by factors beyond our control. Factors affecting these markets include:

- the inability of customers to dedicate the resources necessary to promote and commercialize their products;
- the inability of our customers to adapt to changing technological demands resulting in their products becoming obsolete;
- the failure of our customers' products to meet evolving industry requirements;
- the failure of our customers' products to achieve market success and gain broad market acceptance;
- delays and project cancellations as a result of design flaws in the products developed by our customers;
- increased costs associated with potential disruptions to our customers' supply chain and other manufacturing and production operations;
- the deterioration of our customers' financial condition; and
- the effects of catastrophic and other disruptive events at our customers' offices or facilities including, but not limited to, natural disasters, telecommunications failures, cyber-attacks, terrorist attacks, pandemics, epidemics or other outbreaks of infectious disease, breaches of security or loss of critical data.

If the end product markets cannot maintain robust growth, our business and profitability may be adversely affected. For example, although the global sales volume of EVs is expected to increase from 18,610.7 thousand units in 2024 to 50,540.2 thousand units by 2028, the CAGR of global EV sales volume decreased from 57.5% between 2019 and 2023 to 28.4% between 2024 and 2028. Similarly, the CAGR of the annual installed capacity of energy storage batteries decreased from 143.8% between 2019 and 2023 to 43.6% between 2024 and 2028.

We may incur significant design and development costs as well as production costs for customers' products that may not ultimately achieve market acceptance. As we offer more products to new and existing customers, potentially expand our supply relationships and enter new markets, we may encounter yield rate and reliability issues, and any such issues could lead to customer complaints, damage our reputation or adversely affect our financial results. No assurance can be given that future reliability issues will not have a material effect on financial results in any given period. If our customers discover design flaws, defects or errors in their products, or if they experience changing market requirements, failed evaluations or field trials, or incompatible deliverables from other vendors, they may delay, change, or cancel a project, and we may have incurred significant additional costs and may not be able to recover our costs, which in turn would adversely affect our business, financial condition and results of operations.

In addition, the global semiconductor market is characterized by cyclical fluctuations, primarily driven by technology upgrades, capacity investments, and inventory changes, according to Frost & Sullivan. Historically, the semiconductor industry experiences a complete cycle approximately every four to five years. These cyclical variations can lead to periods of significant growth followed by downturns, impacting our financial performance and operational results. During periods of downturn, we may face reduced demand for our products, excess inventory, and pressure on pricing, which could adversely affect our revenue and profitability. Conversely, during periods of rapid growth, we may encounter challenges such as supply chain constraints and increased competition. Investors should be aware that the inherent cyclical nature of the semiconductor market could result in volatility in our business operations and financial condition.

The power semiconductor industry is highly competitive. If we are not able to compete successfully, our business, results of operations and future prospects will be harmed.

The power semiconductor industry is characterized by rapidly changing technologies as well as technological obsolescence. Significant technological advancements in alternative semiconductor materials could render our existing or future products uncompetitive, obsolete or otherwise unmarketable, and may materially and adversely affect our business and prospects in ways we cannot currently anticipate. Competition among providers of different power semiconductor products may increase substantially in the future. For example, despite its lower electron mobility, SiC, a third-generation semiconductor like GaN, excels under high-temperature and high-pressure conditions and is being increasingly adopted across various industries. If GaN fails to secure sufficient market share in the competition in the course of commercialization, or if the commercialization does not meet our or the market's expectations, we may not be able to recover our costs, and our business, results of operations and future prospects will be harmed.

In addition, the power semiconductor industry is marked by intense competition and a high level of concentration, with the top ten companies holding a combined market share of 66.9%. The introduction of new products and technologies by our competitors, the market acceptance of products based on our new or alternative technologies, or our failure to anticipate or timely develop new or enhanced products or technologies in response to changing market demand, whether due to technological shifts or otherwise, could result in loss of customers and reduced competitiveness. Moreover, some of our direct and indirect competitors may have greater resources and certain advantages, including but not limited to longer operating history, better financing capabilities, well developed technologies and intellectual properties, more efficient sales and marketing and stronger customer relations. If we are unable to stay competitive or compete successfully with our competitors, we may experience decreases in market share and sales volume, and may have to reduce our prices or make other concessions, thereby adversely affecting our profitability, business, financial condition and results of operations.

Failure to secure design-wins and to convince our current and prospective customers to adopt our products into their product offerings could negatively affect our business, financial condition and results of operations.

We sell our GaN products to customers who select and adopt them in their product offerings. This selection process is typically lengthy and may require us to incur significant design and development costs and dedicate scarce engineering resources in pursuit of a single design-win with no assurance that our products will be selected. If we fail to convince our current or prospective customers to adopt our products in their product offerings or to constantly achieve design-wins, our business, financial condition, and results of operations will be materially and adversely affected.

Because of our extended sales cycle, our revenue in future years may be highly dependent on design-wins we are awarded in prior years. It is typical that a design-win will not result in meaningful revenue until one year or more or later, if at all. If we do not continue to secure design-wins in the short term, our revenue in the following years will deteriorate.

Further, a significant portion of our revenue in any period may depend on a single product design-win with a large customer. As a result, the loss of any key design-win or any significant delay in mass production of the customer’s products could adversely affect our business, financial condition and results of operations.

Due to the interdependence of various components in the systems within which our products and the products of our competitors operate, customers are unlikely to change to another design or material, once adopted, until the next generation of a technology. As a result, if we fail to introduce new or enhanced products that meet the needs of our customers or penetrate new markets in a timely manner, and our products do not gain acceptance, we will lose market share and our competitive position.

The loss of a key customer or design-win, a reduction in sales to any key customer, a significant delay or negative development in our customers' product development plans, or our inability to attract new significant customers or secure new key design-wins could seriously impact our revenue and materially and adversely affect our business, financial condition and results of operations.

Our business depends substantially on the efforts of our management and highly skilled, including R&D personnel, and our operations may be severely disrupted if we lost their service.

Our future performance depends on the service and contribution of our management to oversee and execute our business plans and identify and pursue new opportunities and product innovations. Any loss of service of our management can 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 management team, resulting from the hiring or departure of executives, which could also disrupt our business. Hiring suitable replacements and integrating them into our existing teams also require a significant amount of time, training and resources, and may impact our existing corporate culture.

Additionally, competition for highly skilled personnel is often intense, and we may incur significant costs to attract and retain highly skilled personnel in our R&D team. We may not be successful in attracting, integrating, or retaining qualified personnel to fulfill our current or future needs. We have experienced, and we expect to continue to experience, difficulty in hiring and retaining highly skilled employees with appropriate qualifications in competition with other companies, particularly in the areas of engineering and product development. In addition, job candidates and existing employees often consider the value of the equity awards they receive in connection with their employment. If the estimated value of our equity or equity awards declines, it may adversely affect our ability to retain highly skilled employees. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business and prospects could be adversely affected.

Undetected defects, failures or reliability issues in our products could reduce the market adoption of our products, damage our reputation or expose us to product liability and other claims.

Our customers generally have stringent specifications for quality, performance and reliability that our products must meet. Due to the complex product design and production process, our products may contain undetected defects or failures when first introduced or after commencement of commercial shipments, which might require product replacement or recall. Further, changes of raw material used in the production processes may cause our products to fail. If defects and failures occur in our products, we could experience lost revenue, increased costs, including warranty expenses and costs associated with after-sales services, cancellations or rescheduling of orders or shipments, and product returns or discounts, any of which would harm our operating results.

Further, the production of our products, including the fabrication of semiconductor wafers, and the assembly and testing of products, involve highly complex processes. For example, minute levels of contaminants in the manufacturing environment, difficulties in the wafer fabrication process or other factors can cause a substantial portion of the components on a wafer to be nonfunctional. These problems may be difficult to detect at an early stage of the production process and often are time-consuming, expensive or impossible to correct. They may also result in claims against us by our customers or others, and subject us to liabilities and damages. Our reputation or brand may be damaged as a result of these problems and customers may be reluctant to buy our products, which could adversely affect our ability to retain existing customers and attract new customers and could adversely affect our business, financial condition and results of operations.

We may be subject to product liability or warranty claims that could result in significant direct or indirect costs, which could adversely affect our business and results of operations.

Our products are incorporated into a variety of end-products. The use of end-products that adopt our products could result in an unsafe condition or injury as a result of, among other factors, component failures, manufacturing flaws, design defects or inadequate disclosure of product-related risks or information. These factors could result in product liability or warranty claims; we could be named as a defendant in such claims, and any insurance that we carry may not be sufficient or it may not apply to all situations. Similarly, our customers could be subjected to claims as a result of such accidents and bring claims against us to hold us accountable.

In addition, in the event that our products fail to perform as expected or such failure of our products results in a recall, our reputation may be damaged, which could make it more difficult for us to sell our products to existing and prospective customers and could materially and adversely affect our business, results of operations and financial condition.

We typically provide a one-year warranty period for our products. The occurrence of any material defects in our products could make us liable for damages and warranty claims. We could incur significant costs to correct any defects, warranty claims or other problems, including costs related to product recalls. Warranty, recall, product liability claims, or negative publicity may result in litigation, including class actions, the occurrence of which could be costly, lengthy and distracting and adversely affect our business and operating results.

Any disruption to the operation of our production bases could restrict our ordinary business operations and materially and adversely affect our financial condition and results of operations.

During the Track Record Period, we had two production bases, namely, the Suzhou production base and the Zhuhai production base. The operation of our production bases may be disrupted by physical damage from fires, floods, earthquakes, typhoons, power outages, mechanical breakdowns, telecommunications failures, loss of licenses, certifications and permits, changes in governmental planning for the underlying land, and the regulatory development, many of which are beyond our control. As our production process, especially wafer epitaxial growth processing and safety-critical operations, require substantial amounts of electricity, any power outage, disruption or shortage in power supply could therefore have a materially adverse impact on our production and employee safety.

As part of our production operations, we are engaged in certain inherently risky and hazardous activities, including, among other things, use of special equipment and management of special gases. Therefore, we are subject to risks associated with these activities, including gas leakages, equipment failures, industrial accidents, fires and explosions. While we believe we have adequate systems of safe production and related training, these risks can result in personal injuries and fatalities, damage to or destruction of properties or production facilities, and pollution and other environmental damages. Any of these consequences, if significant, could disrupt the operation of our production bases and result in business interruption and legal liability, and materially and adversely affect our financial condition and results of operations.

Failure to successfully execute capacity expansion plans and our equipment maintenance and upgrades or to effectively utilize our production bases may have a material adverse effect on our business, financial condition and results of operations.

Our growth prospects and future profitability depend on, among other things our ability to upgrade the production capability and increase production capacity, either generally or with respect to demand from customers for particular products.

To successfully upgrade our production capability and expand production capacity, we need to make cost-effective and efficient upgrade and expansion plans, expand and construct new facilities, maintain and purchase production equipment, and hire and train professionals necessary to operate such facilities or equipment, all of which may be affected by several factors including, but not limited to, the following:

- availability of working capital for constructing facilities or purchasing equipment;
- delays in completion of construction and shortages or delays in the delivery of equipment;
- difficulties or delays which may arise in installing the equipment; and
- implementation of new production processes.

We cannot guarantee that our upgrade or expansion plan, if implemented, will be operationally or financially successful and substantiated by sufficient market demand for or profit margin of our products. If we are unable to implement the upgrade or expansion plan cost-effectively and efficiently, our business and profitability may be adversely affected.

In addition, if we do not receive sufficient orders from our customers to effectively utilize our production bases, we may be subject to low utilization rates of production capacity or over-capacity for our production bases, which may hurt our profitability and results of operations. Furthermore, if market demand declines in the future, we may not be able to recoup the costs incurred for construction of any new production bases or expansion of any existing facilities and maintenance of expanded production capacity. Further, our Company has entered, and may in the future enter, into agreements for our expansion plans. Any delay or cancellation of our expansion plan or any failure to fulfill related commitments could also subject us to penalties or disputes with various counterparties. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

If we fail to maintain adequate inventory, or if we mismanage our inventory, we could lose sales or incur high inventory-related expenses, which could negatively affect our financial condition and results of operations.

Our inventories mainly include raw materials, semi-finished products and WIP and finished products. As of December 31, 2021, 2022, 2023 and June 30, 2024, we had inventories of RMB82.0 million, RMB382.1 million, RMB416.8 million and RMB440.7 million, respectively. Our business model requires us to manage our inventories efficiently.

We depend on our demand forecasts to make purchase decisions for raw materials and consumables and to pace our production progress to manage our inventories. Such demand, however, can change significantly from time to time and we may not always be able to accurately make predictions. Demand may be affected by general market conditions, end market conditions, new product launches, pricing and discounts, and not all of them are within our control. In addition, as we develop and market a new product, we may not be successful in establishing stable and favorable supplier relationships or accurately forecasting demand. The acquisition of certain types of raw materials and consumables may require significant lead time and prepayment and they may not be returnable. Furthermore, as we plan to continue expanding our product offerings, we expect to include a wider variety of raw materials and consumables, which will make it more challenging for us to manage our inventory and logistics effectively.

Our inventories are carried at the lower of cost and net realizable value. Cost 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 of completion and the estimated costs necessary to make the sale. During the Track Record Period, we had write down of inventories of RMB56.4 million, RMB64.3 million in 2021, 2022, respectively and reversal of inventory write-down of RMB2.0 million in 2023, and we had write down of inventories of RMB45.5 million in the six months ended June 30, 2024. See "Financial Information — Discussion of Certain Key Balance Sheet Items — Inventories." If we continue to experience inventory write down, our profitability, financial results and prospects will be negatively affected.

We cannot guarantee that our inventory levels will be able to swiftly meet the demands of customers, which may adversely affect our revenue. We also cannot guarantee that all of our inventory can be sold as products within a reasonable period of time. If we fail to manage our inventory effectively, we may be subject to increased inventory storage costs, a heightened risk of inventory obsolescence, a decline in inventory value and significant inventory write-offs. Any of the above may materially and adversely affect our results of operations and financial condition. On the other hand, if we underestimate demand for our products, or if our suppliers fail to supply in a timely manner, we may experience inventory shortages, which might result in diminished customer base and lost of revenue, any of which could harm our business, financial condition and results of operations.

If we are unable to manufacture or deliver high quality products on schedule and on a large scale, our business may be materially and adversely affected.

Mass production of our GaN power semiconductor products is crucial to our future financial prospects. As an IDM company, we control the entire production process to timely meet our customers' shipment orders. Although we have been ramping up our production capacity, we may face difficulties managing our production facilities and meeting our delivery deadlines when there is a surge in customer demand. If any of our production facilities experiences interruptions, delays or disruptions in supplying products, our ability to deliver products to customers would be impeded. Failure to fulfill customers' requirements and quality control problems that occur in the manufacturing process could prevent us from meeting the stipulated delivery deadline. For example, a decline in yield rates would adversely affect our production efficiency and product quality. We may also experience delays in shipments caused by our third-party logistic service providers. These delays or product quality issues could have an immediate and material adverse effect on our ability to fulfill orders and damage our reputation and brand, affecting our business, results of operations and financial condition.

Further, if our production facilities or suppliers experience any difficulties or shortages of raw materials, or if our suppliers are otherwise unable or unwilling to continue to provide raw materials in required volumes or at all, our supply may be disrupted, and we may be required to seek alternate sources of supply. The process would be time-consuming and could be costly and impracticable. Interruptions to supply will have an adverse effect on our ability to meet scheduled product deliveries and subsequently lead to the loss of sales.

The expansion into overseas markets may expose us to operational, financial and regulatory risks.

During the Track Record Period, our products were primarily sold in the PRC. As we started to expand overseas, in 2023 and the six months ended June 30, 2024, our revenue from overseas sales amounted to RMB58.0 million and RMB40.4 million, respectively. Sales to our customers outside mainland of the PRC accounted for 0.3%, 4.5%, 9.8%, 3.0% and 10.5% of our total revenue for 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. Expanding our global footprint and growing overseas sales is an important part of our future growth, but these efforts may not be successful. Overseas operations are subject to a number of risks, including but not limited to:

- foreign exchange control and exchange rate fluctuations;
- increased costs associated with maintaining the ability to understand the local markets and develop and maintain effective marketing and distributing presence in various countries;
- difficulties and costs related to providing after-sales services and customer support in these markets;
- difficulty with staffing and managing overseas operations;
- failure to develop and implement appropriate risk management and internal control structures tailored to overseas operations;
- difficulty and cost relating to compliance with different commercial and legal requirements of the overseas markets in which we offer or plan to offer our products;
- failure to obtain or maintain permits for our products or services in these markets;
- inability to obtain, maintain or enforce intellectual property rights;
- stringent consumer protection and product compliance regulations on our customers' products;
- unanticipated changes in prevailing economic conditions and regulatory requirements; and
- trade barriers such as export requirements, tariffs, taxes and other restrictions and expenses.

The occurrence of any of these risks could negatively impact our overseas expansion and consequently our business, financial condition and results of operating.

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 and enhancing our well-recognized brand is crucial to the success of our business and sustaining our market position. We operate in a highly competitive market characterized by rapid technological evolution, swift changes in customer demands and preferences, frequent introduction of new products and services, and the constant emergence of new industry standards and practices.

As a GaN power semiconductor company operating under the IDM model, we face competition and challenges from various market participants, including fabless companies, foundry companies, and other power semiconductor companies entering the GaN market. Fabless companies possess design capabilities and technological prowess, while foundry companies have competitive production advantages. Furthermore, established IDM companies that have historically specialized in silicon-based power semiconductors are now entering the GaN market, leveraging their well-established infrastructure and expertise. These companies present a challenge as they bring decades of experience in large-scale production and an existing customer base, while also ramping up efforts to adapt their production lines to GaN technology.

In addition, the successful promotion of our brand will depend on the effectiveness of our marketing efforts and word-of-mouth referrals we receive from satisfied customers. We may incur extra expenses in promoting our brand. The results of such initiatives may not cover the costs of the increased investment. We cannot guarantee that our marketing efforts will be successful, or that they will yield significant benefits that justify the costs. Any such failure may result in our declining market recognition and position, and materially and adversely affect our business, financial condition and results of operations.

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. The performance of our distributors, their ability and distribution network to sell our products are crucial to our rapid growth, which may have direct impacts on our revenue and profitability. 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 misconduct committed by our distributors. Fraud or other misconduct by our distributors may involve engaging in unauthorized misrepresentation to our 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 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 customers, regulatory and legal liabilities, as well as serious harm to our reputation.

An increase in prices of raw materials or shortage in supply may disrupt our supply chain, increase our production costs and delay deliveries of our products to customers.

We depend on third-party suppliers to provide a variety of materials necessary for the manufacturing of our GaN products, including monocrystalline silicon substrates, photoresists, cleaning fluids, sputtering targets and special gases. Our material costs allocated to cost of sales amounted to RMB23.6 million, RMB27.2 million, RMB67.7 million, RMB38.3 million and RMB37.6 million, respectively, in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, representing 9.5%, 5.1%, 7.1%, 7.1% and 8.0% of our total cost of sales for the respective periods. Our production volume and production costs depend on our ability to source key raw materials at competitive prices. However, the raw materials we use are subject to price volatility caused by external factors, such as commodity price fluctuations, changes in supply and demand, logistics and processing costs, our bargaining power with suppliers, inflation and governmental regulations and policies. We typically negotiate prices with our suppliers on an annual basis or through a bidding process, and we set out the terms in framework agreements that generally span a period of either one or three years. We have adopted comprehensive policies and measures to manage the price fluctuations of raw materials. See "Business — Procurement and Supply Chain Management — Raw Materials and Procurement."

Any shortages or delay in the supply of our raw materials could result in occasional price adjustments or cause delays in our production and delivery to customers. We may in the future experience price fluctuations and supply shortages of certain raw materials, and the predictability of the availability and pricing of these materials may be limited. If we are unable to keep up with demand for our products because of failing to obtain the materials needed to successfully manufacture and deliver our products in a timely manner, our business could be materially impaired, and market acceptance for our products could be adversely affected.

We may have limited control over the quality, availability and costs of our packaging, testing and assembly service providers.

We engage certain packaging, testing and assembly service providers to carry out GaN modules assembly as well as packaging and testing for our GaN products. Our inability to hire qualified service providers may hinder our ability to complete a project successfully. Our regular monitor and quality checks on the performance of service providers may not be effective or sufficient to ensure their service quality. We are exposed to legal liabilities if we are not able to monitor the performance of our service providers, or if our service providers violate any laws, rules or regulations in connection to matters such as environmental protection, and health and safety, which may affect their renewal of relevant registrations or license or may even lead to revocation of their registrations or license.

In addition, the engagement of service providers also exposes us to risks associated with any non-performance, delayed performance or substandard performance by our service providers. In such case, we will have to appoint replacement service providers and additional costs will be incurred. We may also incur additional costs or be subject to liability due to delay in schedule or defect in the works of our service providers or if there is any accident causing personal injuries or death of our service providers' employees. These events may impact our profitability, financial results and reputation, as well as result in litigation or damages claims.

We rely on third-party service providers and business partners to provide products and services to us and our customers.

We work with a broad range of third-party service providers and business partners, including logistic service providers and construction service providers. These third parties are also subject to their own risks relating to business interruption, systems and employee failures, and cybersecurity and data protection, and are also subject to their own legal, regulatory and market risks.

Our third-party service providers and business partners may not fulfill their respective commitments and responsibilities in a timely manner and in accordance with the terms agreed upon or applicable laws. In addition, while we have procedures in place for assessing risks along with selecting, managing and monitoring our relationships with third-party service providers, suppliers and business partners, we do not have control over their business operations or governance and compliance systems, practices and procedures, which may increase our financial, legal, operational and reputational risk. If we are unable to effectively manage our relationships with third-party service providers, suppliers and business partners, or for any reason our third-party service providers, suppliers or business partners fail to satisfactorily fulfill their commitments and responsibilities, our business, results of operations and financial condition could suffer. Upon expiry of existing contracts with third parties, we may not be able to renew such contracts at terms commercially favorable to us, if at all, or find an appropriate substitute in a timely manner, in which case our business may be adversely affected.

We are exposed to concentration risk of reliance on our major customers and suppliers.

During the Track Record Period, we generated a majority portion of our revenue from our major customers, primarily including leading providers of semiconductor manufacturing services, high-tech companies specializing in new energy technology as well as Tier-1 suppliers of automotive OEMs. Revenue generated from our five largest customers in each period during the Track Record Period accounted for 63.5%, 39.7%, 56.3% and 49.1% of our total revenue for the respective periods. Meanwhile, we rely on our suppliers, primarily including suppliers of construction services, equipment and packaging, testing and assembly services. Purchases from our five largest suppliers in each period during the Track Record Period accounted for 46.4%, 38.8%, 55.6% and 45.6% of our total purchases for the respective periods.

Our reliance on these major customers and suppliers subjects us to the concentration and counterparty risk from these customers and suppliers. We cannot assure you that we will be able to maintain our relationships with our major customers and suppliers in the future. Moreover, we cannot guarantee that our major customers or suppliers will not have a change of business scope or business model or will continue to maintain their market position and reputation. Any material adverse change to the operation, financial performance or financial condition of our major customers and suppliers may result in material adverse impact on their business with us. For example, if our major customers cease to purchase our products, or if the supply of assembly and testing services is disrupted or delayed, there can be no assurance that we will be able to find new customers with similar level of demands or new suppliers with similar supply capacity on comparable commercial terms within a reasonable period of time, or at all. Should any of these occur, our business, financial condition, results of operations and profitability may be adversely affected.

We face risks of sharing relevant R&D results and intellectual properties with our collaboration partners.

During the Track Record Period and up to the Latest Practicable Date, we collaborated with universities and research institutions to conduct R&D on certain technologies and shared certain R&D results. We also jointly applied for patents with our collaboration partners. We may enter into similar arrangements with our collaboration partners and other third parties in the future. Should the arrangements not be clearly articulated, they could lead to limited use of relevant shared R&D results, and the ownership of such shared R&D results may be unclear. There is no assurance that our relevant counterparties would not advertently or inadvertently misuse the R&D results that we collaboratively form, or advertently or inadvertently misappropriate the R&D results owned solely by us and that are incidentally shared during our collaboration with them. Our business, financial condition and results of operations may be adversely impacted if any of the aforementioned incidents happen.

We may need to raise additional capital in the future in order to execute our business plan, which may not be available on acceptable terms, or at all.

We may need additional capital in the future to fund our continued operations, and we may be unable to raise additional funds, whether through equity or debt financing, when needed on favorable terms or at all. If we do raise additional capital through public or private equity offerings, the ownership interest of our existing shareholders, including investors in this offering, will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect our shareholders' rights. If we raise additional capital through debt financing, we may be subject to covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. Any failure to raise capital as and when needed could have a negative impact on our financial condition and on our ability to pursue our business plans and strategies.

We incurred gross loss for the sales of our GaN products and had total deficit during the Track Record Period.

Our results of operations have been, and may continue to be, influenced by the expansion of our production lines and product offerings. In the early stage of business development, we recorded revenue from sales of limited number of qualified products produced during process and equipment commissioning. We also incurred substantial expenses before achieving economies of scale, such as labor costs, construction expenditures, renovation costs, rental expenses, equipment costs, compliance costs and other upfront costs. For the years ended December 31, 2021, 2022 and 2023, we recorded gross losses of RMB181.5 million, RMB394.1 million, RMB362.1 million, and we recorded gross losses of RMB234.6 million and RMB83.2 million in the six months ended June 30, 2023 and 2024, respectively, primarily because we were at the early stage of overall business development. See "Financial Information — Period-To-Period Comparison of Results of Operations." In addition, we had total deficit of RMB4,125.4 million as of December 31, 2021, which turned into total equity of RMB2,960.1 million, RMB1,963.9 million and RMB2,203.5 million as of December 31, 2022 and 2023 and June 30, 2024, respectively. Our deficit may limit our ability to obtain additional financing on favorable terms, or at all, which could hinder our ability to invest in new projects, expand our operations or respond to competitive pressures. The deficit may also restrict our ability to allocate funds towards essential operational activities, such as research and development, marketing, and talent acquisition. This could impair our ability to innovate and compete effectively in the market.

We remain committed to actively extending the application areas of our GaN products, while continuing to expand our product offerings. Such expansion may not be consistently successful and may incur losses if the revenue from the sales of our GaN products fails to offset our costs, which may materially and adversely affect our financial condition, results of operations and prospects.

We have incurred net losses, adjusted net losses (non-HKFRS measure) and net operating cash outflows throughout the Track Record Period, and we may continue to incur net losses, adjusted net losses (non-HKFRS measure) and net operating cash outflows in the near future.

For the years ended December 31, 2021, 2022 and 2023, we incurred loss for the period of RMB3,399.3 million, RMB2,205.5 million and RMB1,101.9 million, and we had loss for the period of RMB579.7 million and RMB488.0 million in the six months ended June 30, 2023 and 2024, respectively. Our net cash used in operating activities amounted to RMB562.1 million, RMB936.3 million, RMB593.6 million, RMB240.9 million and RMB155.5 million, respectively, in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024. Our net losses and adjusted net losses (non-HKFRS measure), as well as the net operating cash outflows during the Track Record Period, were primarily due to (i) the significant depreciation of production equipment prior to the realization of economies of scale; (ii) the significant amount of R&D expenses recognized during the Track Record Period; and (iii) the increasing selling and marketing expenses during the Track Record Period. We anticipate that our cost of sales and operating expenses will further increase in the foreseeable future as we continue to grow our business, expand geographically, invest and innovate our technology infrastructure, and further broaden our service offerings. We also expect to incur net loss, adjusted net losses (non-HKFRS measure) and net operating cash outflows in 2024.

We plan to improve our profitability through (i) achieving sustained growth in revenue; (ii) narrowing gross loss margin; (iii) improving operating efficiency; and (iv) improving cash flow performance. However, our future profitability will depend on a variety of factors, including the expansion and performances of our existing business, competitive landscape, customer preference and macroeconomic and regulatory environment. Our revenues may not grow at the rate we expect and it may not increase sufficiently to offset the increase in our costs and expenses. We may continue to incur losses in the future and we cannot assure you that we will eventually achieve our intended profitability. In addition, we may still record negative cash flow in the future and need to seek external financing to support our operations, such as available equity financing or bank facilities.

We may be exposed to credit risk arising from our trade receivables. Failure to collect our trade receivables in a timely manner or at all could have a material and adverse impact on our business, financial condition, liquidity and prospects.

Our trade and other receivables primarily include amounts due from our customers for products in the ordinary course of business. As of December 31, 2021, 2022, 2023 and June 30, 2024, our trade and other receivables amounted to RMB224.9 million, RMB150.4 million, RMB337.0 million and RMB387.6 million, respectively. The credit period granted to our customers was generally within 30 days to 90 days from the date of billing. See "Financial Information — Discussion of Certain Key Balance Sheet Items — Trade and Other Receivables" in this prospectus.

We cannot assure you that we will be able to collect all or any of our trade receivables on time, or at all. Our customers may face unexpected circumstances. Our trade receivables turnover days decreased from 201.4 days in 2021 to 134.7 days in 2022, further shortened to 132.5 days in 2023 and, as a result of our enhanced management of trade receivables. Our trade receivable turnover days remained relatively stable at 133.2 days in the six months ended June 30, 2024. We may not be able to receive such customers' payment of uncollected debts in full, or at all, and may be exposed to credit risk. The occurrence of such event would materially and adversely affect our financial condition and results of operations.

The fair value of our financial assets at fair value through profit or loss may face uncertainties and be subject to fluctuations as the valuation of its fair value involves the use of unobservable inputs.

During the Track Record Period, we recorded financial assets at fair value through profit or loss ("FVPL") which primarily consisted of wealth management products in banks in the PRC and Korea with variable interest rates. We had financial assets at FVPL of RMB1,000.2 million, RMB658.9 million, RMB20.1 million and RMB70.4 million as of December 31, 2021, 2022, 2023 and June 30, 2024, respectively. We managed and evaluated the performance of investments on a fair value basis in accordance with our business needs and investment strategy. Details of the fair value measurement of financial assets at FVPL, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, and the relationship of unobservable inputs to fair value are disclosed in Note 28(e) to the Accountants' Report in Appendix I to this Prospectus. The fair value of our financial assets measured at fair value through profit or loss is subject to potential fluctuations. The valuation of these assets involves the use of unobservable inputs, which can be inherently subjective and may not accurately reflect market conditions. Changes in assumptions or methodologies used in the valuation process could lead to substantial variations in the reported fair value of these financial assets. Consequently, any adverse changes in the fair value of these assets could materially and adversely affect our financial condition and results of operations.

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.

We benefited from preferential tax treatment and government grants during the Track Record Period. The PRC EIT Law and its implementation rules have adopted a statutory enterprise income tax rate of 25%. However, the income tax of an enterprise that has been determined to be a high-technology enterprise can be reduced to a preferential rate of 15%. In addition, under the PRC EIT Law and its relevant regulations, 100% additional tax deduction is allowed for qualified R&D costs from 1 January 2021 to 31 December 2023. If we cease to be entitled to preferential tax treatment or if the relevant PRC laws and regulations change, our income tax expenses may increase, which would adversely affect our financial condition and results of operations.

During the Track Record Period, we recorded government grants of RMB46.7 million, RMB17.8 million, RMB38.8 million, RMB7.8 million and RMB26.7 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively, which mainly consist of specific subsidies and other subsidies. See "Financial Information — Period-to-Period Comparison of Results of Operations — Other Net Income." We cannot assure you that we will continue to receive and benefit from such grants in the future.

We have granted, and may continue to grant, certain awards under our share incentive plans, which may result in increased share-based compensation expenses, affect our financial condition and results of operations, and potentially dilute the shareholding of our existing shareholders.

We adopted share incentive plans including share-based compensation for the benefit of our Directors, Supervisors and employees to incentivize and reward the eligible persons who have contributed to our success. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, we incurred share-based payments of RMB19.7 million, RMB30.6 million, RMB86.4 million, RMB30.7 million and RMB88.1 million, respectively. We believe the granting of share-based compensation is of significant importance to our ability to attract and retain key personnel and employees. Nevertheless, share-based compensation expenses would potentially dilute the shareholding of existing shareholders. We may continue to grant share-based compensation awards to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may affect our financial condition and results of operations. We may re-evaluate the vesting schedules, lock-up period, or other key terms applicable to the grants under the share incentive plan from time to time. If we choose to do so, we may experience a substantial change in our share-based compensation expenses in the reporting periods following this offering.

Our results of operations are affected by seasonal fluctuations.

Our results of operations are affected by seasonal fluctuations in demand for our products for consumer electronics, as impacted by market trends of the consumer electronics industry. In particular, due to the impacts of the public holidays such as the Spring Festival and the stocking and sales cycles of customers before or around holidays, we typically experience higher sales in the second and fourth quarters throughout the year. See "Financial Information — Key Factors Affecting Our Results of Operations — Seasonality." If we are unable to increase our production capacity to meet demand, we may lose potential sales and our customers may seek other sources to meet their needs. If we are unable to manage our production capacity during a seasonal or market-related downturn in demand, we may be unable to control costs. Our inability to react to changes in seasonal or cyclical demand on a timely basis may have a material adverse effect on our business, financial condition and results of operations.

Downturns or volatility in general economic conditions could have a material adverse effect on our business, financial condition, results of operations and liquidity.

Our sales and profitability depend significantly on general economic conditions and the demand for the end products in the markets in which our customers compete. Weaknesses in the economy and financial markets can lead to lower demand in our target product groups. Economic uncertainty affects businesses such as ours in a number of ways, making it difficult to accurately forecast and plan our future business activities. A decline in end-user demand can affect the demand of the customers for our products, and the tightening of credit in financial markets may lead consumers and businesses to postpone spending, either of which may cause our customers to cancel, decrease or delay their existing and future orders with us.

We may not accurately assess the impact of changing market and economic conditions on our business and operations. Any adverse changes in economic conditions, including any recession, economic slowdown or disruption of credit markets, may also lead to lower demand for our products. In addition, financial difficulties experienced by our suppliers or distributors could result in product delays, increased accounts receivable defaults and inventory challenges. All these factors related to global economic conditions, which are beyond our control, could adversely impact our business, financial condition, results of operations and liquidity.

Any failure to obtain requisite approvals, licenses or permits applicable to our business operation may have a material and adverse impact on our business, financial condition and results of operations.

In accordance with the laws and regulations in the jurisdictions in which we operate, we are required to maintain various approvals, licenses, permits and certifications in order to operate our business. See "Business — Licenses, Approvals and Permits." Complying with such laws and regulations may require substantial expense and may impose a significant burden, while any noncompliance may expose us to liability. Furthermore, the regulatory requirements of certain sectors, such as data security and cybersecurity are relatively new and continuously evolving. Please see "Regulatory Overview — Regulations on Cybersecurity and Data Protection" for further details. Therefore, with the introduction and enactment of new laws and regulations, as well as the refinement of interpretations and applications of existing ones, we cannot assure you that we will not be found in violation of any future laws, regulations and policies or any of the laws, regulations and policies currently in effect due to changes and developments in this regard. If we fail to maintain compliance with law, or otherwise fail to complete, obtain or maintain any of the required licenses or approvals or make the necessary filings in any of the jurisdiction where we operate our business, we may be subject to adverse consequences.

In addition, in the event that we are required to renew our existing licenses or permits or acquire new ones, whether as a result of the promulgation of new laws and regulations or otherwise, we cannot assure you that we will be able to meet the requisite conditions and requirements, or obtain all requisite approvals, licenses, permits and certifications in a timely manner. If we are unable to obtain, or experience material delays in obtaining, necessary government approvals, our operations may be substantially disrupted, which could materially and adversely affect our business, financial condition and results of operations.

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 generated during or in connection with our business operations, including our business and transactions with our customers, suppliers and business partners. See "Business — Data Security and Privacy." The secure maintenance of such data is critical. Despite our data security and protection 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.

Our employees or other third parties may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements, which could cause significant liability for us, harm our reputation or otherwise result in other consequences that may have a material adverse effect on our business, financial condition and results of operations.

Misconduct could include violations of laws, fraud or other improper activities. Examples could include the failure to comply with our policies and procedures or with regulatory requirements relating to environmental, health or safety matters, bribery of foreign government officials, import-export controls, lobbying or similar activities, and any other applicable laws or regulations. Although we have implemented policies, procedures and controls to prevent and detect these activities, these precautions may not prevent all misconduct, and as a result, we could face unknown risks or losses. Our failure to comply with applicable laws or regulations due to misconduct or other improper activities by any of our employees, suppliers, agents or business partners could damage our reputation and may subject us to fines and penalties, restitution or other damages, or loss of current and future customer contracts, any of which would adversely affect our business, financial condition and results of operations.

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. As of the Latest Practicable Date, we obtained and maintained insurance policies that we believe are customary for businesses of our size and type and in line with standard commercial practice in China. As of the Latest Practicable Date, we had not maintained product liability insurance, and do not carry any business interruption or litigation insurance. See "Business — Insurance." We cannot guarantee that a product liability claim or other litigation will not be brought against us in the future, or that we will be able to purchase product liability insurance or other related insurance on acceptable terms. If we were to incur substantial losses or liabilities due to fire, explosions, floods or other natural disasters, disruption in our network infrastructure, production facilities or business operations, or any material litigation, our results of operations could be materially and adversely affected. Our current insurance coverage may not be sufficient to prevent us from suffering any loss and there is no certainty that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we were held liable for uninsured losses or amounts and claims for insured losses exceeding the limits of our insurance coverage, our business, financial conditions, results of operations and prospects may be materially and adversely affected.

We are subject to potential material and adverse effects in respect of defects in our existing properties owned and leased in China.

As of the Latest Practicable Date, we leased seven buildings with an aggregate gross floor area of approximately 5,379.7 sq.m as our offices and employee dormitories. As of the Latest Practicable Date, we completed the registration of three lease agreements for these leased buildings with the relevant competent authorities in accordance with applicable laws and regulations in China. As advised by our PRC Legal Advisor, if we or the landlords fail to register such lease agreements for our leased buildings as required by the relevant competent authorities, we may be subject to a fine of RMB1,000 to RMB10,000 for each of the unregistered lease agreement. There can be no assurance that the relevant government authorities would not impose administrative penalties on us as a result of the non-registration of these lease agreements.

Our property valuation is based on certain assumptions which, by their nature, are subjective and uncertain and may materially differ from actual results.

Valuations of our selected property interest as of October 31, 2024 prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, are set forth in the valuation report set out as Appendix III to this prospectus. The valuations are made based on assumptions which, by their nature, are subjective and uncertain and may differ from actual results. In addition, unforeseeable changes in general and local economic conditions or other factors beyond our control may affect the value of our properties. As a result, the valuation of our properties may differ materially from the price we could receive in an actual sale of the properties in the market and should not be taken as their actual realizable value or an estimation of their realizable value.

We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our operations.

Our business could be materially and adversely affected by natural disasters, such as snowstorms, earthquakes, fires or floods, outbreaks of a widespread health epidemic or pandemic, or other events such as wars, acts of terrorism, environmental accidents, power outages or communication interruptions. Such events may also significantly affect our industry and may even cause a temporary closure of the facilities we or our business partners use for our operations, which would severely disrupt our operations and have a material adverse effect on our business, financial condition and results of operations. Our operations could be disrupted if any of our employees or employees of our business partners were suspected of having any of the epidemic or pandemic illnesses, since this could require us or them to quarantine some or all of such employees or disinfect the facilities used for our operations. In addition, our revenue and profitability could be materially reduced to the extent that a natural disaster, health epidemic or pandemic or other outbreaks harm the global or PRC economy in general.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY IN THE PRINCIPAL PLACE OF OUR BUSINESS

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

Substantially all of our operations are located 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.

The Chinese economy has experienced significant growth over the past decades, and 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. Any economic downturn, whether actual or perceived, further decrease in economic growth rates or an otherwise uncertain economic outlook in our geographic markets or any other market in which we may operate could affect our business, financial condition and results of operations.

In addition, the global economic, political and social conditions are evolving rapidly and are 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 may have a 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.

Holders of our H Shares may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our H Shares.

As is customary with all major economies, China has tax treaties or similar arrangements with jurisdictions across the world. Under the EIT Law and its implementation rules and Notice on the Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Non-resident Enterprises (《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) (國稅函[2008]897號), dated November 6, 2008, issued by the SAT, subject to any applicable tax treaty or similar arrangement between

China and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are resident enterprises outside of the PRC, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is subject to 10% (or a lower rate) PRC income tax if such gain is regarded as income derived from sources within the PRC unless a treaty or similar arrangement otherwise provides. As of the Latest Practicable Date, there were no specific rules on how to levy tax on gains realized by non-resident enterprise holders of H Shares through the sale or transfer by other means of H Shares.

Under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementation rules, income and gains from sources within the PRC paid to foreign individual investors who are not residents in the PRC are generally subject to a PRC withholding tax 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. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) (國稅函[2011]348號) dated June 28, 2011, issued by the SAT, dividends paid to non-PRC resident individual holders of H Shares are generally subject to individual income tax of the PRC at the withholding tax rate of 10%, depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides as well as the tax arrangement between the PRC and Hong Kong. Non-PRC resident individual holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20% withholding tax on dividends received from us. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF of the PRC and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges.

If any PRC income tax is collected from the transfer of our H Shares or on dividends paid to our non-PRC resident investors, the value of your investment in our H Shares may be affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with the PRC may not qualify for benefits under such tax treaties or arrangements.

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

We are a company incorporated under the laws of the PRC and substantially all of our business, assets and operations are located in China. In addition, the majority of our Directors, Supervisors and executive officers reside in China, and substantially all of the assets of such Directors, Supervisors and executive officers are located in China. As a result, it may not be possible for you to directly effect service of process upon us or such Directors, Supervisors or executive officers who reside in China, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Pursuant to Arrangements for Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Cases between Courts of the Mainland and 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》) effective on January 29, 2024, promulgated by the Supreme People's Court, a party with an enforceable final court judgment rendered by any designated people's court of China or any designated Hong Kong court with respect to any civil and commercial cases excluding certain types of which, may apply for recognition and enforcement of the judgment in the relevant people's court of China or Hong Kong court.

China has not entered into a treaty for the reciprocal recognition and enforcement of court judgments with the United States, the United Kingdom, Japan and many other countries. In addition, Hong Kong has no arrangement with the United States for reciprocal enforcement of judgments. In accordance with the Civil Procedure Law of the PRC and other applicable laws, regulations, and interpretations, a court judgment obtained in the United States and any of the other jurisdictions mentioned above may be recognized and enforced in China or Hong Kong in consideration of the treaties providing for the reciprocal enforcement of judgments of courts between China and the country where the judgment was made.

The foreign exchange regulations may limit our business and results of operations and our ability to remit dividends.

Conversion and remittance of foreign currencies are subject to the foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we shall have sufficient foreign exchange to meet our foreign exchange needs. For example, under the Chinese current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the 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. Foreign exchange transactions under the capital account, however, normally need to be approved by or registered with the SAFE or its local branch unless otherwise permitted by law. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or satisfy any other foreign exchange obligation. If we fail to obtain approvals from the SAFE to convert RMB into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business may be materially and adversely affected and could subject us to administrative penalties and fines.

Fluctuations in exchange rates could result in foreign currency exchange losses.

The exchange rate of Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by, among other things, changes in international political and economic conditions, as well as supply and demand in the local market. There is no assurance that, under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. It is difficult to predict how market forces or government policies may impact the exchange rate between Renminbi and the Hong Kong dollar, U.S. dollar or other currencies in the future.

The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of Renminbi against the U.S. dollar, Hong Kong dollar or any other foreign currency may result in a decrease in the value of our proceeds from the Global Offering. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our 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 Shares in foreign currency terms. Remittances of Renminbi into and out of China are subject to strict restrictions.

Any failure to fully comply with present or future environmental, safety and occupational health laws and regulations in the PRC may have a material adverse effect on our business, financial condition and results of operations.

Our business is subject to certain PRC laws and regulations relating to environmental, safety and occupational health matters. Under these laws and regulations, we are required to maintain safe production conditions and protect the occupational health of our employees. While we have conducted periodic inspections of our operating facilities and carry out equipment maintenance on a regular basis to ensure that our operations are in compliance with applicable laws and regulations, we cannot assure you that we will not experience any material accidents or worker injuries in the course of our production process in the future.

Our production process produces pollutants such as wastewater, solid and liquid waste. The discharge of wastewater and other pollutants from our manufacturing operations into the environment may give rise to liabilities that may require us to incur costs to remedy such discharge. We cannot assure you that all situations that will give rise to material environmental liabilities will be discovered or any environmental laws adopted in the future will not materially increase our operating costs and other expense. Should the PRC impose stricter environmental protection standards and regulations in the future, we cannot assure you that we will be able to comply with such new regulations at reasonable costs, or at all. Any increase in production costs resulting from the implementation of additional environmental protection measures and/or failure to comply with new environmental laws or regulations may have a material adverse effect on our business, financial condition or results of operations.

In addition, we are subject to various ESG rules and regulations by governing bodies, including the Stock Exchange and the SFC once we become a public company, as well as regulatory authorities in China. We must also adapt to new and evolving regulatory measures under applicable laws and changing social trends concerning ESG risks. Investors are increasingly focused on ESG issues and tend to incorporate ESG performance into their investment decisions, while customers are becoming more environmentally conscious, preferring products with green and environmentally friendly design and production. For details, see "Business — Environmental, Social and Governance — ESG Risk Identification, Assessment and Management and Opportunities." Our efforts to comply with new and changing laws, regulations and social trends may result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities, which may adversely affect our business, financial condition or results of operations.

Any failure to make adequate contributions to various employee benefit plans as required by PRC regulations may subject us to penalties.

Companies operating in China are required to participate in various employee benefit plans, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing provident fund and contribute to the amounts equal to certain percentage of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their business. The requirement of employee benefit plans has not been implemented consistently by the local governments in China given the different levels of economic development in different locations.

As advised by our PRC Legal Advisor, we were in compliance with applicable laws and regulations related to social insurance and housing provident funds in all material aspects during the Track Record Period. However, we cannot assure you that any new laws and regulations or any changes in the implementation of the existing laws and regulations will not require us to pay any contribution shortfall or impose late payment penalties and fines on us retroactively, thereby adversely affecting our financial condition and results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares, and their liquidity and market price may be volatile.

There was no public market for our H Shares prior to the Global Offering. There can be no guarantee that a public market for our H Shares with adequate liquidity and trading volume will develop and be sustained following the completion of the Global Offering. In addition, the Offer Price of our H Shares is expected to be fixed by agreement between the Joint Representatives (for themselves and on behalf of the Underwriters) and us, which may not be indicative of the market price of our H Shares following the completion of the Global Offering. If an active public market for our H Shares does not develop following the completion of the Global Offering, the market price and liquidity of our H Shares may be materially and adversely affected.

The liquidity, trading volume and market price of our H Shares following the Global Offering may be volatile, which could result in substantial losses to investors.

The price at which our H Shares will trade after the Global Offering will be determined by the marketplace, which may be affected by various factors beyond our control, including:

- our financial performance;
- changes in securities analysts' estimates, if any, of our financial performance;
- the history of, and the prospects for, ourselves and the industry in which we operate;
- an assessment on the prospects for, and timing of, our future revenue and cost structures that independent research analysts may publish, if any;
- the present state of our development;
- the valuation of publicly traded companies that are engaged in business activities similar to ours;
- general market sentiment regarding the industry we operate in;
- changes in laws and regulations of China;
- our actual or perceived failure to compete effectively in the market; and
- political, economic, financial and social conditions.

In addition, the Hong Kong Stock Exchange has from time to time experienced significant volatility in trading prices and volumes that have affected the market prices of securities of companies quoted on the Hong Kong Stock Exchange. As a result, investors in our H Shares may experience volatility in the market price of their H Shares and a decrease in the value of their H Shares regardless of our operating performance or prospects.

Our Controlling Shareholders Group has substantial influence over our Group and its interests may not be aligned with the interests of our other Shareholders.

Our Controlling Shareholders Group have significant influence in determining the outcome of any corporate transaction or other matter submitted to the Shareholders for approval, including but not limited to mergers, privatizations, consolidations and the sale of all, or substantially all, of our assets, election of directors, and other significant corporate actions. Immediately following the completion of the Global Offering (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised), the Controlling Shareholders Group will be together entitled to control the exercise of approximately 32.70% of the voting rights and thus remain as a group of Controlling Shareholders of our Company. The interests of our Controlling Shareholders Group might differ from the interests of our other Shareholders. In the event that our Controlling Shareholders Group cause us to pursue strategic objectives that conflict with the interests of our other Shareholders, our other Shareholders could be disadvantaged, and their interests could be damaged. Any conflict of interest between our Controlling Shareholders Group and our other Shareholders may also materially and adversely affect the aspects such as the decision and implementation of our business plans, which may in turn affect our operations and prospects.

We cannot assure you when, whether and in what form or size we will pay dividends in the future.

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Distributions of dividends shall be decided by our Board of Directors at their discretion and will be subject to the approval of the general meeting. A decision to declare or to pay dividends and the amount thereof depend on various factors, including but not limited to our results of operations, cash flows and financial position, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or HKFRSs (whichever is lower), our Articles of Association and other constitutional documents, the PRC Company Law and any other applicable laws and regulations in China, market conditions, our strategy and projection for our business, contractual restrictions and obligations, taxation, regulatory restrictions and any other factors from time to time deemed by our Board of Directors as relevant to the declaration or suspension of dividends. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy.

Should the Offer Price be higher than the net tangible book value per Share, subject to pricing, you may experience an immediate dilution in the book value of the Offer Shares you purchased in the Global Offering and may experience further dilution if we issue additional Shares in the future.

The Offer Price of the Offer Shares may be higher than the net tangible book value per Share immediately prior to the Global Offering. As a result, you and other purchasers of the Offer Shares in the Global Offering may experience an immediate dilution in pro forma net tangible asset value. In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the Offer Shares may experience dilution in the net tangible asset value per share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time. Furthermore, we may issue Shares pursuant to share incentive schemes, which would further dilute Shareholders' interests in our Company.

Certain facts, forecast and statistics contained in this prospectus are derived from publicly available official government sources and they may not be reliable.

Certain facts, forecast and statistics contained in this prospectus relating to China, the PRC economy and the industry in which we operate have been derived from various official government publications. We have taken reasonable care in the reproduction or extraction of the official government publications for the purpose of disclosure in this prospectus. However, the information from the official government sources were not prepared or independently verified by us, the Joint Sponsors, the Joint Representatives, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts, forecast and statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this prospectus may be inaccurate or may not be comparable to statistics produced with respect to other economies. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts, forecast and statistics.

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

This prospectus contains certain statements and information that are forward-looking and uses forward-looking terminology such as "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," and other similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and, as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the Global Offering.

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the Global Offering. Prior to the publication of this prospectus, there has been press and media coverage regarding us and the Global Offering. Such press and media coverage may include references to certain information that does not appear in this prospectus, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and you should not rely on such information.

In preparation for the Global Offering, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have a sufficient management presence in Hong Kong, which normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 of the Listing Rules may be waived by having regard to, among other considerations, our arrangements for maintaining regular communication with the Stock Exchange.

Given that (i) our business operations are principally located, managed and conducted in the PRC and will continue to be principally based in the PRC; (ii) most of our executive Directors principally reside in the PRC and will continue to reside in the PRC; and (iii) the management and operation of our Group have mainly been under supervision of the executive Directors of our Company, who are principally responsible for the overall management, corporate strategy, planning, business development and control of our Group's business, we do not have, and do not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

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:

1. **Authorized Representatives:** We have appointed Dr. Luo and Mr. Chung Ming Fai (鍾明輝) ("**Mr. Chung**") as our authorized representatives ("**Authorized Representatives**") for the purpose of Rules 3.05 of the Listing Rules. The Authorized Representatives will act as our principal channel of communication with the Stock Exchange and would be readily contactable by the Stock Exchange, and if required, will be able to meet with the Stock Exchange to discuss any matters in relation to our Company within a reasonable period of time;

2. **Directors:** When the Stock Exchange wishes to contact our Directors on any matter, each of the Authorized Representatives will have all necessary means to contact each of our Directors (including our independent non-executive Directors) promptly at all times. To enhance communication between the Stock Exchange, our Authorized Representatives and our Directors, we have implemented the following measures: (a) each Director will provide his/her mobile telephone number, office phone number, e-mail address and facsimile number (to the extent applicable) to the Authorized Representative; (b) in the event that a Director expects to travel or is otherwise out of office, he or she will provide the telephone number of the place of his or her accommodation to the Authorized Representatives; and (c) we have provided the telephone number, e-mail address and facsimile number of each Director to the Stock Exchange. Each of our other Directors who does not ordinarily reside in Hong Kong possesses or can apply for valid travel documents to visit and will be able to meet with the Stock Exchange within reasonable period of time; and

3. **Compliance Advisor:** We have appointed Maxa Capital Limited as our compliance advisor ("**Compliance Advisor**") pursuant to Rule 3A.19 of the Listing Rules, who will provide us with professional advice on continuing obligations under the Listing Rules and act as our additional channel of communication with the Stock Exchange during the period from the Listing Date to the date on which our Group complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date. The Compliance Advisor will be available to answer inquiries from the Stock Exchange. We have also provided to the Stock Exchange the names, mobile phone numbers, office phone numbers, facsimile numbers and email addresses of at least two officers of the Compliance Advisor who will act as our Compliance Advisor's contact persons between the Stock Exchange and our Company.

WAIVER IN RESPECT OF APPOINTMENT OF JOINT COMPANY SECRETARY

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary 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 the company secretary. Note 1 to Rule 3.28 of the Listing Rules provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules further provides that the Stock Exchange considers the following factors in assessing the "relevant experience" of the individual:

(a) length of employment with the issuer and other issuers and the roles he/she played;

(b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

We have appointed Ms. Liu Lihua (劉麗華) ("**Ms. Liu**") and Mr. Chung as the joint company secretaries of our Company. See "Directors, Supervisors and Senior Management — Joint Company Secretaries" in this prospectus for further biographical details of Ms. Liu and Mr. Chung.

Mr. Chung is a fellow of the Hong Kong Institute of Certified Public Accountants and a member of Certified Public Accountants Australia, who fully meets the qualification requirements stipulated under Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

Accordingly, while Ms. Liu does not possess the qualification required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules on the basis of the arrangements below:

1. Ms. Liu will endeavor to attend relevant training courses, including briefings on the latest changes to the relevant applicable Hong Kong laws and regulations and the Listing Rules which will be organized by our Hong Kong legal advisors on an invitation basis and seminars organized by the Stock Exchange for listed issuers from time to time;

2. both Ms. Liu and Mr. Chung have confirmed that each of them will be attending a total of no less than 15 hours of training courses on the Listing Rules, corporate governance, information disclosure, investors relations as well as the functions and duties of the company secretary of a Hong Kong listed issuer during each financial year as required under Rule 3.29 of the Listing Rules;

3. Mr. Chung will assist Ms. Liu to enable him to acquire the relevant experience (as required under Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as our company secretary;

4. Mr. Chung will communicate regularly with Ms. Liu on matters relating to corporate governance, the Listing Rules and any other laws and regulations which are relevant to our Company and its affairs. Mr. Chung will work closely with, and provide assistance to, Ms. Liu in the discharge of her duties as a company secretary, including organizing our Board meetings and Shareholders' general meetings;

5. upon expiry of Ms. Liu's initial term of appointment for an initial period of three years from the Listing Date as the company secretary of our Company, our Company will evaluate her experience in order to determine if she has acquired the qualifications required under Rule 3.28 of the Listing Rules, and whether on-going assistance should be arranged so that Ms. Liu's appointment as the company secretary of our Company continues to satisfy the requirements under Rules 3.28 and 8.17 of the Listing Rules;

6. our Company has appointed Maxa Capital Limited as its Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules which will act as the additional communication channel with the Stock Exchange and provide professional guidance and advice to our Company and Ms. Liu as to the compliance with the Listing Rules and all other applicable laws and regulations; and

7. the waiver can be revoked with immediate effect if there are material breaches of the Rules 3.28 and 8.17 of the Listing Rules by our Company.

Before the end of the three-year period, we shall liaise with the Stock Exchange to revisit the situation in the expectation that we should then be able to demonstrate to the Stock Exchange's satisfaction that Ms. Liu, having had the benefit of Mr. Chung's assistance for three years, would then have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver would not be necessary.

WAIVER IN RESPECT OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into and are expected to continue with certain transactions after the Listing which will constitute non-exempt continuing connected transactions under Chapter 14A of Listing Rules. We have applied for, and the Stock Exchange has granted us, waivers from strict compliance with the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in the section headed "Connected Transactions — Non-Exempt Continuing Connected Transactions."

WAIVER FROM STRICT COMPLIANCE WITH RULE 10.04 OF AND CONSENT UNDER PARAGRAPH 5(2) OF APPENDIX F1 TO THE LISTING RULES AND PARAGRAPH 17 OF CHAPTER 4.15 OF THE GUIDE IN RESPECT OF SUBSCRIPTIONS OF OFFER SHARES BY CLOSE ASSOCIATES OF EXISTING SHAREHOLDER AS CORNERSTONE INVESTORS

Rule 10.04 of the Listing Rules provides that a person who is an existing shareholder of the issuer may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the conditions in Rule 10.03(1) and (2) of the Listing Rules are fulfilled. The conditions in Rules 10.03(1) and (2) of the Listing Rules are that (i) no securities will be offered to them on a preferential basis and no preferential treatment will be given to them in the allocation of the securities; and (ii) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved.

Paragraph 5(2) of the Placing Guidelines (the "**Placing Guidelines**") provides, *inter alia*, that without the prior written consent of the Stock Exchange, no allocations will be permitted to directors or existing shareholders of the applicant or their close associates, whether in their own names or through nominees unless the conditions set out in Rules 10.03 and 10.04 of the Listing Rules are fulfilled.

Paragraph 12 of Chapter 4.15 of the Guide provides that the Stock Exchange will consider granting a waiver from Rule 10.04 of the Listing Rules and a consent, pursuant to paragraph 5(2) of Appendix F1 to the Listing Rules, to allow a listing applicant's existing shareholders or their close associates to participate in its initial public offering if any actual or perceived preferential treatment arising from their ability to influence the listing applicant during the allocation process can be addressed.

Paragraph 17 of Chapter 4.15 of the Guide also provides that the Stock Exchange will consider granting a consent and/or waiver to allow an existing shareholder and/or its close associates and a cornerstone investor to subscribe or purchase further securities in the IPO without fulfilment of the existing shareholders conditions under paragraph 13 of Chapter 4.15 of the Guide subject to the disclosure of details of the allocation in the listing document and/or the allotment results announcement, and the following:

(i) The offer (excluding any over-allocation) has a total value of at least HK$1 billion;

(ii) Securities allocated to all existing shareholders and their close associates (whether as cornerstone investors and/or as placees) as permitted under this exemption do not exceed 30% of the total number of securities offered; and

(iii) Each director, chief executive, controlling shareholder and, in the case of PRC issuers, supervisor of the applicant must have confirmed that no securities have been allocated to them or their respective close associates under this exemption.

(together, the "**Size-based Exemption Conditions**")

As further described in the section headed "Cornerstone Investors", the beneficial owner of each of Dongfang Chuanglian, Jiangsu Mixed Ownership Reform Fund and Suzhou High-end Equipment is Wujiang District Government of Suzhou (蘇州市吳江區人民政府國有資產監督管理辦公室) ("**Wujiang SASAC**"), Jiangsu Provincial People's Government (江蘇省人民政府) and Suzhou Finance Bureau (蘇州財政局), respectively. Therefore, each of Dongfang Chuanglian, Jiangsu Mixed Ownership Reform Fund and Suzhou High-end Equipment is ultimately controlled by Jiangsu Provincial People's Government (江蘇省人民政府) or other different levels of government bodies of Jiangsu Province. Dongfang Chuanglian, Jiangsu Mixed Ownership Reform Fund and Suzhou High-end Equipment are therefore close associates of one of our existing Shareholders, Wujiang Industrial Investment, a wholly-owned subsidiary of Suzhou Wujiang Dongfang State-owned Capital Investment and Management Co., Ltd. (蘇州市吳江東方國有資本投資經營有限公司). Each of Dongfang Chuanglian, Jiangsu Mixed Ownership Reform Fund and Suzhou High-end Equipment has entered into a cornerstone investment agreement with our Company (the "**Proposed Cornerstone Investments**"). For further details of the cornerstone investments, please refer to the section headed "Cornerstone Investors".

We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with the requirements under Rule 10.04 and consent under Paragraph 5(2) of Appendix F1 to the Listing Rules and paragraph 17 of Chapter 4.15 of the Guide for allocation of securities to Dongfang Chuanglian, Jiangsu Mixed Ownership Reform Fund and Suzhou High-end Equipment on the conditions that:

(i) the Size-based Exemption Conditions will be fulfilled;

(ii) save for guaranteed allocation of the H Shares in the International Offering at the Offer Price as cornerstone investors, none of Dongfang Chuanglian, Jiangsu Mixed Ownership Reform Fund and Suzhou High-end Equipment has received, and will receive, any other preferential treatment (including direct or indirect benefits) under the Proposed Cornerstone Investments by virtue of their respective relationship with Wujiang Industrial Investment as well as their respective indirect relationship with our Company by virtue of its relationship with Wujiang Industrial Investment;

(iii) the terms of the Proposed Cornerstone Investments will be substantially the same as, or no more favourable than, the subscription terms of the other cornerstone investor in the Global Offering (including being subject to a lock-up period of six months from the Listing Date);

(iv) none of Wujiang Industrial Investment, Dongfang Chuanglian, Jiangsu Mixed Ownership Reform Fund or Suzhou High-end Equipment will be entitled to any Director appointment or other special rights after the Listing;

(v) our Company will comply with the public float requirement under Rule 8.08(1) of the Listing Rules; and

(vi) details of the Proposed Cornerstone Investments will be disclosed in the final prospectus and the allotment results announcement to be published in connection with the Global Offering.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors (including any proposed director who is named as such in this Prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) for the purpose of giving information to the public with regard to the Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

CSRC FILING

We have filed the required documents with the CSRC on June 13, 2024, and the CSRC has issued the filing notice dated November 27, 2024, confirming our completion of the filing procedures pursuant to the new filing regime introduced by the New Regulations on Filing for the Global Offering, the conversion of Domestic Unlisted Shares into H Shares and the application for listing of the H Shares on the Hong Kong Stock Exchange. In granting such approval, the CSRC accepts no responsibility for the financial soundness of us or for the accuracy of any of the statements made or opinions expressed in this prospectus.

INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applications under the Hong Kong Public Offering, this prospectus contains the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of initially 4,536,400 Offer Shares and the International Offering of initially 40,827,600 Offer Shares (subject, in each case, to reallocation on the basis as set out in "Structure of the Global Offering" in this prospectus and without taking into consideration any exercise of the Offer Size Adjustment Option and the Over-allotment Option).

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by the Company, the Joint Sponsors, Joint Representatives, the Overall Coordinators, the Capital Market Intermediaries, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees, advisers, agents or representatives, or any other persons or parties involved in the Global Offering. Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in this prospectus is correct as of any subsequent time.

For details of the structure of the Global Offering, including its conditions and the arrangements relating to the Offer Size Adjustment Option, the Over-allotment Option and stabilization, see "Structure of the Global Offering."

INFORMATION ON THE CONVERSION OF CERTAIN DOMESTIC UNLISTED SHARES INTO H SHARES

The Company has made the CSRC filing for the conversion of certain Domestic Unlisted Shares into H Shares, which involves 444,228,787 Shares held by 51 Shareholders. Please see sections headed "History, Development and Corporate Structure" and "Share Capital" in this prospectus for details of the aforementioned shareholders and their interests in the Company and relevant procedures for the conversion of Domestic Unlisted Shares into H Shares. Such H Shares are restricted from trading for a period of one year after the Listing pursuant to the PRC Company Law.

The conversion of Domestic Unlisted Shares into H Shares has been filed with the CSRC on June 13, 2024 with the notification issued by the CSRC on completion of the filling procedures on November 27, 2024 and the listing and trading of the H shares converted on the Hong Kong Stock Exchange is still subject to the approval by the Hong Kong Stock Exchange.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for the Hong Kong Offer Shares is set forth in "How to Apply for Hong Kong Offer Shares" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of Hong Kong Offer Shares to, confirm that he/she is aware of the restrictions on the offer and sale of the Hong Kong Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares outside Hong Kong or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation for subscription. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered and sold, directly or indirectly, in the PRC.

UNDERWRITING

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Representatives. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters subject to the terms and conditions of the Hong Kong Underwriting Agreement. The International Offering is expected to be fully underwritten by the International Underwriters or the Over-allotment Underwriters, as applicable, subject to the agreement on the Offer Price between the Joint Representatives (for themselves and on behalf of the Underwriters) and us. For further details on the Underwriters and the underwriting arrangements, please see “Underwriting.”

APPLICATION FOR LISTING OF THE H SHARES ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the granting of listing of, and permission to deal in, our H Shares to be issued pursuant to (i) the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option); and (ii) the H Shares to be converted from our Domestic Unlisted Shares. Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence on Monday, December 30, 2024. No part of our H Shares is listed on or dealt in on any other stock exchange, and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by or on behalf of the Hong Kong Stock Exchange.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisers for the details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made for the H Shares to be admitted in to CCASS.

REGISTER OF MEMBERS AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Global Offering and converted from our Domestic Unlisted Shares will be registered on our H Share register of members to be maintained in Hong Kong by our H Share Registrar, Tricor Investor Services Limited. Our principal register of members will be maintained by us at our headquarters in the PRC.

Dealings in the H Shares registered in our H Share register of members will be subject to Hong Kong stamp duty.

DIVIDENDS PAYABLE TO HOLDERS OF H SHARES

Unless determined otherwise by the Company, dividends payable in Hong Kong dollars in respect of our H Shares will be paid to the Shareholders as recorded on the H Share register of the Company in Hong Kong and sent by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

According to the Guide to the Program for "Full Circulation" of H shares promulgated by CSDC on February 7, 2020, cash dividends to domestic investors of H-share "full circulation" shall be distributed through CSDC. An H-share listed company shall transfer RMB cash dividends to the designated bank account of the Shenzhen subsidiary of CSDC, who shall complete the clearing of cash dividends by distributing the cash dividends to investors through domestic securities companies.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed Tricor Investor Services Limited, our H Share Registrar, and it has agreed not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until the holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

- agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and our Articles of Association;

- agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each of our Shareholders, to refer all differences, disputes and claims concerning our affairs and arising from any rights or obligations conferred or imposed by our Articles of Association, the PRC Company Law or other relevant laws, rules and regulations to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;

- agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and

- authorizes us to enter into a contract on his behalf with each of our Directors, Supervisors, and senior officers whereby such Directors, Supervisors, and senior officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association. Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making an application or purchase, to have represented that they are not close associates (as defined in the Hong Kong Listing Rules) of any of the Directors or Supervisors of the Company or an existing Shareholder of the Company or a nominee of any of the foregoing.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposal of, dealing in or the exercise of any rights in relation to our H Shares. None of the Company, the Joint Sponsors, Joint Representatives, the Overall Coordinators, the Capital Market Intermediaries, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees, advisers, agents or representatives, or any other persons or parties involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposal of, dealing in, or the exercise of any rights in relation to, our H Shares.

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail. For ease of reference, the names of the Chinese laws and regulations, government authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages, the Chinese version of these names shall prevail in the event of any inconsistency.

ROUNDING

Certain amounts and percentage figures, such as share ownership and operating data, included in this prospectus may have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

CURRENCY TRANSLATIONS

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars.

Unless otherwise specified, this prospectus contains certain translations for the convenience purposes at the following rates: Renminbi into Hong Kong dollars at the rate of HK$1.00 to RMB0.9251, Renminbi into U.S. dollars at the rate of US$1.00 to RMB7.1896 and Hong Kong dollars into U.S. dollars at the rate of US$1.00 to HK$7.7719.

No representation is made that any amounts in RMB or Hong Kong dollars can be or could have been at the relevant dates converted at the above rate or any other rates.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Dr. Weiwei Luo	Room 903, Building 4 Geli Coast Phase III, Gaoxin District Zhuhai, Guangdong Province PRC	American
Mr. Jay Hyung Son	Unit 5, 919 Delano Terrace Sunnyvale, CA USA	American
Dr. Wu Jingang (吳金剛博士)	Rooms 501, 501A, No. 24 Lane 18 Qingtong Road, Pudong New Area Shanghai PRC	Chinese
Mr. Zhong Shan (鍾山先生)	Room 2203, Building 4 Huafu East, No. 339 Fuxin Road Xinta Town, Wujiang District Suzhou, Jiangsu Province PRC	Chinese
Non-Executive Directors		
Dr. Wang Can (汪燦博士)	Unit 6A, Building 4 Qiaoxiang Village, Futian District Shenzhen, Guangdong Province PRC	Chinese
Ms. Zhang Yanhong (張彥紅女士)	Room 601, Building 140 Greenland Taihu City No. 9999, East Taihu Road Songling Town, Wujiang District Suzhou, Jiangsu Province PRC	Chinese
Ms. Cui Mizi (崔米子女士)	Room 905, 9th floor Building 2, Fangzhou Garden Chaoyang District, Beijing PRC	Chinese

Name	Address	Nationality
Independent Non-Executive Directors		
Mr. Wong Hin Wing, MH, JP (黃顯榮先生,榮譽勳章,太平紳士)	Flat C, 21/F, Block 6, Parc Palais 18 Wylie Road Ho Man Tin, Kowloon Hong Kong	Hong Kong, PRC
Dr. Yi Jiming (易繼明博士)	Room 103, 74th Building No. 100 Dayouzhuang Haidian District Beijing PRC	Chinese
Dr. Yang, Simon Shi-Ning (楊士寧博士)	No. 18, Gaoxin 4th Road East Lake Development Zone Wuhan, Hubei Province PRC	American
Dr. Chan, Philip Ching Ho (陳正豪博士)	Room A, 2/F, Block 10 Mayfair By The Sea II 21 Fo Chun Road Tai Po, New Territories Hong Kong	Hong Kong, PRC

SUPERVISORS

Name	Address	Nationality
Dr. Huang Xi (黃喜博士)	Room 501, Unit 2, Building 18 No. 10, Guanggu 1st Road Hongshan District Wuhan, Hubei Province PRC	Chinese
Mr. Ren Weifeng (任衛峰先生)	No. 201, Unit 1 Building 20, Central Garden 84 Ruian Street, Wuchang District Wuhan, Hubei Province PRC	Chinese

Name	Address	Nationality
Mr. Peng Xingguo (彭星國先生)	Room 2001 No. 18 Yulin Street Huangpu District Guangzhou, Guangdong Province PRC	Chinese
Ms. Lai Guangyi (賴廣禕女士)	Room 802, Unit 2 Building 1, No. 19 Cuixian Street Xiangzhou District Zhuhai, Guangdong Province PRC	Chinese
Mr. Ke Shanyong (柯善勇先生)	Room 23C, Tower A Taigu City Garden South Area Nanshan District Shenzhen, Guangdong Province PRC	Chinese

For details with respect to our Directors and Supervisors, see "Directors, Supervisors and Senior Management."

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors *(in no particular order)*	**China International Capital Corporation Hong Kong Securities Limited** 29th Floor, One International Finance Centre 1 Harbour View Street Central Hong Kong
	CMB International Capital Limited 45th Floor, Champion Tower 3 Garden Road Central Hong Kong
Sponsor-Overall Coordinator	**China International Capital Corporation Hong Kong Securities Limited** 29th Floor, One International Finance Centre 1 Harbour View Street Central Hong Kong
Joint Representatives	**China International Capital Corporation Hong Kong Securities Limited** 29th Floor, One International Finance Centre 1 Harbour View Street Central Hong Kong
	CMB International Capital Limited 45th Floor, Champion Tower 3 Garden Road Central Hong Kong
Overall Coordinators and Joint Global Coordinators *(in no particular order)*	**China International Capital Corporation Hong Kong Securities Limited** 29th Floor, One International Finance Centre 1 Harbour View Street Central Hong Kong
	CMB International Capital Limited 45th Floor, Champion Tower 3 Garden Road Central Hong Kong

Jefferies Hong Kong Limited
Level 26
Two International Finance Centre
8 Finance Street
Central
Hong Kong

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road Central
Hong Kong

Joint Bookrunners
(in no particular order)

China International Capital Corporation Hong Kong Securities Limited
29th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

CMB International Capital Limited
45th Floor, Champion Tower
3 Garden Road
Central
Hong Kong

Jefferies Hong Kong Limited
Level 26
Two International Finance Centre
8 Finance Street
Central
Hong Kong

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road Central
Hong Kong

BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road, Central
Hong Kong

Hong Tai Securities Limited
Units 1803-1804, 18/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

ABCI Capital Limited
11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

Patrons Securities Limited
Unit 3214, 32/F., Cosco Tower
183 Queen's Road Central
Sheung Wan
Hong Kong

Long Bridge HK Limited
Unit No. 3302, 33/F, West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Futu Securities International (Hong Kong) Limited
34/F, United Centre
No. 95 Queensway Admiralty
Hong Kong

Tiger Brokers (HK) Global Limited
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Joint Company Secretaries	Ms. Liu Lihua (劉麗華女士) Mr. Chung Ming Fai (鍾明輝先生) *(FCPA)*
Authorized Representatives	Dr. Weiwei Luo Mr. Chung Ming Fai (鍾明輝先生)
Audit Committee	Mr. Wong Hin Wing, MH, JP (黃顯榮先生, 榮譽勳章,太平紳士) *(Chairperson)* Dr. Yi Jiming (易繼明博士) Dr. Chan, Philip Ching Ho (陳正豪博士)
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Nomination Committee	Dr. Weiwei Luo *(Chairperson)* Dr. Yi Jiming (易繼明博士) Dr. Yang, Simon Shi-Ning (楊士寧博士)
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The information and statistics presented in this section and other sections of this prospectus, unless otherwise indicated, were extracted from different official government publications and other publications, and from the industry report prepared by Frost & Sullivan, an independent market research and consulting company that was commissioned by us, in connection with this Global Offering. The information from official government sources has not been independently verified by us, the Joint Sponsors, the Joint Representatives, the Overall Coordinators, the Global Coordinators, the Bookrunners, the Lead Managers, the Underwriters, the Capital Market Intermediaries, any of their respective directors and advisors, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy.

SOURCES OF INFORMATION

We engaged Frost & Sullivan, an independent market research consultant, to conduct an analysis of, and to prepare a report on the global GaN power semiconductor industry for use in this prospectus, which was commissioned by us for a fee of RMB600,000. In compiling and preparing the F&S Report, Frost & Sullivan adopted the following assumptions: (i) the social, economic and political conditions in globally currently discussed will remain stable during the forecast period, (ii) government policies on GaN power semiconductor industry globally will remain consistent during the forecast period, (iii) global GaN power semiconductor industry will be driven by the factors which are stated in the report in the forecast period. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the F&S Report. The Frost & Sullivan Report has been prepared by Frost & Sullivan independently without any influence from us or other interested parties.

Frost & Sullivan is an independent global consulting firm founded in 1961 in New York, and its services include, among others, industry consulting, market strategic consulting and corporate training. Frost & Sullivan conducted (i) primary research, which involved discussing the status of the industry with certain leading industry participants, and interviews with industry experts on a best-efforts basis to collect information in aiding in-depth analysis; and (ii) secondary research, which involved reviewing company reports, independent research reports and data based on its own research database.

OVERVIEW OF THE GAN POWER SEMICONDUCTOR MARKET

Power supply is fundamental to all modern industrial sectors, and power semiconductors are the core component of power supply.

With the rapid growth of electronic and AI-driven applications brought about by the fourth global industrial revolution, the demands for more efficient and economical electric power supply equipment are on the rise. Traditional silicon semiconductor devices cannot meet the demand of these applications due to their inherent constraints. On the other hand, semiconductor devices based on GaN, an emerging latest generation semiconductor material, have been broadly applied across various industries in recent years and are expected to play a critical role in the ongoing revolution of the power semiconductor industry.

Compared with silicon and other semiconductor materials, GaN possesses features with significant advantages including high frequency, high electron mobility, strong radiation resistance, low on-resistance and no reverse recovery loss. GaN power semiconductor chips can effectively reduce energy losses, enhance energy conversion efficiency, lower the system cost and achieve smaller device sizes.

The development trends and current silicon material products' pain points in various downstream applications lead to huge growth potential for GaN power semiconductors.

- ***Consumer Electronics — Upgrading traditional consumer electronics to greater efficiency and convenience.*** Consumer electronics products with higher charging speed, smaller device sizes and lighter weight are increasingly sought after by customers, and devices are upgraded to better support compute intensive applications with higher energy consumption. GaN solutions are able to achieve an approximately 70% reduction in the size and weight of USB-PD[(1)] chargers at the same cost, or increase the charging power by around 50%, thereby achieving faster charging. Furthermore, in television power supplies, GaN solutions can double the switching frequency, resulting in a 30% reduction in transformer volume and cost. In smartphone motherboards, GaN solutions are able to reduce the board area by 75% and lower the peak power device loss by 40–50%.

- ***Electric Vehicles — Simplifying the device structure and upgrading the electric management system of EVs.*** The increasing intelligence and electrification of EVs require more innovation in power semiconductor chips in EV's electric device. With its unique characteristics that are not available for traditional silicon, GaN solutions can simplify the topology of power semiconductors, which is expected to change the EV industry significantly. The typical applications of GaN solutions, such as onboard chargers[(2)] in EVs, can also reduce an EV's weight. GaN solutions can provide substantial reductions in energy loss in power conversion, leading to a 70% decrease in the size and weight of power modules.

- ***Renewable Energy — Promoting Solar power and energy storage system for safer, more economical and sustainable operation.*** Solar power and energy storage are essential solutions to the current energy crisis. GaN solutions for photovoltaic ("PV") inverters are safer, which is especially important in rooftop and residential distributed PV power generation. A large proportion of the volume of inverters and power optimizers is occupied by inductors, and the application of GaN solutions can reduce the volume of inductors. The demand for inverters and power optimizers of high output power, small size and light weight is growing, which makes GaN the

(1) USB-PD (USB Power Delivery) is a fast charging technology that delivers much higher levels of power than standard charging.

(2) Onboard charger is a power electronics device for electric vehicle batteries on EVs, which converts alternating current (AC) power from external sources, such as residential outlets, into direct current (DC) power to charge the vehicle's battery pack.

ideal material for the scenario and necessary for an efficiency breakthrough. GaN-based microinverters, optimizers and power regulators can achieve improved conversion efficiency, higher output power, smaller size and structure, lower system cost and a longer lifespan. For example, GaN solutions can improve the energy utilization efficiency by around 30% and decrease the solar power station size by around 30% with a 20% lower overall system cost for solar applications.

- ***Data Centers — Addressing increasing computing power demand with more efficient and integrated energy transfer and control chips.*** GPUs[(1)] and CPUs[(2)] are evolving towards higher currents, enhanced dynamic response and increasing power density driven by AI and other compute intensive applications, which leads to higher power demand. The application of high-frequency GaN power devices can effectively reduce the volume of inductors, making room for GPU peripherals that meet the high power demand. Furthermore, GaN server power supplies with higher switching speed and lower energy loss are able to increase data center server output power by around 50%, supporting higher computing power demand while also saving around 30% in energy.

GaN power semiconductors have gone through multiple development stages, including the early development period, development period, commercialization period and boom period, which started from 2023. From 1998 to 2017, the GaN material was at the early stage of technology research and development with small-scale product applications. The commercialization of GaN with a specific scale was considered to have begun in 2018, with GaN officially entering consumer electronics applications. During the commercialization period, the GaN technology and process have been continually optimized, and the application scenarios of GaN have been expanded into more areas such as mobile phones, laptops and televisions. Meanwhile, Chinese semiconductor companies are actively seeking technology breakthroughs and application expansions of GaN and have achieved significant growth and development with leading technology and procedures, production capacity, cost advantages and market position.

In 2023, the global GaN power semiconductor market size was RMB1.8 billion, with a power semiconductor market penetration rate of 0.5%, accounting for 1.4% of the global power semiconductor discrete chip market. With more mature technology and broader downstream applications, 2023 is considered the inaugural year of the GaN industry's exponential growth. The global GaN power semiconductor market is expected to reach RMB50.1 billion by 2028, increasing its share of the global power semiconductor market to 10.1%.

(1) GPU (graphic processing unit) is a specialized electronic circuit designed to rapidly manipulate and alter memory to accelerate the creation of images.

(2) CPU (central processing unit) is the central unit in a computer containing the logic circuitry that performs the instructions of a computer program.

Development Stages of GaN Power Semiconductors

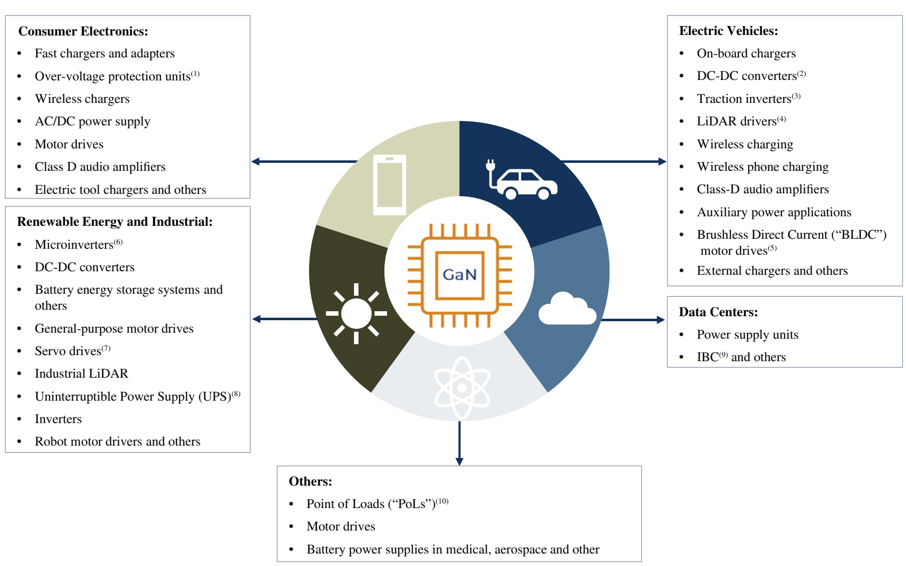
	Early Development Period (1998–2008)	Development Period (2009–2017)	Commercialization Period (2018–2022)	Boom Period (2023–Future)
Historical Events	❑ In 1998, Cree developed the first GaN-on-Si high-electron-mobility transistor. ❑ In 2008, GaN Metal Oxide Semi-Conducting Field Effect Crystals ("MOSFETs") were promoted.	❑ The first GaN-based power amplifier module was introduced in 2009, providing higher efficiency and power density for applications such as wireless communication base stations. ❑ In 2014, with the maturity of GaN material growth and device processes, GaN power devices began to be produced at a larger scale with gradually decreasing costs.	❑ GaN technology officially entered the consumer market in 2018, when Anker Innovation launched their USB PD GaN charger. ❑ Innoscience built an 8-inch GaN-on-Si wafer mass production line; Navitas launched various GaN chargers.	❑ Automobile OEMs as well as power semiconductor companies have begun to apply GaN in vehicle chargers, high-voltage DC converters, and other new application areas. ❑ GaN power semiconductor companies achieved rapid growth in product sales in multiple applications sectors including consumer electronics, EVs, data centers, automotive LiDAR and energy storage.
Period Performance	❑ At the early stage, GaN research was confined to laboratory experiments, still facing research and development challenges and progressing slowly, and GaN had not yet achieved commercialization.	❑ GaN material was increasingly applied in various sectors, expanding from original LED lighting to power electronics and radio frequency electronics.	❑ GaN received attention and investment from mainstream consumer electronics manufacturers around the world, and GaN was also growing rapidly with GaN chargers' proliferation. ❑ GaN power semiconductor market was growing globally with broader commercial applications.	❑ In addition to the huge consumer electronics market, driven by new technologies such as AI, communications, autonomous driving and energy storage, demand for GaN in data centers and EVs has been emerging. The penetration rate of GaN in different fields has also been rapidly increasing.

Source: Frost & Sullivan

DOWNSTREAM APPLICATION OF THE GLOBAL GAN POWER SEMICONDUCTOR MARKET

GaN is a substitute for and an upgraded material compared to traditional silicon materials in the power semiconductor industry, addressing the limitations of silicon materials regarding frequency, power capability, thermal management and device size. GaN is positioned to elevate the power device industry, facilitating advancements throughout the industrial chain. The main downstream applications of GaN power semiconductors are set as below:

Downstream Applications of GaN Power Semiconductors



Source: Frost & Sullivan

(1) Over-voltage protection is a feature in power supply units designed to shut down the unit or suspend the output when the voltage exceeds a preset level.

(2) DC-DC converter is an electronic circuit that converts a source of DC from one voltage level to another.

(3) Traction inverter is a critical power electronic device used in electric vehicles and railway vehicles which converts DC from the vehicle's battery into AC to drive an electric motor, which in turn propels the vehicle.

(4) LiDAR is a remote sensing method that uses light to measure the distance or range of objects.

(5) Brushless Direct Current Motor (BLDC) is a motor without a mechanical commutator, which realizes the conversion from direct current to rotary motion through an electronic commutator.

(6) Microinverter is a small PV inverter device that is commonly used in distributed PV power generation systems.

(7) Servo drive is an electronic device that is specially used to precisely control the movement of an electric motor, usually used to control a servo motor.

(8) Uninterruptible Power supply (UPS) is a power system used to provide emergency power support to a load in the event of an interruption or failure of the main power supply.

(9) IBC (Intermediate Bus Converter) is a DC-DC converter used in distributed power systems, which converts high voltage DC bus voltage to a lower intermediate voltage and to achieve galvanic isolation.

(10) Point of Load (POL) is a DC-DC converter placed close to a load to convert high-voltage electrical energy into low-voltage electrical energy suitable for electronic devices.

- ***Consumer Electronics.*** In the field of consumer electronics, GaN power semiconductors can be used in products such as fast chargers and adapters for smartphones, laptops, tablets, desktop computers, high-definition ("HD") televisions and smart home devices. The surge in demand for multi-port and high-power chargers, driven by the widespread adoption of USB-C, further amplifies the applications of GaN power semiconductors.

- ***Electric Vehicles.*** GaN power semiconductors play pivotal roles in EVs, notably in on-board chargers, DC-DC converters, traction inverters, LiDAR drivers, wireless charging, wireless phone charging, Class-D audio amplifiers, auxiliary power applications, BLDC motor drives and external chargers. The growth of GaN power semiconductors in automotive applications is primarily driven by their unique capabilities that address diverse needs in modern automotive systems. The micro-mobility sector, including e-bikes and e-scooters, offers a potential pathway for GaN penetration as well.

- ***Renewable Energy and Industrial.*** Applications of GaN power semiconductors in the field of renewable energy include microinverters, DC-DC converters and battery energy storage systems. GaN power semiconductors improve the energy conversion efficiency, which directly affects the enhancement of the efficiency of operational costs. GaN power semiconductors exhibit low static and dynamic losses, minimal parasitic capacitance and support for high frequencies. In the industrial sector, GaN power semiconductors are used in general-purpose motor drives, servo drives, industrial LiDAR, UPS, inverters and robot motor drivers.

- ***Data Centers.*** The application of GaN power semiconductors in data centers, encompassing power supply units and intermediate bus converters ("IBCs"), primarily caters to the demand for more efficient and compact power solutions. Driven by regulatory emphasis on improving power supply efficiency, stability and security, the adoption of GaN power semiconductors continues to grow. Such an application not only contributes to reducing operational costs in data centers but also diminishes carbon footprints, presenting a promising prospect for future data center power solutions.

- ***Others.*** Applications of GaN power semiconductors in other sectors include point of load ("PoL") power supplies, motor drives, external chargers and battery power supplies, with an impact extending to fields such as medical and gaming. Furthermore, in space applications where the primary power source is limited to photovoltaic generation, GaN power semiconductors, with their capabilities of high power density, emerge as a standout choice, offering significant prospects to the market.

ANALYSIS OF GLOBAL GAN POWER SEMICONDUCTOR INDUSTRY

Classification of Semiconductor Materials and Comparisons among Major Power Semiconductor Materials

Semiconductor materials can be categorized into three generations. Each generation exhibits distinct characteristics and plays a pivotal role in various applications with different features and advantages. The features and applications of the three generations of semiconductor materials are compared as follows:

Comparisons of Major Semiconductor Materials

Category	Key Features	First-Generation Semiconductor	Second-Generation Semiconductor	Third-Generation Semiconductor	
		Si	GaAs	GaN	SiC
Bandgap (eV)[1]	Thermal resistance[5], voltage resistance[6], radiation resistance[7]	1.12	1.4	3.39	3.26
Breakdown Field (MV/cm)[2]	Voltage resistance	0.3	0.4	3.3	2.8
Saturation Electron Velocity (10^7 cm/s)[3]	Switching frequency[8]	1.0	2.1	2.7	2.0
Electron Mobility (cm^2/V•s)[4]	On-resistance[9]	1,500	8,500	2,000	800
Main Applications		Logic, memory chips, etc.	Consumer electronics, communication base stations, laser radar, display screens, etc.	Consumer electronics, EVs, data centers, energy storage, photovoltaics, 5G communication, other industrial sectors, etc.	EVs, photovoltaics, rail transportation, 5G communication, other industrial sectors, etc.

Source: Frost & Sullivan

(1) Bandgap refers to the energy difference in semiconductors between the top of the valence band and the bottom of the conduction band. Wide bandgap semiconductors permit devices to operate at much higher voltages, frequencies, and temperatures than conventional semiconductors.

(2) The breakdown field of semiconductors refers to the critical electric field strength that can cause avalanche breakdown in semiconductor materials. A higher breakdown field means that semiconductor devices can operate at higher voltages without breakdown, resulting in a larger operating range and power range.

(3) The saturation electron velocity of semiconductors refers to the maximum drift velocity that electrons can achieve in a semiconductor material at high electric fields. The high saturation electron velocity contributes to the device's switching speed and high-frequency performance.

(4) The electron mobility of semiconductors is a physical quantity that describes the speed at which electrons move under an electric field. The electron mobility determines the electrical conductivity of the material. A higher electron mobility leads to a lower on-resistance.

(5) Thermal resistance describes the ability of a material to resist significant deformation or degradation when exposed to heat. A higher thermal resistance leads to a higher reliability in high-temperature environments.

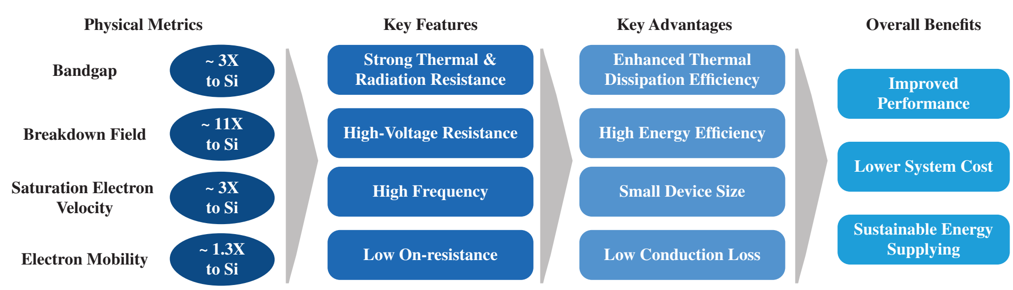
(6) The voltage resistance of semiconductor materials refers to the ability of semiconductor devices to withstand over voltage. It is usually characterized by the voltage value of the device at the time of breakdown or current reaching a specific value. A higher voltage resistance of semiconductors leads to a better reliability in high-voltage environments.

(7) The radiation resistance of semiconductor materials refers to the ability of semiconductor devices to withstand and function in high radiation environments. A higher radiation resistance of semiconductors leads to a better reliability in high-radiation environments.

(8) The switching frequency refers to the rate at which a switch-mode power supply turns on and off. It influences the performance of the device, including its efficiency and power output, and plays a crucial role in the design of compact and low-cost circuits. A higher switching frequency of semiconductor materials means that the materials can be switched on and off at a higher speed in the device.

(9) On-resistance refers to the total resistance between the drain and source terminals of a field-effect transistor (FET) when it is in operation. It is a critical parameter in power devices, as it directly impacts the power loss during operation, with lower on-resistance resulting in lower power loss.

Key Features and Advantages of GaN



Source: Frost & Sullivan

- ***Silicon — First-Generation Semiconductor.*** Si is a first-generation semiconductor material with relatively mature development and applications. The technological maturity ensures the quality and consistency of silicon semiconductor products. Besides, Si has abundant reserves and are easy to obtain, which makes the mass production cost of silicon-based semiconductor devices relatively low. Therefore, it has been widely used in fields such as logic and memory chips. However, as the technology and performance of Si gradually reaches their limits, its development faces bottlenecks. Constrained by factors of these limits and bottlenecks such as low frequency, high-voltage non-resistance, poor heat dissipation and insufficient power capacity, Si struggles to reconcile the contradiction between power density and conversion efficiency, making it unable to meet demands for high power density and high conversion efficiency, which are common in emerging applications such as EVs, consumer electronics fast charging, power management and data centers.

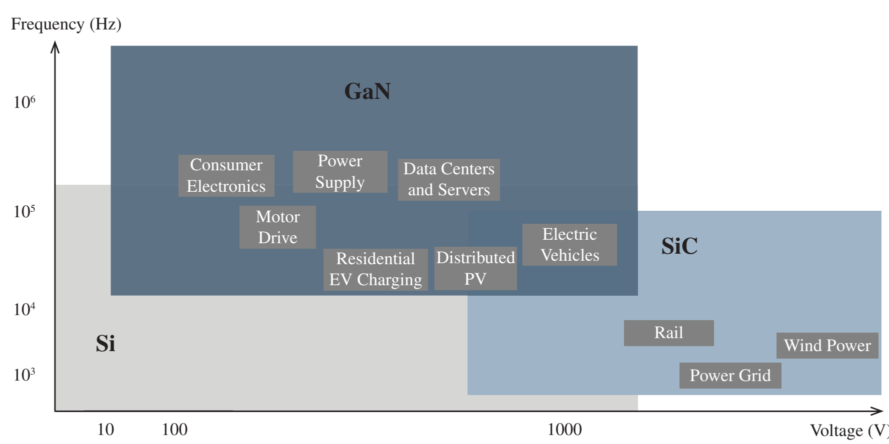
- ***GaAs — Second-Generation Semiconductor.*** GaAs represents the second-generation of semiconductor materials, which are characterized by superior electron mobility and saturation electron velocity. Relatively narrow bandgap of GaAs limit its capability under high-power and high-temperature conditions. Narrow bandgap implies a higher susceptibility to breakdown under extreme temperatures or voltages, thereby curtailing their performance in high-power scenarios. Therefore, the second-generation of semiconductor materials cannot simultaneously meet the high-frequency and high-voltage demands brought about by the power revolution.

- ***SiC — Third-Generation Semiconductor.*** SiC, although having the advantage of high voltage resistance, does not possess the high-frequency feature. SiC has a wider bandgap compared to the first and second generations of semiconductor materials, which is suitable for high-voltage and high-temperature environments. However, its lower electron mobility indicates less suitability for high-frequency applications. Electron mobility is a crucial factor for high-frequency device performance as it supports rapid electron transport and switching speeds, which are vital for frequency characteristics. Thus, although SiC also has excellent performance in high-temperature and high-voltage applications, it is not considered to be the superior choice in high-frequency application scenarios.

- ***GaN — Third-Generation Semiconductor.*** GaN exhibits significantly improved performance compared to Si in certain aspects. It possesses overall advantages including wide bandgap, high electron mobility, high switching frequency, low on-resistance and enhanced resistance to high voltage and temperature. The broader bandgap enables GaN to operate at higher voltages, and the increased electron mobility enhances current driving capability and response speed, significantly reducing heat dissipation and improving power efficiency. In downstream applications, GaN has broad development prospects, meeting the increasing demands for high frequency and high power in consumer electronics, EVs, renewable energy and industrial applications and data centers. GaN also shows certain limitations. Compared with Si, the process technology of GaN is more complex, with strict requirements on temperature and pressure. The yield rate of GaN wafers is lower than that of silicon wafers with mature technology. And as the application of GaN power semiconductor is still in its early stage, its process technology needs to be continuously improved to meet the increasingly diversified downstream demands.

As shown in the diagram below, silicon is the retained traditional technology with lower tolerance in both frequency and voltage. GaN has significant advantages in high-frequency application scenarios, while SiC has been applied more in high-voltage scenarios but is not suitable for high-frequency scenarios. Therefore, GaN and SiC are materials with different features and application scenarios, and GaN is more likely to offer a power application technology breakthrough compared with Si due to the frequency bottleneck of Si. In commercial applications, considering the overall solution cost, GaN is expected to achieve a wider penetration than Si in the following theoretical applications such as power supply, data centers and servers.

Theoretical Power Semiconductor Application Comparisons among Si, GaN and SiC

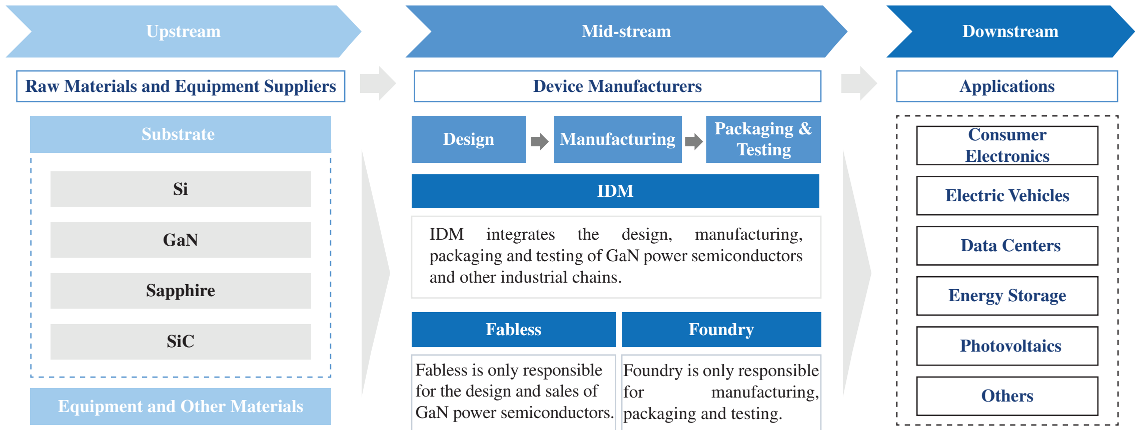


Source: Frost & Sullivan

Value Chain of GaN Power Semiconductor Industry and Business Model Comparison

Major upstream suppliers in the GaN power semiconductor industry include raw material suppliers, who mainly provide materials such as substrates, as well as suppliers of equipment. The GaN power semiconductors players in the midstream are responsible for the design, manufacturing, packaging and testing of GaN power semiconductors. In the downstream, GaN power semiconductors are applicable to power devices for a wide range of application scenarios, including consumer electronics, EVs, data centers, photovoltaics and energy storage.

Value Chain Analysis of GaN Power Semiconductor Industry



Source: Frost & Sullivan

The IDM model in the GaN power semiconductor industry possesses the following main advantages:

- ***Synergies between Design and Manufacturing Process.*** Deeply involved in both the design and manufacturing processes, IDM companies can optimize the production process based on design and can adjust the design according to process requirements in a timely manner. This synergy enables IDM companies to improve the efficiency of both design and production processes and cover the limits of each. For players of isolated fabless and foundry models, the design will be limited by the capability and process feasibility of the foundry, and the foundry will not be able to provide as efficient and customized solutions as IDM companies.

- ***Capacity and Supply Stability.*** Downstream customers are attaching greater importance to the production capacity and supply stability of their suppliers, especially considering the periodicity feature of the industry. Fabless players' bargaining power and supply would be restricted when facing relatively limited options of foundries, especially when the market demand surpasses the supply or when facing global geopolitics turmoil. For foundries, due to the lack of control over the design process, adjustments to capacity and production are often influenced by the design needs of the fabless players. Therefore, the vertically integrated structure of the players of the IDM model makes the GaN production process more efficient and flexible, allow it to quickly respond to market demand changes and thus give IDM companies significant competitive advantages over fabless players and foundries in terms of capacity, yield and supply stability.

- ***Cost Advantages in Industrial-Scale Production.*** As leading foundries globally mainly focus on the manufacturing of logic chips, resources allocated to GaN power semiconductors are relatively limited compared with IDM companies. Meanwhile, IDM companies can gain cost advantages in industrial-scale production compared to fabless players who rely on foundries for production.

- ***Continual Process and Technology Upgrade.*** IDM companies can gain competitive advantages over fabless and foundry companies with a comprehensive inhouse process and technology optimization. With support from design and process teams, IDM companies are able to improve and optimize the process and technology and swiftly respond to downstream customers' feedback and requests.

The fabless model, which is supported by foundries in the GaN power semiconductor industry, possesses the following main advantages:

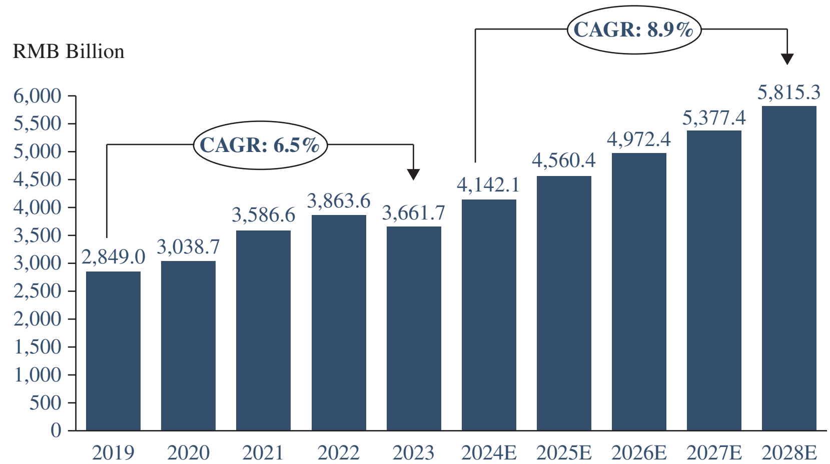
- ***Lower Capital Requirement.*** Fabless players can operate with lighter assets and lower initial investments, which enables them to allocate the limited resources to the multiple design phases. Therefore, the capital requirement for fabless players are relatively lower compared with that for IDM players.

- ***Rapid Market Adaptation.*** Fabless players can focus entirely on semiconductor design, and do not have to allocate resource to the manufacturing of semiconductors. Therefore, compared with IDM players, fabless players can more swiftly shift their direction of design in response to changes in market demand, targeting those downstream markets with greater growth potential.

Global Market Size of Semiconductors

Driven by technological developments in processing power, miniaturization and energy efficiency, as well as increasing demand from downstream industries, such as consumer electronics, EVs and data centers, the global semiconductor market witnessed overall growth from 2019 to 2023. The global semiconductor market increased rapidly from RMB2,849.0 billion in 2019 to RMB3,661.7 billion in 2023, with a CAGR of 6.5%. The global semiconductor market shows cyclical fluctuations, which are mainly driven by technology upgrades, capacity investment and inventory changes. A complete cycle of the global semiconductor industry is typically around four to five years. In 2023, influenced by the stockpiling of downstream companies and the short-term decline in consumer demand caused by the global economic downturn, the market size of the global semiconductor market decreased slightly in 2023. Starting from 2024, it is expected that the global semiconductor market will resume its growth, and further increase from RMB4,142.1 billion in 2024 to RMB5,815.3 billion in 2028, representing a CAGR of 8.9%.

Market Size of Semiconductor Market (by sales value), Global, 2019–2028E

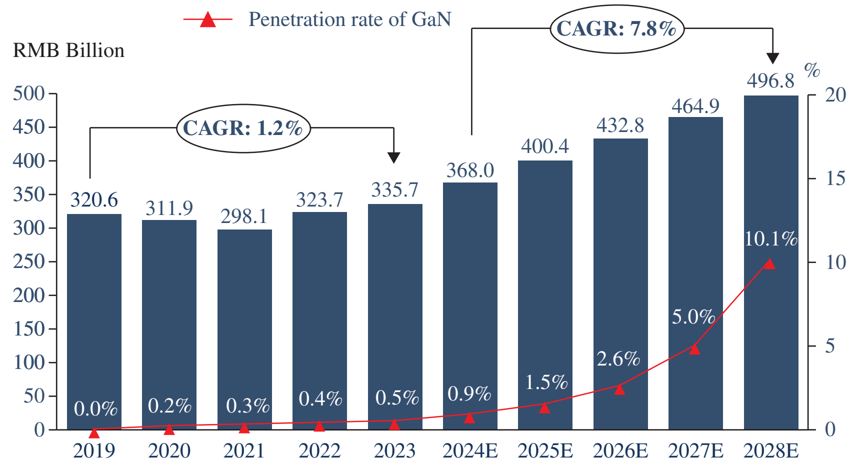


Source: WSTS, Frost & Sullivan

Global Market Size of Power Semiconductors

Power semiconductors are the core of power conversion and circuit control in electronic devices, which are mainly used in voltage and frequency changing, as well as DC to AC conversion in electronic devices. Driven by downstream market developments in EVs, data centers, new energy power generation and power grids, the global power semiconductor market increased from RMB320.6 billion in 2019 to RMB335.7 billion in 2023, with a CAGR of 1.2%, and is expected to further increase from RMB368.0 billion in 2024 to RMB496.8 billion in 2028, representing a CAGR of 7.8%. China's power semiconductor market has developed rapidly in recent years and has become the world's largest power semiconductor consumption market. In terms of sales value, China's power semiconductor market reached RMB130.9 billion in 2023. This growth is mainly due to the continuous promotion of intelligent and digital demands in the fields of automobiles, industrial automation, and consumer electronics. In addition, new growth opportunities also emerge in multiple fields such as new energy vehicles, renewable energy power generation and variable frequency home appliances. The global GaN power semiconductor market comprised 0.5% of the global overall power semiconductor market and 1.4% of the global power semiconductor discrete chip market in 2023. With its high frequency, high voltage resistance, strong radiation resistance and low on-resistance with extensive applications both in low- and high-voltage fields, GaN is expected to accelerate its penetration in power semiconductors and account for 10.1% of the global power semiconductor market and 24.9% of the global power semiconductor discrete chip market in 2028.

Market Size of Power Semiconductor Market (by sales value), Global, 2019–2028E

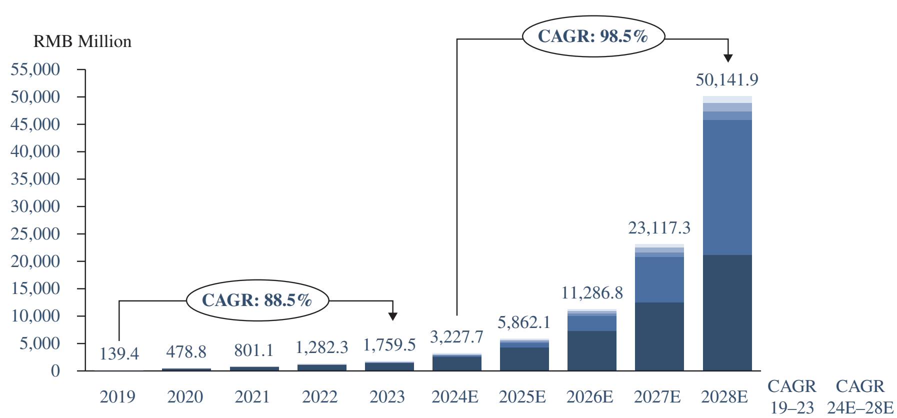


Source: Frost & Sullivan

Global Market Size of GaN Power Semiconductors

GaN power semiconductor products, characterized by high frequency, reduced loss and high cost-effectiveness, are widely adopted in diverse applications including fast charging for smart devices, automotive-grade charging applications and data centers. The global GaN power semiconductor market increased rapidly from RMB139.4 million in 2019 to RMB1,759.5 million in 2023, with a CAGR of 88.5%. The GaN power semiconductor market is expected to experience exponential growth from RMB3,227.7 million in 2024 to RMB50,141.9 million in 2028, representing a CAGR of 98.5%. Within the GaN power semiconductor market, consumer electronics and EVs are expected to be the two largest application scenarios in the forecast period.

Market Size of GaN Power Semiconductor Market (by sales value), Global, 2019–2028E



	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	CAGR 19–23	CAGR 24E–28E
Consumer electronics	85.0	364.4	642.4	1,018.1	1,412.0	2,466.3	4,249.2	7,291.4	12,433.1	21,133.3	101.9%	71.1%
Electric vehicles	0.4	5.7	16.3	37.6	69.4	245.9	828.8	2,660.7	8,318.3	24,636.5	266.0%	216.4%
Renewable energy and industrial	29.6	53.7	54.8	73.5	89.0	192.9	284.0	492.0	863.6	1,577.0	31.6%	69.1%
Data centers	8.2	17.9	29.3	47.0	70.0	136.2	253.8	464.9	832.1	1,462.0	70.9%	81.0%
Others	16.2	37.1	58.3	106.1	119.1	186.4	246.3	377.8	670.2	1,333.1	64.7%	63.5%

Source: Frost & Sullivan

The global GaN power semiconductor market in consumer electronics increased rapidly from RMB85.0 million in 2019 to RMB1,412.0 million in 2023, with a CAGR of 101.9%. Benefiting from the increasing penetration rate of GaN power semiconductors in the consumer electronics field and the increase in the value of GaN power semiconductors used in each consumer electronics device, the market size of GaN power semiconductors in consumer electronics has significant growth potential in the forecast period. Fast chargers and adapters for electronics will remain one of the biggest growth drivers for GaN power semiconductors. The GaN power semiconductor market in consumer electronics is expected to grow from RMB2,466.3 million in 2024 to RMB21,133.3 million in 2028, with a CAGR of 71.1%.

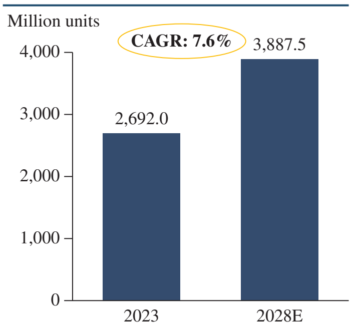
In EVs, the market size of GaN power semiconductors increased from RMB0.4 million in 2019 to RMB69.4 million in 2023, with a CAGR of 266.0%. Driven by longer driving range with increasing battery capacity, decreasing price, more mature and convenient charging infrastructure and the stronger environmental consciousness of consumers, the penetration rate of EVs in the automobile market is expected to continue growing. The global sales volume of EVs is expected to further increase to 50.5 million units by 2028, representing a 29.2% CAGR from 2023 to 2028, and EVs will be an important application scenario and demand driver for GaN power semiconductors. Benefiting from the increasing penetration rate of GaN power semiconductors in the electric vehicle field and the increase in the value of GaN power semiconductors used in each electric vehicle, the market size of GaN power semiconductors in EVs is expected to increase rapidly during the forecast period. Their market size is expected to further increase from RMB245.9 million in 2024 to RMB24,636.5 million in 2028 with a CAGR of 216.4%.

The global GaN power semiconductor market in the renewable energy and industrial sector increased steadily from RMB29.6 million in 2019 to RMB89.0 million in 2023, with a CAGR of 31.6%. With the continuous increase in the global penetration of energy storage for industrial, commercial and household users, and the significant increase of 5G base stations, industries of significant power consumption will become one of the most important sectors for energy storage batteries. It is expected that in 2028, the global energy storage battery annual installed capacity will increase to 1,302.5 GWh, representing a CAGR of 46.3% from 2023. GaN effectively addresses the increasing demand for installation capacity, enhancing the performance of various industrial systems. It is thus expected that the GaN power semiconductor market in the renewable energy and industrial sector will further increase from RMB192.9 million in 2024 to RMB1,577.0 million in 2028, with a CAGR of 69.1%.

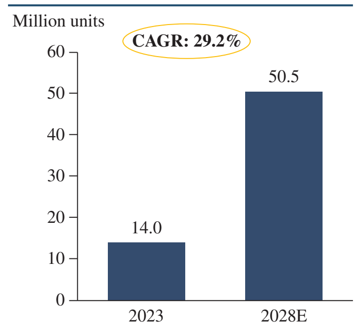
The global GaN power semiconductor market in data centers increased rapidly from RMB8.2 million in 2019 to RMB70.0 million in 2023, with a CAGR of 70.9%. Data centers account for an increasing share of global electricity demand year by year. In 2023, global data centers accounted for 1.4% of global electricity demand, and this is expected to rise to 9.4% by 2028. With the demand for more efficient and compact power solutions, the GaN power semiconductor market in data centers will further increase from RMB136.2 million to RMB1,462.0 million in 2028, with a CAGR of 81.0%.

The following charts show the global market size trends of GaN power semiconductors' major downstream applications.

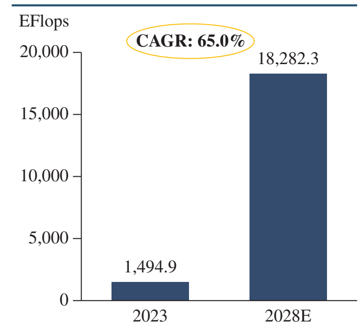
Sales Volume of Consumer Electronics, Global, 2023–2028E



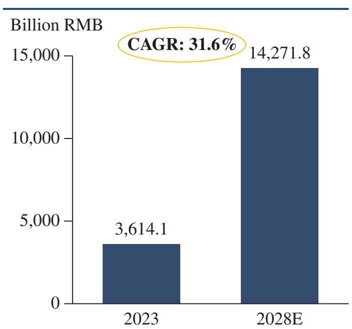
Sales Volume of EVs, Global, 2023–2028E



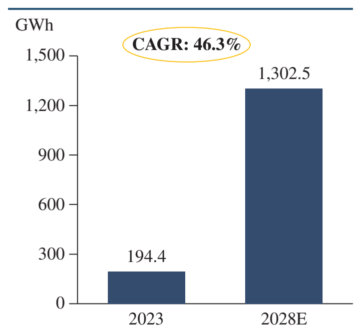
Computing Power Capacity, Global, 2023–2028E



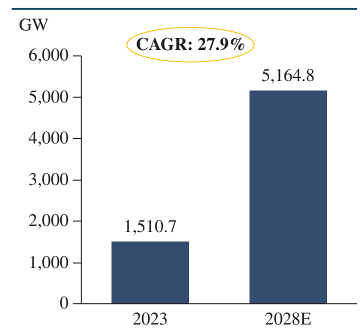
Market Size of AI Industry (by revenue), Global, 2023–2028E



Energy Storage Battery* Annual Installed Capacity, Global, 2023–2028E



Photovoltaic Power Installed Capacity, Global, 2023–2028E



Note: Energy storage battery only refers to lithium-ion battery.

Source: China Academy of Information and Communications Technology, China Association of Automobile Manufacturers, International Energy Agency, Frost & Sullivan

- **Consumer Electronics.** The global sales of consumer electronics were 2,692.0 million units in 2023, and in the forecast period, the consumer electronics industry is expected to sustain its recovery momentum by capturing the market demand resurgence with product inventory decreasing and the introduction and boom of innovative product offerings such as AR/VR and drones. The global sales of consumer electronics are expected to reach 3,887.5 million units by the year 2028, with a CAGR of 7.6% during the period from 2023 to 2028. Due to the large existing market scale and extensive application scenarios, consumer electronics is still an important and promising application of GaN power semiconductors.

- **Electric Vehicles.** Driven by longer driving range with increasing battery capacity, decreasing cost and price of EV, more mature and convenient charging infrastructure, improving experience of intelligent cabin as well as stronger environmental conscious of consumers, the penetration rate of EV over total vehicles is expected to continue to grow. The global sales volume of EV is expected to further increase to 50.5 million units by 2028, representing a 29.2% CAGR from 14.0 million units in 2023. Besides, the sales volume of EV in China is expected to increase from 9.5 million units 2023 to 12.2 million units in 2024, with a growth rate of 29.0%, and is expected to further increase to 26.2 million units in 2028, with a CAGR of 20.9% from 2024 to 2028. Additionally, in China's EV market, the proportion of GaN power semiconductor in the overall power semiconductor is expected to increase from less than 1% in 2023 to around 20% in 2028. EV will be an important application scenario and demand driver for GaN power semiconductors.

- **Data centers.** The global computing power capacity is expected to grow from 1,494.9 EFlops in 2023 to 18,282.3 EFlops by 2028 with a CAGR of 65.0% driven by strong demand from end applications including AI, cloud computing, cryptocurrency, etc. Data centers consume high amounts of energy, are growing rapidly, and account for an increasing share of global electricity demand year by year. In 2023, global data centers accounted for 1.4% of global electricity demand, and this is expected to rise to 9.4% by 2028. And the application of GaN power semiconductors will be one of the key technologies for optimising energy efficiency in data centres.

- **Renewable energy and industrial.** With the continuous increase in global penetration of energy storage for industrial, commercial and household users, and the significant increase of 5G base stations, power consumption will become one of the most important sections for energy storage batteries. It is estimated that in 2028, the global energy storage battery annual installed capacity is expected to continue to increase to 1,302.5 GWh, representing a CAGR of 46.3% from 2023 to 2028, thereby driving the growth of the GaN power semiconductor market.

Development Trends of GaN Power Semiconductor Market

- ***Expansion of Downstream Applications.*** GaN power devices have great potential among a broad range of applications in consumer electronics and are gradually penetrating into emerging segments including EVs, data centers, AI, energy storage and photovoltaics. For example, in on-board charger applications for EVs, GaN power devices can reduce size significantly while achieving charging efficiency improvement with a superior heat dissipation structure. In converters for EVs, GaN has greater power density than Si-based power devices, which can save energy and increase the battery lifecycle. Moreover, GaN is more efficient than the traditional Si solution in addressing data center power supply dilemmas such as solving large ASIC chip power supply bottleneck or reducing system space when achieving high-power density supply.

- ***IDM as the Leading Business Model.*** The GaN market is expected to face more intense market and technical competition. To enhance competitiveness and ensure supply stability, GaN power semiconductor players tend to integrate resources and technical advantages to establish a complete industry chain system encompassing both the design and production of GaN power semiconductors. On the supply side, the IDM model is expected to become the leading business model for the GaN semiconductor industry, as design and process integration achieve synergies, customized solutions provided for customers and capacity and supply secured following scale growth. Therefore, there have been several instances in recent years where leading IDM power semiconductor companies acquired players in the GaN power semiconductor industry to establish their presence. Consequently, the IDM model is anticipated to be the dominant business model for the future GaN industry, where companies adopting an early IDM layout can gain a first-mover advantage along with long-term competitiveness.

- ***Transition from 6 inch to 8 inch.*** GaN power semiconductor production can leverage the equipment of Si semiconductors, and the equipment and process for 8-inch Si are currently more mature and efficient compared to 6-inch Si. Therefore, the production of 8-inch GaN has a competitive advantage over 6-inch GaN due to better equipment compatibility and maturity, making 8 inch the direction for GaN power semiconductors in the forecast period. Additionally, following the same path as Si, the industry trend from 6-inch to 8-inch development offers lower costs and higher yield rates. Thus, the technological, process and capacity transition from 6-inch to 8-inch development will provide leading players with significant first-mover advantages. In terms of revenue, the market share of 6-inch and 8-inch GaN in the global GaN power semiconductor market in 2023 was 66.3% and 33.7%, respectively.

Market Drivers of GaN Power Semiconductor Market

- ***Demand for New Materials for High Energy Efficiency.*** With the growing global focus on energy efficiency and environmental sustainability, industries are seeking solutions to improve energy efficiency and reduce energy consumption, especially with the recent boom in compute intensive applications such as cloud computing and cryptocurrency. GaN, with its high frequency and high efficiency, can provide more energy-efficient solutions to the industry, leading to a reduction in the overall size and cost of systems. For example, in consumer electronics, GaN chargers offer higher charging efficiency, smaller sizes and lower case temperatures, enhancing the overall solution. The use of GaN power devices in electric vehicle on-board chargers, on-board inverters and motor controllers can significantly improve energy efficiency, thereby reducing the burden on on-board cooling systems and increasing the driving range of EVs. 5G communication networks and data centers need to handle large amounts of data and high power loads while maintaining low power consumption. Power supplies based on GaN power devices are designed to provide 5G communication networks and data center equipment with higher power supply efficiencies, less energy loss and fewer instances of equipment overheating. Therefore, the trend towards high-energy-efficiency conversion will effectively drive the development of the GaN power semiconductor industry in the future, revolutionizing the entire power application sector.

- ***Lower Solution Cost.*** First, silicon, as the first-generation of semiconductor materials, has a certain cost advantage. However, GaN power devices offer higher energy efficiency compared to silicon-based power devices, reducing the overall size, energy consumption and production costs of the entire solution. Thus, the cost difference between GaN power devices and silicon-based power devices is expected to gradually diminish in the future. Second, with advancements in GaN power semiconductor production technologies and increased production scale, manufacturing costs are expected to continue to decline, reducing the overall unit cost of semiconductor devices. The 8-inch production line can produce wafers with approximately 80% more devices per wafer than 6-inch wafers and reduce single chip costs by 30%. Third, the high reliability and stability of GaN power devices can reduce the frequency of product maintenance and replacement, lowering usage costs for end consumers. Therefore, the improved cost competitiveness of GaN power semiconductors is expected to continuously drive the industry's development.

- ***Supportive Policies.*** Governments around the world have shown strong support for the semiconductor industry, especially for new materials such as GaN. In July 2023, China's MIIT and other departments issued the "Implementation Opinions on Improving Manufacturing Reliability," which clearly state that the electronics industry will prioritize the development of third-generation semiconductor power devices such as GaN and SiC. This directive sets clear requirements for the development of the GaN power semiconductor industry while promoting standardized production. In April 2023, the "European Chips Act" was approved, with the EU committing to invest €430 billion in the semiconductor industry. The goal is to increase Europe's share of chip manufacturing to 20% of the global market by 2030. In March 2022, Japan implemented the Semiconductor Aid Law, which subsidizes the construction of advanced semiconductor plants in Japan.

Raw Material Price of GaN Power Semiconductor Industry

The production cost of Si-based GaN power semiconductors mainly includes manufacturing and raw material costs. The manufacturing cost mainly includes depreciation of equipment, cost of labor and cost of energy, and accounts for about 80% of the production cost. Among different types of raw materials, the cost of which accounts for about 20% of the production cost, silicon substrate is the major raw material, and other raw materials include photoresist, cleaning fluid, sputtering target, special gases, trimethylgallium, etc.

Cost of silicon substrate accounts for around 30% of the total raw material costs of Si-based GaN power semiconductors. From 2019 to 2020, affected by the Sino-US trade issues and the decrease in demand from the downstream consumer electronics market, silicon substrate prices in China remained at a relatively low level. With the gradual recovery of demand and the stabilization of the supply chain, silicon substrate prices began to rise in 2021. In 2022, due to insufficient upstream silicon material production capacity, the price of silicon substrates rose significantly. In 2023, with the release of domestic silicon material production capacity, silicon substrate prices dropped significantly. In the long run, as the market supply generally meets the downstream demand, it is expected that the price of silicon substrate in China will generally remain stable.

Price of Silicon Substrate, China, 2019-2023

Source: Frost & Sullivan

Trimethylgallium, rather than gallium, is another type of raw material of Si-based GaN power semiconductors. Its cost accounts for around 1% of the total raw material costs. The price of gallium in China experienced significant fluctuations from 2020 to 2023, which was mainly caused by the changes in demand from its multiple downstream industries, including semiconductor, superalloy and medical imaging. And its price in June 2024 was approximately 28% higher than that in August 2023, when China implemented export control on gallium. However, the price of trimethylgallium remained stable from August 2023 to June 2024, fluctuating narrowly between RMB3,200/kg and RMB3,500/kg. The price fluctuation of gallium only had relatively limited influence to the price of trimethylgallium, because the cost of gallium only accounts for around 30%-50% of the total production costs of trimethylgallium, while the other primary production costs, including cost of various methylating agents, cost of production techniques, cost of energy, cost of labor, and depreciation of equipment, remained stable in the China market from August 2023 to June 2024.

Price of Gallium, China, 2019-2023

Source: Frost & Sullivan

Furthermore, the risk of gallium shortage in the China market is not foreseeable in the forecast period. The present gallium reserves of China are around 190 thousand tons, accounting for approximately 68% of world's total gallium reserves. While the production volume of primary gallium of China only reached 700 tons in 2023, accounting for a proportion of less than 0.4% of the present gallium reserves. Furthermore, the growing gallium recycling business around the world can also meet part of the gallium demand.

In addition, since raw material cost only accounts for about 7.1% of the Group's total cost of sales in 2023, the price fluctuations of raw materials only had limited impact on the prices of the Group's final products.

COMPETITIVE ANALYSIS OF GLOBAL GAN POWER SEMICONDUCTOR MARKET

Competitive Landscape of Global GaN Power Semiconductor Market

GaN power semiconductor companies can be categorized into IDM and fabless companies. Representative IDM companies include the Company and Company D, while major fabless model companies include Company A, Company B and Company C. Compared to the fabless model, the IDM model requires significant capital investment and technological accumulation and offers notable advantages, including synergies between the design and manufacturing process, capacity and supply security, cost advantages of scale production and continuous process and technology upgrades. Consequently, existing IDMs in the industry have first-mover advantages and long-term competitiveness.

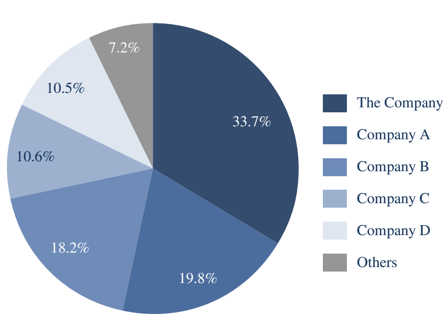
GaN power semiconductor companies can also be classified into pure-play third-generation power semiconductor companies and non-pure-play third-generation power semiconductor companies. Pure-play third-generation power semiconductor companies include the Company, Company B and Company C. These companies directly develop third-generation semiconductor technologies without an existing silicon-based semiconductor business, which prevents conflicts in resource allocation with other business departments. Additionally, these companies can develop their GaN power semiconductor business independently, without being constrained by the technological processes of their original silicon-based semiconductor business. Limitations of such companies include the relatively smaller potential markets and narrower downstream application areas. They occupied a share of around 63% in the global GaN power semiconductor market in 2023, in terms of revenue. On the contrary, non-pure-play third generation power semiconductor companies are those who develop third-generation semiconductor technologies on the basis of their existing silicon-based semiconductor business. Such companies include Company A and D, and occupied a share of around 37% in the global GaN power semiconductor market in 2023, in terms of revenue. Compared with pure-play companies, such companies can enjoy larger potential markets, and wider downstream application areas, but may have conflicts in resource allocation between different business departments.

In the GaN power semiconductor industry, a type of GaN power semiconductor product typically enters the phase of mass production when a cumulative production scale of over 200 wafers is achieved. The industry standard for GaN power semiconductor companies to achieve mass production capabilities is determined by various factors, including the stability of the manufacturing process and the yield of the final products. The production capacities of those companies that achieve mass production are generally above 6,000 pieces per month.

Ranking of Global GaN Power Semiconductor Companies

With revenue of RMB592.7 million from the GaN power semiconductor sector, the Company ranked the first among all GaN power semiconductor companies in 2023 globally with a market share of 33.7%. The combined market share of the top five companies reached 92.8% in 2023. Except the Company, other GaN power semiconductor companies mainly provide 6-inch products. The major GaN power semiconductor companies in terms of revenue globally mainly consist of the Company, EPC, Infineon, Navitas, and Power Integrations.

Top 5 GaN Power Semiconductor Companies (by revenue), Global, 2023



Rank	Company	Country	Business Model	Business Type*	GaN Power Semiconductor Revenue (in RMB Mn)	Market Share
1	**The Company**	**China**	**IDM**	**Pure-play**	**592.7**	**33.7%**
2	Company A	US	Fabless	Non-pure-play	348.7	19.8%
3	Company B	US	Fabless	Pure-play	320.6	18.2%
4	Company C	US	Fabless	Pure-play	186.4	10.6%
5	Company D	Germany	IDM	Non-pure-play	185.3	10.5%
	Others				125.8	7.2%
	Total				**1,759.5**	**100.0%**

Source: Company reports, Frost & Sullivan

Note: The comparison in business type indicates whether the company is a pure-play or non-pure-play third generation power semiconductor company.

Company A, a company headquartered in the US and listed on the New York Stock Exchange, was established in 1988 and primarily offers analog and mixed-signal integrated circuits and other electronic components and circuitry used in high-voltage power conversion.

Company B, a company headquartered in the US and listed on the New York Stock Exchange, was established in 2014 and primarily offers GaN power integrated circuits, silicon carbide, and associated high-speed silicon system controllers.

Company C, a company headquartered in the US, was established in 2007 and primarily offers GaN-based power devices.

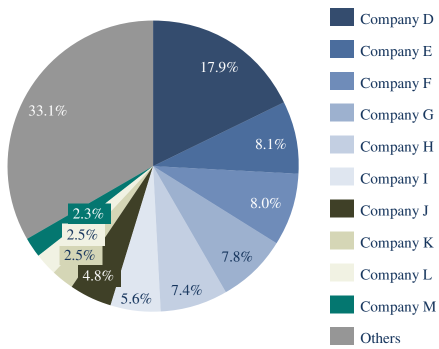
Company D, a company headquartered in Germany and listed on the Frankfurt Stock Exchange and in the US on the over-the-counter market OTCQX International Premier, was established in 1999 and primarily offers digital, mixed-signal and analog integrated circuits, discrete semiconductor products and system solutions.

Besides revenue, the Company also leads the global GaN power semiconductor market in production capacity. The production capacity of the Company reached 10,000 pieces per month by the end of 2023, empowering it with the ability to continuously expand production. The product yield rate of the Company, which is above 95%, is also higher than the average of other GaN power semiconductor manufacturing companies, which is approximately between 90% and 95%.

Ranking of Global Power Semiconductor Companies

In terms of revenue from the power semiconductor sector in 2023, Company D ranked first among all power semiconductor companies globally. With a revenue of RMB59.9 billion, it accounted for 17.9% of the market. The combined market share of the top 10 companies reached 66.9%. With a revenue of RMB592.7 million in the global market and RMB534.8 million in the China market in 2023, the Company accounted for 0.2% of the global power semiconductor market, and 0.4% of the China power semiconductor market. Additionally, none of the top 10 power semiconductor companies in terms of revenue in 2023 globally are pure-play ones. The major power semiconductor companies in terms of revenue globally mainly consist of Analog Devices, Infineon, MediaTek, Monolithic Power Systems, NXP, Onsemi, Qualcomm, Renesas, STMicroelectronics, and Texas Instruments.

Top 10 Power Semiconductor Companies (by revenue), Global, 2023



Rank	Company	Country	Business Model	Power Semiconductor Revenue (in RMB Bn)	Market Share
1	Company D	Germany	IDM	59.9	17.9%
2	Company E	Switzerland	IDM	27.3	8.1%
3	Company F	US	IDM	26.7	8.0%
4	Company G	US	IDM	26.2	7.8%
5	Company H	US	IDM	24.7	7.4%
6	Company I	US	Fabless	18.8	5.6%
7	Company J	Japan	IDM	16.1	4.8%
8	Company K	US	Fabless	8.5	2.5%
9	Company L	Netherlands	IDM	8.5	2.5%
10	Company M	Taiwan, China	Fabless	7.8	2.3%
	Others			111.2	33.1%
	Total			**335.7**	**100.0%**

Source: Company reports, Frost & Sullivan

Note: Company E, a company headquartered in Switzerland and listed on the New York Stock Exchange, the Paris Stock Exchange and the Italian Stock Exchange, was established in 1987 and primarily offers dedicated automotive ICs, analog, industrial and power conversion ICs, and others.

Company F, a company headquartered in the US and listed on the New York Stock Exchange, was established in 1999 and primarily offers intelligent power and sensing solutions.

Company G, a company headquartered in the US and listed on the New York Stock Exchange, was established in 1930 and primarily offers analog chips and embedded processors.

Company H, a company headquartered in the US and listed on the New York Stock Exchange, was established in 1965 and primarily offers data converters, amplifiers, radio frequency ICs, and others.

Company I, a company headquartered in the US and listed on the New York Stock Exchange, was established in 1985 and primarily offers semiconductors, software and services related to wireless technology.

Company J, a company headquartered in Japan and listed on the Tokyo Stock Exchange, was established in 2002 and primarily offers microcontrollers, analog, power, and SoC products.

Company K, a company headquartered in the US and listed on the New York Stock Exchange, was established in 1997 and primarily offers semiconductor-based power electronics solutions.

Company L, a company headquartered in Netherlands and listed on the New York Stock Exchange, was established in 2006 and primarily offers high-performance mixed-signal and standard products and solutions.

Company M, a company headquartered in Taiwan, China and listed on the Taiwan Stock Exchange, was established in 1997 and primarily offers multimedia integrated circuits.

Entry Barriers of GaN Power Semiconductor Market

- ***Technology Barrier.*** The GaN power semiconductor industry is a knowledge-intensive high-tech sector with comprehensive applications across multiple fields. Leading companies in the industry have accumulated substantial experimental data and years of technical and process experience, creating significant technical challenges for new entrants. It would take years of efforts for newcomers to overcome these challenges. For instance, if a new entrant without existing production capabilities plans to manufacture 8-inch GaN power semiconductors, it would typically take one to two years to produce samples in the laboratory, another one to two years to construct production lines and an additional three to five years to achieve large-scale production. Similarly, if a 6-inch GaN power semiconductor IDM model player plans to transition to 8-inch production, it would require several years and significant capital investment to reach large-scale production with a product yield rate higher than 90%. Existing leading players in the industry have significant technical advantages, forming a strong barrier to entry for new competitors.

- ***Product Quality and Reliability Barrier.*** Potential clients usually have high standards regarding the stability and uniformity of GaN power semiconductors. Thus, the development of GaN power semiconductor companies largely depends on product quality and reliability. Leading companies need long-term accumulated know-how, advanced management abilities and manufacturing technology to build and maintain their product quality and reliability advantages. For new entrants, it would take a long time to raise their product quality and reliability to the industry average. Consequently, the gap in product quality and reliability compared to leading companies presents a significant challenge for new entrants in their early stages.

- ***Customer Resource Barrier.*** The number and quality of downstream clients critically impact the long-term growth of GaN power semiconductor companies. Companies must undergo long-term rigorous assessments before entering the supply chain and establishing cooperation relationships with downstream clients. Additionally, internationally renowned downstream clients have low willingness to replace their existing suppliers due to the long assessment cycles and high switching costs involved. Therefore, the lack of customer resources poses significant obstacles to new entrants and offers a significant first-mover advantage to existing leading players.

- ***Capital Barrier.*** The GaN power semiconductor industry requires substantial capital investment for the design and manufacturing processes. To maintain technological advancement and market competitiveness, as well as raise product yield rates and capacity utilization rates, companies need significant funds for building talented teams, conducting R&D, expanding production lines, procuring equipment and optimizing production processes. This is especially critical as the GaN power semiconductor industry is rapidly developing with a broad range of product categories and downstream applications. For new market entrants, apart from technological challenges, the large capital investment required also poses a strong barrier to achieving large-scale production.

- ***Talent Barrier.*** The technology-intensive semiconductor industry requires a comprehensive talent pool covering various fields, including design, manufacturing, packaging and testing. However, there is a relative scarcity of qualified talent in the GaN power semiconductor industry. With the rapid expansion of the GaN power semiconductor market, the demand gap for high-end talent with technical skills and experience is continuously widening. Accumulating and reserving talent compatible with the technology, process and production facilities of GaN power semiconductor players is crucial but difficult, especially for new entrants with the IDM model, which requires talent from numerous fields within the industry.

We are subject to a variety of PRC laws, rules and regulations across a number of aspects of our business. This section sets forth a summary of the most significant laws and regulations that are applicable to our current business activities within the territory of the PRC.

REGULATIONS ON FOREIGN INVESTMENT

On December 29, 1993, the Standing Committee of the National People's Congress (the "**SCNPC**") issued *the Company Law of the PRC* (《公司法》), which was lasted amended on December 29, 2023, and came into effect on July 1, 2024. The Company Law of the PRC regulates the establishment, operation and management of corporate entities in China and classifies companies into limited liability companies and limited companies by shares. The revisions mainly focus on refining the systems for the establishment and withdrawal of companies, optimizing the organizational structure of companies, modifying the capital system of companies, strengthening the responsibilities of controlling shareholders and the management level, strengthening the social responsibilities of companies and etc.

Investment activities in the PRC by foreign investors are principally governed by the *Catalog of Encouraged Industries for Foreign Investment* (《鼓勵外商投資產業目錄》) (the "**Encouraged Catalog**"), and the *Special Administrative Measures (Negative List) for Foreign Investment Access* (《外商投資准入特別管理措施(負面清單)》) (the "**Negative List**"), which are promulgated and amended from time to time by the Ministry of Commerce (the "**MOFCOM**") and the National Development and Reform Commission (the "**NDRC**"), and together with the *Foreign Investment Law of PRC* (《中華人民共和國外商投資法》) (the "**Foreign Investment Law**") and its respective implementation rules and ancillary regulations.

In March 2019, the Foreign Investment Law was promulgated by National People's Congress (the "**NPC**") and came into effect on January 1, 2020. The Foreign Investment Law, by means of legislation, establishes the basic framework for the access, promotion, protection and administration of foreign investment in view of investment protection and fair competition. According to the Foreign Investment Law, foreign investment shall enjoy pre-entry national treatment, except for those foreign invested entities that operate in industries deemed to be either "restricted" or "prohibited" in the "negative list", and the State Council shall promulgate or approve a list of special administrative measures for access of foreign investments. To ensure the effective implementation of the Foreign Investment Law, the *Regulations on Implementing 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 Regulations**"), was promulgated by State Council in December 2019 and came into effect on January 1, 2020, which further clarified that the state encourages and promotes foreign investment, protects the lawful rights and interests of foreign investors, regulates foreign investment administration, continues to optimize foreign investment environment, and advances a higher-level opening.

The NDRC and the MOFCOM jointly issued the *Special Administrative Measures (Negative List) for Foreign Investment Access (2021 version)* (《外商投資准入特別管理措施(負面清單) (2021年版)》) (the "**2021 Negative List**") on December 27, 2021, to replace the previous encouraging catalog and negative list thereunder. Pursuant to the Foreign Investment

Law, the Implementation Regulations and the 2021 Negative List, foreign investors shall not make investments in prohibited industries as specified in the Negative List, while foreign investments must satisfy certain conditions stipulated in the Negative List for investment in restricted industries. Industries not listed in the Negative List are generally deemed "permitted" for foreign investments. The 2021 Negative List sets out 31 industries which foreign investments are prohibited or restricted. On September 8th, the Special Administrative Measures (Negative List) for Foreign Investment Access (2024 version) has been issued and which will come into effect in November 2024 and set out 29 industries foreign investments are prohibited or restricted.

According to the *Measures for the Security Review of Foreign Investment* (《外商投資安全審查辦法》) promulgated by the NDRC and the MOFCOM on December 19, 2020 and became effective on January 18, 2021, any foreign investment that has or possibly has an impact on state security shall be subject to security review in accordance with the provisions hereof. A foreign investor or a party concerned in China shall take the initiative to make a declaration to the working mechanism office, which is set up in the NDRC and led by the NDRC and MOFCOM, prior to making the investment in any important infrastructure, important transportation services and other important fields that concern state security while obtaining the actual control over the enterprises invested in.

REGULATIONS ON THE IC INDUSTRY

On January 25, 2017, NDRC issued the *Guiding Catalogue of Key Products and Services in Strategic Emerging Industries (2016 Edition)* (《戰略性新興產業重點產品和服務指導目錄(2016版)》), which clarifies eight industries in five major areas, which are further subdivided into 174 sub-directions under 40 key directions and nearly 4,000 subdivided products and services. Among them are: integrated circuit chip products, integrated circuit materials, electric and electronic power devices and semiconductor materials.

On March 5, 2023, the first session of the 14th NPC 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. In March 2024, the 14th NPC issued the *Report on the Implementation of the 2023 Central and Local Budget and on the Draft 2024 Central and Local Budget* (《關於2023年中央和地方預算執行情況與2024年中央和地方預算草案的報告》), which points out that the special funds for industrial foundation reconstruction and high-quality development of manufacturing industry will be RMB10.4 billion to support faster breakthroughs in basic products and core technologies and enhance the resilience and competitiveness of the industry chain supply chain.

According to the *Circular 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", 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 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* (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》) (the "**14th Five-Year Plan and the Long-Range Objectives through the Year 2035**") 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. The 14th Five-Year Plan and the Long-Range Objectives through the Year 2035 focuses 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, and proposes to accelerate 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. Furthermore, the 14th Five-Year Plan and the Long-Range Objectives through the Year 2035 also pointed out the need to focus on advantageous resources to address key core technologies in integrated circuits industry, including integrated circuit design tools, key equipment and high-purity targets and other key materials research and development, advanced processes on integrated circuits and insulated gate bipolar transistors (IGBT), microelectromechanical systems (MEMS) and other characteristics of the process breakthroughs, the upgrading of advanced storage technology, silicon carbide, GaN and other wide-bandwidth semiconductor development.

On January 15, 2021, the Ministry of Industry and Information Technology (the "**MIIT**") promulgated the Circular on the Issuance of the Action Plan for the Development of Basic Electronic Components Industry (2021-2023) (《關於印發<基礎電子元器件產業發展行動計劃(2021-2023年)>的通知》), emphasizing the theme of promoting high-quality development, deepening the supply-side structural reform as the main line, reform and innovation as the fundamental driving force, to strengthen the electronic components industry, consolidate the information technology industry foundation as the goal, to the key core technologies as the main direction of attack, to support the key industry market applications, to establish a sound industrial chain supporting system, to promote the basic electronic components industry to achieve high-quality development, and to safeguard the security of the national information technology industry.

On December 1, 2019, the Central Committee of the Chinese Communist Party and the State Council issued the *Outline of the Plan for the Integrated Development of the Yangtze River Delta Region* (《長江三角洲區域一體化發展規劃綱要》), focusing on the ten key areas including integrated circuits, new displays, Internet of Things, big data, artificial intelligence, new energy vehicles, life and health, large airplanes, intelligent manufacturing, and cutting-edge new materials, and extending the robotics and integrated circuits industry chain, and cultivated a number of leading enterprises with international competitiveness. To conscientiously implement the Outline of the Plan for the Integrated Development of the Yangtze River Delta Region, the Ministry of Science and Technology of the PRC, NDRC, MIIT, People's Bank of China, China Banking and Insurance Regulatory Commission (has been revoked), the China Securities Regulatory Commission (the "**CSRC**") collectively further promulgated the *Program for the Construction of the G60 Science and Technology Corridor in the Yangtze River Delta* (《長三角G60科創走廊建設方案》) (the "**G60 Program**") on 27 October, 2020. According to the G60 Program, the construction of Science and Technology Corridor in the Yangtze River Delt should adhere to the combination of market mechanism-led and industrial policy guidance, jointly prepare the development plan of advanced manufacturing industry, strengthen the synergistic and staggered development of regional advantageous industries around artificial intelligence, integrated circuits, biomedicine, high-end equipments, new energies, new materials, new energy automobiles, etc., push forward the upgrading of the industrial structure, build a number of national strategic emerging industry bases with global competitiveness, cultivate a number of leading enterprises with international competitiveness in the key fields, and accelerate the cultivation of the layout of a batch of future industries, such as quantum information, brain-like chips, third-generation semiconductors and gene editing.

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 modelling, 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.

REGULATIONS ON WORK SAFETY AND ENVIRONMENTAL PROTECTION

Work Safety

According to the *Regulations on the Safety Supervision of Special Equipment* (《特種設備安全監察條例》, which was released on 11 March 2003 and revised on 24 January 2009 by the State Council, entities that use elevators and other special equipment must meet the statutory requirements in such aspects as personnel, management system, regular inspection and legal license. Entities using special equipment shall strictly implement the provisions of these Regulations and laws and administrative regulations on safe production, and ensure safe use of special equipment.

Pursuant to the *Fire Protection Law of the PRC* (《中華人民共和國消防法》) promulgated by the SCNPC on April 29, 1998, and last amended on April 29, 2021 and effective therefrom, the Department of Emergency Management under the State Council and the local people's governments at or above county level shall supervise and administer the matters of fire protection, while the fire control and rescue institutions of such people's governments shall be responsible for implementation. The design of fire control of the construction projects must comply with the national technical standards of fire control. If the design of fire control of a construction project has not been examined pursuant to the relevant laws or failed to pass the examination, the construction of such project is not allowed. If a completed construction project has not gone through the fire safety inspection or failed to satisfy the requirements of fire safety upon inspection, such project is not allowed to be put to use or business.

Environmental Protection

The *Environmental Protection Law of the PRC* (《中華人民共和國環境保護法》) was promulgated and effective on 26 December 1989, and most recently amended on 24 April 2014. The Environmental Protection Law has been formulated for the purpose of protecting and improving both the living and the ecological environment, preventing and controlling pollution and other public hazards and safeguarding people's health. According to the provisions of the Environmental Protection Law, in addition to other relevant laws and regulations of the PRC, the Ministry of Environmental Protection and its local counterparts are responsible for administering and supervising environmental protection matters. Pursuant to the Environmental Protection Law, construction projects that have environmental impact shall be subject to environmental impact assessment.

Environment Impact Assessment

On 28 October 2002, the SCNPC promulgated the *Environmental Impact Assessment Law of PRC* (《中華人民共和國環境影響評價法》), which was latest amended on 29 December 2018. According to the Environmental Impact Assessment Law, the State Council implemented the environmental impact assessment to classify construction projects according to the impact of the construction projects on the environment.

Pursuant to the *Interim Measures for Environmental Protection Acceptance of Completed Construction Projects* (《建設項目竣工環境保護驗收暫行辦法》) effective as of 20 November, 2017 and the *Regulations on the Administration Construction Project Environmental Protection* (《建設項目環境保護管理條例》), which was revised on 16 July 2017 and implemented on October 1, 2017, after the completion of a construction project for which an environmental impact report or an environmental impact report form is required, the construction entity shall, according to standards and procedures prescribed by the environmental protection administrative authorities, conduct environmental protection completion acceptance check and compile an acceptance check report. A construction project for which an environmental impact report or an environmental impact report form is required shall not be put into production or use until the environmental protection completion acceptance check has been passed.

According to the Environmental Impact Assessment Law, where a construction entity commenced construction prior to submission of the environmental impact report and environmental impact statement of the construction project or prior to resubmission of the environmental impact report and environmental impact statement, the ecological environment authorities at the county level or above shall order it to stop the construction, impose a fine of not less than 1% but not more than 5% of the overall investment amount for such construction project according to the seriousness and consequences of such violations, and order it to restore to the original status; and the person-in-charge and responsible personnel of the construction project shall be liable to administrative sanctions in accordance with laws.

Hazardous Chemicals

According to the *Work Safety Law of the PRC* (《中華人民共和國安全生產法》), which was promulgated by the SCNPC in 2002 and was latest amended in June 2021, where dangerous goods are to be manufactured, sold, transported, stored, used or to be disposed of or scrapped, business operators shall abide by relevant laws and regulations, as well as the national standards or industrial specifications, establish a special system for safety control, adopt reliable safety measures, and subject themselves to supervision and control by the competent departments in accordance with law. The *Regulation on the Safety Administration of Hazardous Chemicals* (《危險化學品安全管理條例》), which was promulgated by the State Council and latest amended in 2013, has further stipulates that enterprises using hazardous chemicals shall, in accordance with the types and hazard characteristics of the used hazardous chemicals as well as the amount and mode of use, establish and perfect the safety administration regulations and safety operating rules for the use of hazardous chemicals so as to guarantee the safe use of hazardous chemicals, and shall comply with the provisions of laws and regulations regarding the storage hazardous chemicals. Enterprise fails to comply with such regulatory requirements shall be ordered to rectify, to suspend business operations, be imposed fines, or even has its permits or business license be revoked by the relevant government authorities.

Pollutant Discharge Permit

Pursuant to the *Law on the Prevention and Control of Environmental Pollution Caused by Solid Waste of the PRC* (《中華人民共和國固體廢物污染環境防治法》), which was promulgated by the SCNPC in 1995 and was latest amended on 29 April 2020, entities generating hazardous waste shall store, utilize and dispose hazardous waste according to the relevant requirements of the state and environmental protection standards, and shall not dump or pile up hazardous waste without authorisation. Furthermore, it is forbidden to entrust hazardous waste to entities without a permit for disposal, or else the competent ecological and environmental authorities shall order it to make rectification, impose fines, confiscate illegal gains, and in serious circumstance, order it to suspend business or close down upon the approval of government authorities.

Pursuant to the provisions of the *Regulation on the Administration of Permitting of Pollutant Discharges* (《排污許可管理條例》) promulgated on 24 January 2021, and the *Measures for Pollutant Discharge Permitting Administration* (《排污許可管理辦法》) promulgated on April 1, 2024 and came into effect on July 1, 2024, the administration on pollutant discharge units is divided into key management and simplified management pursuant to the amount of pollutant caused and discharged and the impact on the environment. Their view, decision and information disclosure of pollutant discharge licenses shall be handled through the national pollutant discharge license management information platform. The pollutant discharge license is valid for 5 years and the discharging units should apply for renewal 60 days before the expiry for continues pollutant discharge. The environmental protection authorities have the right to order to make corrections, restrict production, suspend production for rectification, and suspend business and close down, and impose a fine. If a crime is constituted, it shall be investigated for criminal liabilities in accordance with the law.

Enterprises and other producers that are included in the *Classification Administration List of Pollutant Discharge Permits for Fixed Pollution Sources* (《固定污染源排污許可分類管理名錄》) shall apply for and obtain a pollutant discharge permit within the prescribed time limit, and shall not discharge pollutants without a pollutant discharge permit.

According to the *Regulation on Urban Drainage and Sewage Treatment* (《城鎮排水與污水處理條例》), which was promulgated by the State Council in 2013, and the *Measures for the Administration of Permits for Discharging Urban Sewage into the Drainage Pipeline* (《城鎮污水排入排水管網許可管理辦法》), which was promulgated by the Ministry of Housing and Urban-Rural Development in 2015 with the most recent amendment becoming operative on February 1, 2023, enterprises, institutions and individually-owned businesses engaging in industry, construction, food and beverage, medical service and other activities which discharge sewage into urban drainage facilities shall apply to the competent urban drainage authorities for a permit for sewage discharge into the drainage pipe network, or the Drainage Permit. Discharging sewage into urban drainage facilities without obtaining a Drainage Permit shall be ordered by the relevant urban drainage authority to suspend illegal activities, take remedial measures within a time limit, re-apply the Drainage Permit, and may impose a fine of less than RMB500,000.

REGULATIONS ON PRODUCT QUALITY AND IMPORT AND EXPORT TRADE

In accordance with the *Product Quality Law of the PRC* (《中華人民共和國產品質量法》) promulgated by the SCNPC on February 22, 1993, and most recently amended on December 29, 2018, the seller assumes responsibility for the repair, replacement, or return of the sold product under the following circumstances: (i) the product lacks the essential properties for its intended use without prior clear indication; (ii) the product does not meet the stated standards displayed on the product or its packaging; or (iii) the product does not match the quality as described in the product information or physical sample. In cases where a consumer incurs losses due to the purchased product, the seller is obligated to compensate for these losses. Under the Civil Code, manufacturers and commercial sellers bear liability for physical injury or property loss resulting from product defects. The affected party has the right to seek compensation from either the manufacturer or the commercial seller.

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, customs declaration entities refer to the consignees and consignors of import and export goods and customs declaration enterprises recorded with the customs. If the consignees and consignors of import and export goods and customs declaration enterprises apply for recordation, they shall obtain the qualification of market entities; among them, if the consignees and consignors of import and export goods apply for recordation, they shall also obtain the recordation of the foreign trade operators and according to the Foreign Trade Law of the PRC amended on December 30, 2022 the relevant recordation requirements of the foreign trade operators has been deleted. The recordation of the customs declaration entities is valid for a long period of time.

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. Pursuant to the Regulations of the People's Republic of China on the Administration of Import and Export of Goods (《中華人民共和國貨物進出口管理條例》) (the "**Regulations on the Administration of Import and Export of Goods**"), which was promulgated by the State Council on December 10, 2001, last amended on March 10, 2024, and came into effect on May 1, 2024, trade activities of importing goods into the customs boundary of the PRC or exporting goods to a place outside the customs boundary of the PRC shall be subject to the Regulations on the Administration of Import and Export of Goods. Goods whose import or export is prohibited shall not be imported or exported; goods whose import or export is restricted shall be subject to a licensing or quota administration; and goods whose import or export is free shall not be subject to restriction. An import or export business operator shall complete the formalities with the customs office for customs clearance based on a relevant import or export or import or export quota license.

On October 17, 2020, the SCNPC promulgated the Export Control Law of the People's Republic of China (《中華人民共和國出口管制法》) (the "**Export Control Law**") , which came into effect on December 1, 2020. The Export Control Law provides comprehensive rules on the State's export control on dual-use items, military products, nuclear and other goods, technologies, services and other items related to the protection of national security and interests or the fulfillment of international obligations, such as nonproliferation. Such comprehensive rules include, among others, that the State's export control authorities shall, together with other related departments, formulate and adjust the list of items subject to export control, pursuant to the provisions of the Export Control Law and other relevant laws and administrative regulations, export control policies and specified procedures, and promptly release the same, and the State's export control authorities may, in light of the needs of protecting national security and interests and fulfilling non-proliferation and other international obligations, with the approval of the State Council or both the State Council and the Central Military Commission, impose temporary export control over goods, technologies and services which are not on the export control list, and make announcements thereof.

On July 3, 2023, the Ministry of Commerce and the General Administration of Customs issued the Announcement of the Ministry of Commerce and the General Administration of Customs on Export Control of Gallium and Germanium-Related Items (Announcement No. 23 2023 of the Ministry of Commerce and the General Administration of Customs 《商務部、海關總署關於對鎵、鍺相關物項實施出口管制的公告》) (the "**Announcement No. 23**"), which became effective on August 1, 2023. The Announcement No. 23 lists certain gallium and germanium-related items which are subject to export control, and provides certain characteristics and reference HS Codes for such items. Pursuant to the Announcement No.23, an export business operator shall, for the export of such controlled items, apply to the MOFCOM through the competent provincial commerce department for an export licence of dual-use items and technologies and complete the customs formalities in accordance with the Customs Law, with such an export licence presented to the customs office.

On December 1, 2024, the Regulations of the PRC on the Export Control of Dual-use Items (《中華人民共和國兩用物項出口管制條例》) (the "**Regulation on the Export Control of Dual-use Items**") issued by the State Council came into effect. The Export Control List of Dual-use Items of the PRC (《中華人民共和國兩用物項出口管制清單》) (the "**Dual-use Item List**") jointly announced by the MOFCOM, the MIIT, the General Administration of Customs and the State Cryptography Administration (by MOFCOM Announcement 2024 No. 51) came into effect on the same date, with the Announcement No. 23 abolished at the same time. According to the Regulation on the Export Control of Dual-use Items, the commerce department of the State Council shall, pursuant to the provisions of the Export Control Law and the Regulation on the Export Control of Dual-use Items, as well as the policies for the export control of dual-use items, formulate and adjust the export control list of dual-use items, together with other related departments under the prescribed procedures, and promptly release the same. If needed for maintaining national security and interest and fulfilling international obligations such as nonproliferation, with the approval of the State Council or both the State Council and the Central Military Commission, the commerce department of the State Council may impose temporary control over the export of goods, technologies, and services not included in such export control list of dual-use items, and make announcements thereof. For the export of dual-use items specified in such export control list of dual-use items or subject to the abovementioned temporary control, exporters shall apply to the commerce department of the State Council for licenses. The formulating of the abovementioned Dual-use Item List announced by MOFCOM Announcement 2024 No. 51, was to systematically integrate the dual-use items that were already under control and establish a complete system and rules for the list, without adjustment to the specific control scope.

On December 3, 2024, the Ministry of Commerce issued the Announcement on Strengthening Export Control of Relevant dual-use Items to the United States (《關於加強相關兩用物項對美國出口管制的公告》) (the "**Announcement No. 46**"), which became effective on the same date. Announcement No. 46 strengthens the control over export in relation to the U.S. of dual-use items and provides that, among others, the export of dual-use items relevant to gallium, germanium, antimony, and ultra-hard materials to the United States in principle will not be licensed. Any organization or individual of any country or region which transfers or provides dual-use items originating from the PRC to any U.S. organization or individual in violation of the rules under Announcement No. 46 will be held legally accountable in accordance with relevant laws.

REGULATIONS ON REAL ESTATE

Regulations on the Approval and Filing Management of Enterprise Investment Projects and Measures for the Approval and Filing Management of Enterprise Investment Projects

Pursuant to the provisions of the *Regulation on the Administration of the Confirmation and Recordation of Enterprise Investment Projects* (《企業投資項目核准和備案管理條例》) promulgated on 30 November 2016, the PRC government implements a pre-approval management on fixed asset investment projects that are invested and constructed by enterprises in the PRC and that have national security concern or relate to major productivity distribution, strategic resource development and major public interests. The specific project scope, the approval authority and the approval power shall be implemented in accordance with the catalogue of investment projects approved by the government, and other projects are subject to the filing registration.

The determination of specific projects and approval authority is governed by the investment project catalog approved by the government. This catalog is proposed by the investment authority under the State Council in conjunction with relevant departments of the State Council, implemented following the State Council's approval, and adjusted periodically. Except for special provisions, other projects are subject to filing management, typically following the principle of territoriality, with local governments stipulating the filing authorities and their powers.

For projects that are subject to the filing registration, if the enterprise fails to notify the filing authority of the project information or the changes in the information of the registered project in accordance with the Regulation on the Administration of the Confirmation and Recordation of Enterprise Investment Projects, the filing authority may shall order it to make corrections within a time limit and impose a fine for failure to make corrections within the specified time limit.

Urban and Rural Planning Law of the PRC

Pursuant to the provisions of *the Measures for the Administration of the Planning for the Assignment and Transfer of the Right to the Use of the State-owned Land in the Urban Areas* (《城市國有土地使用權出讓轉讓規劃管理辦法》) promulgated on 4 December 1992 and amended on 26 January 2011, an enterprise that has obtained the land transfer contract shall apply for a construction land planning permit from the relevant planning administrative department, and can only apply for the land use right certificate after obtaining the construction land planning permit.

The *Urban and Rural Planning Law of the PRC* (《中華人民共和國城鄉規劃法》) was first promulgated by the Standing Committee of the NPC on 28 October 2007 and amended on 24 April 2015 and 23 April 2019 respectively. In accordance with the aforementioned legal provisions, to build any building, structure, road, pipeline or other engineering project within a city or town planning area, the relevant construction entity or individual shall apply for a Construction Work Planning Permit from a competent urban and rural planning administrative department of the people's government at the municipal or county level or to the people's government of town as recognized by the people's government of a province, autonomous region or municipality directly under the Central Government, and submit documents proving the use of the land and the construction project design proposal. Projects that comply with planning will obtain the planning permit.

Construction Law of the PRC

Pursuant to the provisions of *the Construction Law of the PRC* (《中華人民共和國建築法) promulgated on 1 November 1997, revised on 22 April 2011 and amended on 23 April 2019, and *the Measures for the Administration of Construction Permits for Construction Projects* (《建築工程施工許可管理辦法》) promulgated on 25 June 2014 and with the latest amendment on 30 March 2021, the construction entity shall apply for a construction permit after obtaining the construction project planning permit, and then start construction.

Construction entities should commence construction within three months from the date of receiving the construction permit. If the construction entity is unable to start construction as scheduled due to unforeseen circumstances, an application for an extension should be made to the issuing authority. If construction does not commence without applying for an extension or exceeds the extension limit, the construction permit shall become void.

Regulations on Completion Acceptance of Housing Construction and Municipal Infrastructure Projects

According to *the Regulations on the Administration of Construction Quality* (《建設工程質量管理條例》) and *the Administrative Measures for Recording of the Inspection and Acceptance on Construction Completion of Buildings and Municipal Infrastructures* (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) promulgated and implemented by the former Ministry of Construction on April 7, 2000 and amended on October 19, 2009, a construction project shall not be delivered for use unless it has passed the acceptance checks. The construction entity should file a record to a competent construction administrative department of the people's government at or above the county level of the place where the project is located within 15 days from the day when the construction project passes the acceptance checks.

Only if construction projects meet the following requirements can proceed to completion and acceptance inspection: The project must complete all the contents stipulated in the design and contract. The construction entity must verify the quality of the project, ensure compliance with regulations and standards and submit a completion report. Supervision projects require a quality assessment report. Survey and design entities must review documents and design changes and issue a quality report. There must be complete technical records, construction management data, test reports and quality data for major building materials, components and equipment. The construction entity must make payments for the project, and the construction entity must provide a quality warranty. Residential projects must undergo individual household acceptance inspections and issue acceptance forms. All issues directed by the construction regulatory departments and quality supervision institutions must be rectified, fulfilling other conditions stipulated by laws and regulations.

Land Administration Law of the PRC

The Civil Code of the PRC (《中華人民共和國民法典》) was promulgated by the NPC on May 28, 2020, and implemented on January 1, 2021. According to the Civil Code, the establishment, modification, assignment and extinguishment of real estate property rights are effective upon registration in accordance with the law; unless the law stipulates otherwise, such establishment, modification, assignment and extinguishment shall be ineffective without registration. Real estate registration shall be handled by the registration authority at the location of the property.

The Land Administration Law of the PRC (《中華人民共和國土地管理法》) was first issued by the Standing Committee of the National People's Congress on June 25, 1986, with the latest revision published on August 26, 2019 and January 1, 2020, respectively. Pursuant to the Land Administration Law, construction entities that have obtained state-owned land use rights through paid leasing must pay the land use right leasing fees and other fees and expenses in accordance with the standards and methods prescribed by the State Council before they can use the land. Construction entities using state-owned land must use the land in accordance with the provisions of the contract for paid use of leased land use right or according to the provisions of the documents of approval concerning the allocation of land use right. For urban planned areas, changing land use requires prior consent from the relevant urban planning administrative department before seeking approval.

According to *the Interim Regulations on Real Estate Registration* (《不動產登記暫行條例》), promulgated on November 24, 2014 and last amended on March 10, 2024, the real estate registration shall be conducted by the real estate registration authorities of the people's government at or above the county level. Each real estate unit has a unique code. The real estate register shall record the following: (i) natural conditions of the real estate such as location, boundaries, spatial limits, acreage and usage; (ii) property conditions of the real estate rights such as ownership, type, content, source, term, changes in rights; (iii) matters related to restrictions and warnings on real estate rights; and (iv) other relevant matters.

The Interim Regulations on Real Estate Registration and the Implementing Rules of the Interim Regulations on Real Estate Registration (《不動產登記暫行條例實施細則》) promulgated on January 1, 2016 and last amended and brought into effect on May 21, 2024 provide that, among others, the State implements a uniform real estate registration system and the registration of real estate shall be strictly administered and carried out in a stable and continuous manner that provides convenience for people.

Anti-Unfair Competition

The Countering Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》), promulgated by the SCNPC on September 2, 1993, and effective from December 1, 1993, with its most recent amendment becoming operative on April 23, 2019, delineates essential measures aimed at curbing unfair competition and preserving market order. These measures encompass the prohibition of unjust practices such as misleading prize promotions and dumping, which are designed to eliminate market competitors. According to the aforementioned law, operators are strictly prohibited from offering bribes to employees of counterpart units, units or personnel entrusted by counterparts, or exerting undue influence on counterpart units or personnel to secure commercial opportunities or gain competitive advantages. However, operators are permitted to openly provide discounts to trading counterparts or commissions to intermediaries during their business transactions. It is imperative for operators to maintain accurate records of payments made to trading counterparts and intermediaries.

In the event of violations against the provisions outlined in Article 7 of the Law, wherein operators engage in bribery, regulatory authorities are empowered to confiscate the illicit gains obtained by the operators. Additionally, depending on the severity of the circumstances, fines ranging from RMB100,000 to RMB3,000,000 may be imposed. In cases of egregious violations, the revocation of business licenses is a potential consequence. The Countering Unfair Competition Law of the PRC underscores the commitment of the PRC to fostering a competitive market environment characterized by integrity, fairness, and adherence to ethical business practices.

Anti-Monopoly

On 30 August 2007, the SCNPC adopted the *Anti-Monopoly Law of the PRC* (《中華人民共和國反壟斷法》), or the Anti-Monopoly Law, which became effective on 1 August 2008 and was latest amended on 24 June 2022 and provides the regulatory framework for the PRC anti-monopoly. Under the Anti-Monopoly Law, the prohibited monopolistic acts include monopolistic agreements, abuse of a dominant market position and concentration of businesses that may have the effect to eliminate or restrict competition. Pursuant to the Anti-Monopoly

Law, a business operator that possesses a dominant market position is prohibited from abusing its dominant market position, including conducting the following acts: (i) selling commodities at unfairly high prices or buying commodities at unfairly low prices; (ii) without justifiable reasons, selling commodities at prices below cost; (iii) without justifiable reasons, refusing to enter into transactions with their trading counterparts; (iv) without justifiable reasons, allowing trading counterparts to make transactions exclusively with itself or with the business operators designated by it; (v) without justifiable reasons, tying commodities or imposing unreasonable trading conditions to transactions; (vi) without justifiable reasons, applying differential prices and other transaction terms among their trading counterparts who are on an equal footing; and (vii) other acts determined as abuse of dominant market position by the relevant governmental authorities. Pursuant to the Anti-Monopoly Law and relevant regulations, when a concentration of undertakings occurs and reaches any of the following thresholds, the undertakings concerned shall file a prior notification with the anti-monopoly agency (i.e., the SAMR), (i) the total global turnover of all operators participating in the transaction exceeded RMB12 billion in the preceding fiscal year and at least two of these operators each had a turnover of more than RMB800 million within China in the preceding fiscal year, or (ii) the total turnover within China of all the operators participating in the concentration exceeded RMB4 billion in the preceding fiscal year, and at least two of these operators each had a turnover of more than RMB800 million within China in the preceding fiscal year) are triggered, and no concentration shall be implemented until the anti-monopoly agency clears the anti-monopoly filing. "Concentration of undertakings" means any of the following: (i) merger of undertakings; (ii) acquisition of control over another undertaking by acquiring equity or assets; or (iii) acquisition of control over, or exercising decisive influence on, another undertaking by contract or by any other means.

REGULATIONS ON CYBERSECURITY AND DATA PROTECTION

In recent years, PRC government authorities have enacted laws and regulations on cybersecurity and data protection. We collect and store business data and transaction data generated during or in connection with our business operations, and use information technology systems and network in the course of our business and are therefore subject to such laws and regulations. The *Decisions on Protection of Internet Security enacted by the SCNPC* (《全國人民代表大會常務委員會關於維護互聯網安全的決定》) in 2000, as amended on August 27, 2009, provides that, among other things, the following activities conducted through the internet, if constituted a crime according to PRC laws, are subject to criminal punishment: (i) intrusion into a strategically significant computer or system; (ii) intentionally inventing and disseminating destructive programs, such as computer viruses, to attack the computer system and the communications network, thereby damaging the computer system and the communications networks; (iii) violating national regulations, suspending the computer networks or the communication services without authorization, causing the computer network or communication system to fail to operate normally; (iv) leaking state secrets; (v) spreading false commercial information; or (vi) infringing intellectual property rights through internet.

On July 1, 2015, the SCNPC issued the *National Security Law of the PRC* (《中華人民共和國國家安全法》), which came into effect on the same day, pursuant to which the State shall safeguard the sovereignty, security and cybersecurity development interests of the State, and that the State shall establish a national security review and supervision system to review, among other things, foreign investment, key technologies, internet and information technology products and services, and other important activities that are likely to impact the national security of the PRC.

On November 7, 2016, the SCNPC promulgated the *Cybersecurity Law of the PRC* (《中華人民共和國網絡安全法》) (the "**Cybersecurity Law**"), which became effective on June 1, 2017, and applies to the construction, operation, maintenance and use of networks as well as the supervision and administration of cybersecurity in the PRC. According to the Cybersecurity Law, network operators are broadly defined as owners and administrators of networks and network service providers, and such network operators shall comply with laws and regulations and fulfill their obligations to safeguard security of the network when conducting business and providing services. Those who construct or operate networks or provide services through networks shall take technical measures and other necessary measures pursuant to the mandatory requirements of laws, regulations and national standards to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data, and a network operator shall not collect the personal information irrelevant to the services it provides or collect or use the personal information in violation of the provisions of laws or agreements between both parties. In addition, critical information infrastructure operators ("**CIIOs**") shall, during their operations in the PRC, store within the PRC the personal information and important data collected and generated within the territory of the PRC, and 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 PRC* (《中華人民共和國數據安全法》) (the "**Data Security Law**") which became effective on September 1, 2021. According to the Data Security Law, "data" is defined as any record of information in electronic or other forms, and the processing activities of data includes the collection, storage, use, processing, transmission, provision and disclosure of data. The Data Security Law is broadly applicable to such processing activities of data which are carried out in the PRC or, where carried out outside the PRC, damage the national security, public interests or the legitimate rights and interests of citizens and organizations of the PRC. The Data Security Law mainly sets forth specific provisions regarding establishing basic systems for data security management, including hierarchical data classification management system, risk assessment system, monitoring and early warning system, and emergency disposal system. In addition, it clarifies the data security protection obligations of organizations and individuals carrying out data activities and implementing data security protection responsibility, including without limitation, that any organization or individual collecting data shall adopt lawful and proper methods and shall not steal data or obtain the data by other illegal means, and risk monitoring shall be strengthened when data processing activities are carried out, and where risks such as data security flaws and vulnerabilities are discovered, remedial measures shall be immediately taken.

On July 6, 2021, the General Office of the Central Committee of the Communist Party of China, and the General Office of the State Council jointly promulgated the *Opinions on Strictly Combatting Illegal Securities Activities in Accordance with the Law* (《關於依法從嚴打擊證券違法活動的意見》). The opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and improve the legislation on data security, cross-border data transmission, and confidential information management.

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》) (the "**CII Protection Regulations**"), which became effective on September 1, 2021. Pursuant to the CII Protection Regulations, critical information infrastructure refers to important network infrastructure and 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 CII Protection Regulations, the competent administrative departments and supervisory departments, which govern each respective important industry or field, shall be responsible for formulating the identification rules on and organizing the identification of the critical information infrastructure in such industry or field, and such departments should promptly notify the CIIOs of the identification results.

On November 14, 2021, the Cyberspace Administration of China (the "**CAC**") published the *Regulations on Network Data Security Management (Draft for Comments)* (《網絡數據安全管理條例(徵求意見稿)》) (the "**Draft Regulations on Cyber Data Security Management**") which specifies that data processors who process the personal information of more than one million individuals and seek a foreign listing, or data processors who seek a Hong Kong listing which might affect or potentially affect national security, shall apply for cybersecurity review. On September 30, 2024, the Administration Regulations on Network Data Security (《網絡數據安全管理條例》) (the "**Regulation on Cyber Data Security**") is published, which will come into effect on January 1, 2025. The Regulation on Cyber Data Security reiterate the general regulations for cyber data processing activities, rules of personal information protection, important data security protection, network data cross-border transfer management, and the responsibilities of internet platform service providers. In addition, unlike the Draft Regulations on Cyber Data Security Management, the officially promulgated Regulation on Cyber Data Security does not specifically include the requirement that cyber data processing entities seeking a Hong Kong listing that affects or may affect national security should apply for a cybersecurity review. Instead, the Regulation on Cyber Data Security generally provides that cyber data processors whose cyber data processing activities affect or may affect national security shall be subject to national security review in accordance with the relevant regulations. The Regulation on Cyber Data Security is relevantly new and there is no further explanation or interpretation on what kind of activities "affect or may affect national security" under the Regulation on Cyber Data Security yet.

On December 28, 2021, the CAC and other twelve PRC regulatory authorities jointly revised and promulgated the *Measures for Cybersecurity Review* (《網絡安全審查辦法》) (the "**Cybersecurity Review Measures**") which became effective on February 15, 2022. The Cybersecurity Review Measures provides that, among others, (i) a CIIO purchasing network products and services or a network platform operator that engages in data processing activities that affect or may affect national security shall be subject to the cybersecurity review by the Cybersecurity Review Office, the department which is responsible for the implementation of cybersecurity review under the CAC; (ii) a network platform operator with personal information of more than one million users which seek listing in a foreign country is obliged to apply for a cybersecurity review by the Cybersecurity Review Office; and (iii) the relevant regulatory authorities may initiate cybersecurity review if such regulatory authorities determine that the issuer's network products or services, or data processing activities affect or may affect national security.

On July 7, 2022, the CAC promulgated the *Measures on Security Assessment of Cross-border Data Transfer* (《數據出境安全評估辦法》) (the "**Security Assessment Measures**"), which became effective on September 1, 2022. The Security Assessment Measures applies to all processors of data and requires that any data processor providing important data collected and generated during operations within the territory of the PRC or personal information that should be subject to security assessment according to the relevant law to an overseas recipient shall conduct security assessment. The Security Assessment Measures provides four circumstances, under any of which data processors shall, through the local cyberspace administration at the provincial level, apply to the national cyberspace administration for security assessment of cross-border data transfer. These circumstances include: (i) where important data is transferred to an overseas recipient; (ii) where personal information is transferred to an overseas recipient by a CIIO or a data processor who has processed personal information of more than one million people; (iii) where a data processor provides personal information to an overseas recipient if such data processor has already provided overseas the personal information of 100,000 individuals or sensitive personal information of 10,000 individuals in total since January 1 of the preceding year; or (iv) other circumstances under which security assessment of outbound data transfer is required as prescribed by the national cyberspace administration.

On December 13, 2022, the MIIT issued the *Administrative Measures for Data Security in the Industrial and Information Technology Field (Trial Implementation)* (《工業和信息化領域數據安全管理辦法(試行)》) (the "**MIIT Data Security Measures**"), which came into effect on January 1, 2023. The MIIT Data Security Measures is applicable to the processing activities carried out in the territory of the PRC of data in the field of industry and information technology, which include, among other things, the data collected and generated in the course of research, development and design, production and manufacturing, operation and management, operating and maintenance and platform operation in the field of industry. Our processing activities in the PRC of such data, for example, the data collected and generated during our research and development, design and manufacturing of our products therefore shall comply with the MIIT Data Security Measures. The MIIT Data Security Measures provides that industrial and telecommunication data processors shall implement data classification and grading, and further imposes data security obligations and responsibilities on data processors in the field of industry and information technology, which include, among others, taking protective measures based on the corresponding grading of data, establishing management system covering the whole data lifecycle, and staffing data security management personnel as needed to be in charge of the security supervision and management of data processing activities as a whole and assisting with the industrial administrative authorities in carrying out the relevant work.

On March 22, 2024, the CAC promulgated the *Provisions on Promoting and Regulating Cross-Border Data Flows* (《促進和規範數據跨境流動規定》), effective on the date of promulgation. The provisions provide several exemptions to processors of data which exempt them from undergoing data security assessment, obtaining personal information protection certification, or entering into standard contracts for outbound transfer of personal information for businesses. These exemptions include, among others, scenarios where a data processor, other than a CIIO, has cumulatively transferred personal information (excluding sensitive personal information) of fewer than 100,000 individuals to overseas recipients since January 1 of the current year. In addition, a data processor, other than a CIIO, shall enter into a standard contract with overseas recipients for the cross-border transfer of personal information, or obtain certification for personal information protection if, since January 1 of the current year, the data processor has cumulatively transferred to overseas recipients personal information (excluding sensitive personal information) of more than 100,000 but fewer than 1,000,000 individuals, or sensitive personal information of fewer than 10,000 individuals. The provisions also explicitly state that data processors are not required to apply for security assessment on cross-border transfer of important data, provided that the relevant data has not been notified or published as important data by relevant departments or regions.

In order to guide and assist data processors in submitting data export security assessments in a standardized and orderly manner, the CAC prepared the Guidelines for Data Export Security Assessment Application (Version 2.0) (《數據出境安全評估申報指南(第二版)》) in March 2024, which provide specific requirements for the method, process, and materials required for submitting a data export security assessment application and simplify the materials required to be submitted by the data processors.

During the Track Record Period and as of the Latest Practicable Date, our Company had complied with relevant laws and regulations in the PRC relating to cybersecurity and data protection in material aspects.

REGULATIONS ON LEASING

According to the Civil Code, an owner of immovable or movable property is entitled to possession, use, earnings, and disposal of such property in accordance with the law. Subject to the consent of the lessor, the lessee may sublease the leased premises to a third party. Where a lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the lease if the lessee subleases the premises without the consent of the lessor. In addition, if the ownership of the leased premises changes during the lessee's possession in accordance with the terms of the lease contract, the validity of the lease contract shall not be affected. Moreover, pursuant to the Civil Code, if the mortgaged property has been leased and transferred for occupation prior to the establishment of the mortgage right, the original tenancy shall not be affected by such mortgage right.

On December 1, 2010, the Ministry of Housing and Urban-Rural Development promulgated the *Administrative Measures on Leasing of Commodity Housing* (《商品房屋租賃管理辦法》), which became effective on February 1, 2011. According to such measures, the lessor and the lessee are required to complete property leasing registration and filing formalities within 30 days from execution of the property lease contract with the development authorities or real estate authorities of the municipality or county where the leased property is located. If a company fails to do as aforesaid, it may be ordered to rectify within a stipulated period, and if such company fails to rectify, a fine ranging from RMB1,000 to RMB10,000 may be imposed on each lease agreement.

According to the *Interpretation of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Cases about Disputes Over Lease Contracts on Urban Buildings (2020 version)* (《最高人民法院關於審理城鎮房屋租賃合同糾紛案件具體應用法律若干問題的解釋(2020修正)》), which took effect on January 1, 2021, if the ownership of the leased premises changes during lessee's possession in accordance with the terms of the lease contract, and the leasee requests the assignee to continue to perform the original lease contract, the PRC court shall support it, except that the mortgage right has been established before the lease of the leased premises and the ownership changes due to the mortgagee's realization of the mortgage right.

REGULATIONS ON INTELLECTUAL PROPERTY

Trademark

According to the *Trademark Law of the PRC* (《中華人民共和國商標法》) promulgated by SCNPC on August 23, 1982, most recently amended on April 23, 2019 and effective from November 1, 2019, and the *Implementation Regulation 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, later amended on April 29, 2014 and effective from May 1, 2014, registered trademarks are granted a term of ten years which may be renewed for consecutive ten-year periods upon request by the trademark owner. Trademark license agreements must be filed with the Trademark Office for record, and the Trademark Law of the PRC has adopted a "first-to-file" principle with respect to trademark registration. Conducts that shall constitute an infringement of the exclusive right to use a registered trademark include but not limited to using a trademark that is identical with or similar to a registered trademark on the same or similar goods without the permission of the trademark registrant, and the infringing party will be ordered to stop the infringement act immediately and may be imposed a fine. The infringing party may also be held liable for the right holder's damages, which will be equal to gains obtained by the infringing party or the losses suffered by the right holder as a result of the infringement, including reasonable expenses incurred by the right holder for stopping the infringement.

Copyright

According to the *Copyright Law of the PRC* (《中華人民共和國著作權法》) promulgated by the SCNPC, which was latest amended in November 2020, and its related Implementing Regulations, Chinese citizens, legal persons, or other organizations shall, whether published or not, own copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. Copyright owners of protected works enjoy personal rights and property rights with respect to publication, authorship, alteration, integrity, reproduction, distribution, lease, exhibition, performance, projection, broadcasting, dissemination via information network, production, adaptation, translation, compilation, and other rights shall be enjoyed by the copyright owners.

Pursuant to the *Regulation on Computers Software Protection* (《計算機軟件保護條例》) promulgated by the State Council on June 4, 1991 and latest amended on January 30, 2013, and the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated on February 20, 2002 and latest amended on June 18, 2004, the National Copyright Administration is mainly responsible for the registration and management of software copyright in China and recognizes the China Copyright Protection Center as the software registration organization. The China Copyright Protection Center shall grant certificates of registration to computer software copyright applicants in compliance with the regulations.

Patent

In accordance with the *Patent Law of the PRC* (《中華人民共和國專利法》), promulgated by the SCNPC, which was latest amended in October 2020 and became effective on June 1, 2021, and its Implementation Rule, patent is divided in to 3 categories, i.e., invention patent, design patent and utility model patent. 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 model 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. The duration of invention patent right, design patent right and utility model patent right shall be 20 years, 15 years and 10 years, respectively, which all calculated 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. Implementation of a patent without the authorization of the patent holder shall constitute an infringement of patent rights, and shall be held liable for compensation to the patent holder and may be imposed a fine, or even subject to criminal liabilities.

Design of Integrated Circuit Layouts

On April 2, 2001 the State Council promulgated the Regulations on the *Protection of Integrated Circuit Layout Designs* (《集成電路布圖設計保護條例》(the "**Regulations on the Protection**"). 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, which protects the proprietary rights of integrated circuit layout designs, encourage innovation in integrated circuit technology, and promotes the development of science and technology. 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, calculated from the date of the design registration application or the first date of commercial use anywhere in the world, whichever is earlier. However, a layout-design is no longer protected under these regulations 15 years after its creation, regardless of registration or commercial use.

Domain Names

The Measures on Administration of Internet Domain Names (《互聯網域名管理辦法》) was promulgated by the MIIT in 2017, which adopts "first to file" rule to allocate domain names to applicants, and provide that the MIIT shall supervise the domain names services nationwide and publicize the PRC domain name system. After completion of the registration procedures, the applicant will become the holder of the relevant domain name.

REGULATIONS ON EMPLOYMENT AND SOCIAL WELFARE

Employment

The major PRC laws and regulations that govern employment relationship are the *Labor Law of the PRC* (《中華人民共和國勞動法》), the *Labor Contract Law of the PRC* (《中華人民共和國勞動合同法》) (the "**Labor Contract Law**") and its implementation, which impose stringent requirements on the employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees.

The Labor Contract Law, which became effective on January 1, 2008, primarily aims at regulating rights and obligations of employment relationships, including the establishment, performance, and termination of labor contracts. Pursuant to the Labor Contract Law, labor contracts must be executed in writing if labor relationships are to be or have been established between employers and employees. Employers are prohibited from forcing employees to work above certain time limits and employers must pay employees for overtime work in accordance with national regulations. In addition, employee wages must not be lower than local standards on minimum wages and must be paid to employees in a timely manner.

In December 2012, the Labor Contract Law was amended to impose more stringent requirements on the use of employees of temp agencies, who are known in China as "dispatched workers". Dispatched workers are entitled to equal pay with full-time employees for equal work. Employers are only allowed to use dispatched workers for temporary, auxiliary or substitutive positions. According to the *Interim Provisions on Labor Dispatch* (《勞務派遣暫行規定》) promulgated by the Ministry of Human Resources and Social Security (人力資源和社會保障部) and came into effect on March 1, 2014, the number of dispatched workers hired by an employer may not exceed 10% of the total number of its employees. Where rectification is not made within the stipulated period, the employers may be subject to a penalty ranging from RMB5,000 to RMB10,000 per dispatched worker exceeding the 10% threshold.

Social Insurance

The Social Insurance Law of the PRC (《中華人民共和國社會保險法》) (the "**Social Insurance Law**") issued by the SCNPC in 2010 and latest amended on December 29, 2018, has established social insurance systems of basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance and has elaborated in detail the legal obligations and liabilities of employers who fail to comply with relevant laws and regulations on social insurance. According to the Social Insurance Law and 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 and most recently amended on March 24, 2019 and effective from the same date, enterprises shall register social insurance with local social insurance and pay or withhold relevant social insurance for or on behalf of its employees. Any employer that fails to make social insurance contributions may be ordered to rectify the non-compliance and pay the required contributions within a prescribed time limit and be subject to a late fee. If the employer still fails to rectify the failure to make the relevant contributions within the prescribed time, it may be subject to a fine ranging from one to three times the amount overdue.

Housing Provident Fund

In accordance with the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999, and amended on March 24, 2002, and March 24, 2019, enterprises must register at the designated administrative centers and open bank accounts for depositing employees' housing provident funds. Employers and employees are also required to pay and deposit housing provident funds, with an amount no less than 5% of the monthly average salary of the employee in the preceding year in full and on time. In case of overdue payment or underpayment by employers, orders for payment within a specified period will be made by the housing fund management center. Where employers fail to make payment within such period, enforcement by the people's court will be applied.

In case of failure to register and open accounts for depositing employees' housing provident funds, the housing fund management center shall order employers to go through the formalities within a specified period, where employers fail to do such formalities within the prescribed time, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed.

REGULATIONS ON FOREIGN EXCHANGE

Regulations relating to Foreign Currency Exchange

The principal regulations governing foreign currency exchange in China are the *Foreign Exchange Administration Regulations of the PRC* (《中華人民共和國外匯管理條例》), most recently amended in August 2008. Under the PRC foreign exchange regulations, payments of current account items, such as profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange (the "**SAFE**"), by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital account items, such as direct investments, repayment of foreign currency-denominated loans, repatriation of investments and investments in securities outside of China.

The SAFE issued the *Circular on Reforming of the Management Method of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises* (《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》) (the "**SAFE Circular 19**") on March 30, 2015, and it became effective on June 1, 2015, which was partially repealed on December 30, 2019, and latest amended on March 23, 2023. The SAFE Circular 19 expands a pilot reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises nationwide. In June 2016, SAFE further promulgated the *Circular on the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account* (《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》) (the "**SAFE Circular 16**"), which, among other things, amends certain provisions of SAFE Circular 19. Pursuant to SAFE Circular 19 and SAFE Circular 16, the flow and use of the Renminbi capital converted from foreign currency denominated registered capital of a foreign-invested company is regulated such that Renminbi capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope.

In October 2019, SAFE issued the *Circular on Further Facilitating Cross-border Trade and Investment* (《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》) (the "**SAFE Circular 28**"), which cancels the restrictions on domestic equity investments by capital fund of non-investment foreign invested enterprises and allows non-investment foreign invested enterprises to use their capital funds to lawfully make equity investments in China, provided that such investments do not violate the Negative List and the target investment projects are genuine and in compliance with laws. According to the *Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business* (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) (the "**SAFE Circular 8**"), issued by SAFE in April 2020, under the prerequisite of ensuring true and compliant use of funds and compliance with the prevailing administrative provisions on use of income under the capital account, eligible enterprises are allowed to make domestic payments by using their capital funds, foreign credits and the income under capital accounts of overseas listing, without prior provision of the evidentiary materials concerning authenticity to the bank for each transaction. The handling banks shall conduct spot checks afterwards in accordance with the relevant requirements. The interpretation and implementation in practice of SAFE Circular 28 and SAFE Circular 8 are still subject to substantial uncertainties.

REGULATIONS ON TAXATION

Enterprise Income Tax

According to the *Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》), which was promulgated by the SCNPC and was latest amended on December 29, 2018, and the *Regulation on the Implementation 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 and was latest amended in April 2019, collectively referred to as the Enterprise Income Tax Law, a uniform 25% enterprise income tax rate is imposed to both foreign invested enterprises and domestic enterprises, except where tax incentives are granted to special industries and projects. The enterprise income tax rate is reduced to 20% for qualifying small low-profit enterprises. The high-tech enterprises that need full support from the PRC's government will enjoy a reduced tax rate of 15% for Enterprise Income Tax.

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 and was latest amended on November 19, 2017, and the Implementation Rules for the *Provisional Regulations 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 Ministry of Finance and was latest amended on October 28, 2011 and effective from November 1, 2011, entities and individuals engaging in selling goods, providing processing, repairing or replacement services or importing goods within the territory of the PRC are taxpayers of the value-added tax.

According to the *Circular of the Ministry of Finance and the State Taxation Administration on the Adjusting Value-added Tax Rates* (《財政部、稅務總局關於調整增值稅稅率的通知》) effective in May 2018, the value-added tax rates of 17% and 11% on sales, imported goods shall be adjusted to 16% and 10%, respectively.

According to the *Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform* (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》) promulgated on March 20, 2019 and effective from April 1, 2019, the value-added tax rates of 16% and 10% on sales, imported goods shall be adjusted to 13% and 9%, respectively.

Dividends Distribution

The principal laws, rules and regulations governing dividend distributions by foreign-invested enterprises in the PRC are the Company Law of the PRC, promulgated in 1993 and latest amended in 2023, and the Foreign Investment Law and its Implementing Regulations. Under these requirements, foreign-invested enterprises may pay dividends only out of their accumulated profit, if any, as determined in accordance with PRC accounting standards and regulations. A PRC company is required to allocate at least 10% of their respective accumulated after-tax profits each year, if any, to fund certain capital reserve funds until the aggregate amount of these reserve funds have reached 50% of the registered capital of the enterprises. A PRC company is not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

Preferential Tax Policy for the IC Industry

As listed in the *Guidance of Preferential Tax Policy for Software Enterprises and Integrated Circuit Enterprises (2022)* (《軟件企業和集成電路企業稅費優惠政策指引(2022)》) issued by the State Taxation Administration (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 *Circular 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 (Guo Fa [2020] No. 8)* (《國務院關於印發<新時期促進集成電路產業和軟件產業高質量發展若干政策>的通知》(國發[2020]8號)) (the "**Circular No. 8**"), 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. On 17 March, 2023, The NDRC and other departments collectively promulgated the *Circular of Making Relevant Requirements for the List of Integrated Circuit Enterprises or Projects and Software Enterprises to Enjoy Preferential Tax Policy for 2023* (《關於做好2023年享受稅收優惠政策的集成電路企業或項目、軟件企業清單制定工作有關要求的通知》), which makes detailed description of the conditions and project standards for enterprises that enjoy preferential tax policy on the basis of Circular No. 8.

In addition, in accordance with the *Circular on Supporting Import Tax Policy for the Development of Integrated Circuit Industry and Software Industry (Financial Tariff No. 4 [2021])* (《關於支持集成電路產業和軟件產業發展進口稅收政策的通知》(財關稅[2021]4號)) issued by the MOFCOM, 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.

REGULATIONS ON SECURITIES AND OVERSEAS LISTINGS

Securities Laws and Regulations

The *Securities Law of the PRC* (《中華人民共和國證券法》), which was promulgated by the SCNPC on December 29, 1998, and was latest amended on December 28, 2019 and took effect on March 1, 2020, comprehensively regulating activities in the PRC securities market including issuance and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of securities regulatory authorities, etc. The Securities Law further regulates that a domestic enterprise issuing securities overseas directly or indirectly or listing their securities overseas shall comply with the relevant provisions of the State Council and for subscription and trading of shares of domestic companies using foreign currencies, detailed measures shall be stipulated by the State Council separately. The CSRC is the securities regulatory body set up by the State Council to supervise and administer the securities market according to law, maintain order in the market, and ensure the market operates in a lawful manner. Currently, the issue and trading of H shares are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

Overseas Listings

On February 17, 2023, the CSRC released several regulations regarding the management of filings for overseas offerings and listings by domestic companies, including the *Trial Measures for the Administration on 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**") together with 5 supporting guidelines (together with the Overseas Listing Trial Measures, collectively referred to as the "**Overseas Listing Regulations**"). Under Overseas Listing Regulations, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to file the required documents with the CSRC within three working days after its application for overseas listing is submitted.

The Overseas Listing Regulations provides that no overseas offering and listing shall be made under any of the following circumstances: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the domestic company intending to make the securities offering and listing, or its controlling shareholders and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller. Additionally, the Overseas Listing Regulations stipulates that after an issuer has offering and listing securities in an overseas market, the issuer shall submit a report to the CSRC within three working days after the occurrence and public disclosure of (i) a change of control thereof, (ii) investigations of or sanctions imposed on the issuer by overseas securities regulators or relevant competent authorities, (iii) changes of listing status or transfers of listing segment, and (iv) a voluntary or mandatory delisting. Overseas offering and listing by domestic companies shall be made in strict compliance with relevant laws, administrative regulations and rules concerning national security in spheres of foreign investment, cybersecurity, data security and etc., and duly fulfill their obligations to protect national security.

On February 24, 2023, the CSRC and three other relevant government authorities jointly promulgated the *Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises* (《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》) (the "**Provision on Confidentiality**"). Pursuant to the Provision on Confidentiality, where a domestic enterprise provides or publicly discloses any document or material that involving state secrets and working secrets of state agencies to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, it shall report to the competent department with the examination and approval authority for approval in accordance with the law, and submit to the secrecy administration department of the same level for filing. The working papers formed within the territory of the PRC by the securities companies and securities service agencies that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of the PRC, and cross-border transfer shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

Regulations on the H-share Full Circulation

"Full circulation" refers to the circulation of domestically unlisted shares of H-share listed companies on the stock exchange, including domestically unlisted shares held by domestic shareholders prior to overseas listing, additional domestically unlisted shares issued after overseas listing and unlisted shares held by holders of foreign shares, etc. On November 14, 2019, the CSRC issued the *Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies* (《H股公司境內未上市股份申請"全流通"業務指引》) (the "**Guidelines for the Full Circulation**"), which was revised on August 10, 2023.

According to the Guidelines for the Full Circulation, shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share listed company may be entrusted to file the said application for full circulation.

On December 31, 2019, China Securities Depository and Clearing Corporation Limited ("**CSDC**") and the Shenzhen Stock Exchange jointly announced the *Measures for Implementation of H-share "Full Circulation" Business* (《H股"全流通"業務實施細則》) (the "**Measures for Implementation**"). The businesses of cross-border transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of settlement participants, services of nominal holders, etc. in relation to the H-share "full circulation business", are subject to the Measures for Implementation.

In order to fully promote the reform of H-shares "full circulation" and clarify the business arrangement and procedures for the relevant shares' registration, custody, settlement and delivery, CSDC has promulgated the *Circular on Issuing the Guide to the Program for Full Circulation of H-shares* (《關於發佈<H股"全流通"業務指南>的通知》) in February 2020, which specified the business preparation, account arrangement, cross-border share transfer registration and overseas centralized custody, etc. In February 2020, China Securities Depository and Clearing (Hong Kong) Co., Ltd. ("**CSDC (Hong Kong)**") also promulgated the *Guide to the Program for Full Circulation of H-shares* (《中國證券登記結算(香港)有限公司H股"全流通"業務指南》), which specifies the business preparation, account arrangement, cross-border share transfer registration and overseas centralized custody, and other relevant matters.

According to the Guide to the Program for Full Circulation of H-shares, H-share listed companies shall be authorized by Participating Shareholders to designate the only domestic securities company (the "**Domestic Securities Company**") to participate in the transaction of converted H shares. According to the Guide to the Program for Full Circulation of H-shares, upon the completion of the transaction, settlements between each of the Hong Kong Securities Company and CSDC (Hong Kong), CSDC (Hong Kong) and CSDC, CSDC and the Domestic Securities Company, and the Domestic Securities Company and the Participating Shareholders, will all be conducted separately.

OVERVIEW

We are driving innovation in the global power semiconductor industry and the first in the world to achieve mass production of 8-inch GaN-on-Si wafers. We are also the only company in the world to have the mass-production capabilities for a full voltage spectrum of GaN-on-Si semiconductor products. We are the first in the world to achieve mass production of 8-inch GaN-on-Si wafers, increasing die per wafer by 80% and reducing single chip cost by 30%. We house the world's largest GaN power semiconductor production base, with a production capacity of 12,500 wafers per month as of June 30, 2024.

In December 2015, Inno Zhuhai, with Dr. Luo as its founder, was established as a limited liability company under the laws of the PRC in Zhuhai, which operated as a small quantity production base with foundational research and development function of the core technological elements of the Group's products. Inno Zhuhai eventually became a wholly-owned subsidiary of our Company.

Following the progress and accumulation of success in the research and development and the small-scale production of Inno Zhuhai, the production capacity of Inno Zhuhai can no longer fulfill the Group's production demand. In July 2017, the Company was subsequently established in Suzhou, which is located in proximity to where a large proportion of the third-generation semiconductor companies and the Group's suppliers are based, to facilitate the transition into large-scale industrialization and commercialisation of the Group's products and results of research and development.

BUSINESS DEVELOPMENT MILESTONES

The following table summarizes the key milestones in our business development:

Year	Milestone
December 2015	Inno Zhuhai, currently a wholly-owned subsidiary of our Company, was established in the PRC.
July 2017	Our Company was established in the PRC.
December 2017	Our manufacturing plant in Zhuhai completed construction and commenced production.
August 2020	Our cumulative shipment achieved 1 million in terms of equivalent GaN discrete chips.
August 2021	Our cumulative shipment achieved 10 million in terms of equivalent GaN discrete chips.

Year	Milestone
October 2021	Our manufacturing plant in Suzhou, the world's largest 8-inch GaN-on-Si wafers manufacturing plant, according to Frost & Sullivan, completed construction and commenced production.
October 2022	Our cumulative shipment achieved 100 million in terms of equivalent GaN discrete chips.
December 2023	As of December 31, 2023, our production capacity achieved 10,000 wafers per month, and our cumulative shipment exceeded 500 million in terms of equivalent GaN discrete chips.

CORPORATE DEVELOPMENT

Inno Zhuhai

(1) Establishment of Inno Zhuhai

In December 2015, Inno Zhuhai was founded as a limited liability company established under the laws of the PRC in Zhuhai, which operated as a small quantity production base with foundational research and development function of the core technological elements of the Group's products. Inno Zhuhai eventually became a wholly-owned subsidiary of our Company. At the time of establishment of Inno Zhuhai, its shareholding structure was as follows:

Shareholders	Registered capital subscribed for	Percentage of shareholding
	(RMB)	*(%)*
InnoScience Group Inc. ("**ISG**")(1)	880,000,000	88.00
Zhuhai Gaoxin Entrepreneurship Service Center (珠海高新技術創業服務中心) ("**Zhuhai Gaoxin Service Center**")(2)	100,000,000	10.00
Zhuhai Gaoxin Venture Investment Capital Co., Ltd. (珠海高新創業投資有限公司) (formerly known as Zhuhai Gaoxin Venture Capital Co., Ltd. (珠海高新創投有限公司)) ("**Zhuhai VC**")(3)	20,000,000	2.00
Total	**1,000,000,000**	**100.00**

Notes:

(1) ISG was a corporation initially incorporated in the state of Delaware, the United States on October 28, 2015 for its shareholders to hold interests in Inno Zhuhai.

At the date of establishment of ISG and Inno Zhuhai, ISG was held by Dr. Luo, Mr. Son, Ms. Jiahan Jenny Yu and Mr. Eicke Richard Weber as to 59.5%, 36.4%, 3.2% and 0.9%, respectively. Dr. Luo, Mr. Son, Ms. Jiahan Jenny Yu and Mr. Eicke Richard Weber. To the best of our Company's knowledge, Ms. Jiahan Jenny Yu and Mr. Eicke Richard Weber are Independent Third Parties.

(2) Zhuhai Gaoxin Service Center is ultimately managed by Zhuhai Gaoxin Zone Management Committee (珠海市高新區管理委員會).

(3) Zhuhai VC is a limited liability company established under the laws of the PRC on September 29, 2015 and is wholly-owned by the Zhuhai Gaoxin Industrial Development Zone Development Reform and Finance and Financial Bureau (珠海高新技術產業開發區發展改革和財政金融局).

Our Company

The following sets forth the corporate history and shareholding changes of our Company.

(1) Establishment of our Company

Following the progress and accumulation of success in the research and development and the small-scale production of Inno Zhuhai, the production capacity of Inno Zhuhai can no longer fulfill the Group's production demand. In July 2017, the Company was therefore established in Suzhou, which is located in proximity to where a large proportion of the third-generation semiconductor companies and the Group's suppliers are based, to facilitate the transition into large-scale industrialization and commercialisation of the Group's products and results of research and development. Upon its establishment on July 21, 2017, the shareholding structure of our Company was as follows:

Shareholders	**Registered capital subscribed for**	**Percentage of shareholding**
	(RMB)	*(%)*
ISG	1,500,000,000	86.71
Suzhou Zhanyi No. 1 Investment Fund L.P. (蘇州市展翼一號投資基金合夥企業(有限合夥)) ("**Suzhou Zhanyi**")(1)(3)	10,000,000	0.58
Shenzhen CMB No. 1 Equity Investment L.P. (深圳市招銀壹號股權投資合夥企業(有限合夥)) ("**CMB No. 1**")(2)	38,900,000	2.25
Shenzhen CMB Gongying Equity Investment L.P. (深圳市招銀共贏股權投資合夥企業(有限合夥)) ("**Shenzhen Gongying**")(3)	1,100,000	0.06
Suzhou Wujiang Industrial Investment Co., Ltd. (蘇州市吳江產業投資有限公司) ("**Wujiang Industrial Investment**")(2)(3)	150,000,000	8.67
Shenzhen Shenshang Xingye Venture Capital Fund L.P. (深圳市深商興業創業投資基金合夥企業(有限合夥)) ("**Shenshang VC**")(2)(3)	30,000,000	1.73
Total	**1,730,000,000**	**100.00**

Notes:

(1) In January 2023, Suzhou Zhanyi transferred the registered capital of our Company of RMB10,000,000 to Shenzhen Jiacheng Peihe Investment L.P. (深圳市佳承沛和投資合夥企業(有限合夥)) ("**Jiacheng Peihe**") at a consideration of approximately RMB40,755,567. Following the equity transfer, Suzhou Zhangyi no longer held any equity interest of our Company. To the best of our Company's knowledge, each of Suzhou Zhanyi and Jiacheng Peihe are Independent Third Parties.

(2) For further details on the background of such investor, please see "— Pre-IPO Investments."

(3) To the best of our Company's knowledge, such investor is an Independent Third Party.

At the establishment of our Company in July 2017, ISG subscribed for the registered capital of our Company of RMB700,000,000 by way of transfer of its entire equity interest in Inno Zhuhai, the value of which was assessed to be RMB724,695,200 as at June 30, 2017 by an independent valuer. As at the establishment of our Company, our Company held 88.00% of Inno Zhuhai.

Since its establishment, our Company has undertaken a series of shareholding changes as detailed below.

(2) The April 2018 Financing

We have completed a financing of our Company in April 2018, through capital increases as detailed below. For further details, see "— Pre-IPO Investments." As a result, the registered capital of our Company was increased to RMB1,785,000,000.

Subscribers	Registered capital subscribed for	Cash Consideration
	(RMB)	*(RMB)*
Ningbo Meishan Free Trade Zone Jiake Investment L.P. (寧波梅山保稅港區嘉科投資合夥企業(有限合夥)) ("**Jiake Investment**")[(1)(2)]	35,000,000	35,000,000
Jiaxing Jinhu No. 37 Investment L.P. (嘉興金琥三十七號投資合夥企業(有限合夥)) ("**Jinhu Investment**")[(2)]	20,000,000	20,000,000
Total	**55,000,000**	**55,000,000**

Note:

(1) For further details on the background of such investor, please see "— Pre-IPO Investments."

(2) To the best of our Company's knowledge, such investor is an Independent Third Party.

(3) Capital increase in July 2018

In July 2018, Zhuhai VC subscribed for new registered capital of our Company of RMB90,000,000 through contribution of its equity interest of Inno Zhuhai. The value of such equity interest of Inno Zhuhai was valued to be RMB90,000,000 by an independent valuer in September 2018. Immediately following the completion of the subscription, the shareholding structure of our Company was as follows:

Shareholders	Registered capital of our Company	Percentage of shareholding
	(RMB)	*(%)*
ISG	1,500,000,000	80.00
Suzhou Zhanyi	10,000,000	0.53
CMB No. 1	38,900,000	2.07
Shenzhen Gongying	1,100,000	0.06
Wujiang Industrial Investment	150,000,000	8.00
Shenshang VC	30,000,000	1.60
Jiake Investment	35,000,000	1.87
Jinhu Investment	20,000,000	1.07
Zhuhai VC(1)	90,000,000	4.80
Total	**1,875,000,000**	**100**

Note:

(1) In January 2023, Zhuhai VC transferred the registered capital of our Company of RMB90,000,000 to Zhuhai Gangwan Kehong Venture Capital Co., Ltd. (珠海港灣科宏創業投資有限公司) ("**Zhuhai Gangwan**") at nil consideration. Zhuhai Gangwan is a limited liability company established under the laws of the PRC and is wholly-owned by Zhuhai VC.

To the best of our Company's knowledge, both Zhuhai VC and Zhuhai Gangwan are Independent Third Parties. For further details on the background of Zhuhai Gangwan, please see "— Pre-IPO Investments."

(4) Series B Financing

We have completed the Series B Financing in October 2019, through capital increases as detailed below. For further details, see "— Pre-IPO Investments." As a result, the registered capital of our Company was increased to RMB3,001,815,750.

Subscribers	Registered capital subscribed for	Cash Consideration
	(RMB)	*(RMB)*
ISG	318,807,000	425,076,000
Instant Technology Investment Company Limited ("**Instant Technology**")(1)(2)(5)	265,672,500	354,230,000
Shenzhen CMB Langyao Growth Equity Investment Fund L.P. (深圳市招銀朗曜成長股權投資基金合夥企業(有限合夥)) ("**CMB Langyao**")(1)	132,836,250	177,115,000

Subscribers	Registered capital subscribed for	Cash Consideration
	(RMB)	*(RMB)*
Wujiang Industrial Investment	112,500,000	150,000,000
Shenzhen Tongchuang Zhuoyue Investment L.P. (深圳同創卓越投資合夥企業(有限合夥)) (“**Tongchuang Zhuoyue**”)(1)(5)	82,500,000	110,000,000
Hunan Huaye Tiancheng Venture Capital Investment L.P. (湖南華業天成創業投資合夥企業(有限合夥)) (“**Huaye Tiancheng**”)(1)(5)	37,500,000	50,000,000
Ningbo Xindong Venture Capital L.P. (寧波芯動創業投資合夥企業(有限合夥)) (“**Xindong Venture**”)(3)(5)	56,250,000	75,000,000
Guangdong Guomin Kaide Technology Venture Capital L.P. (廣東國民凱得科技創業投資企業(有限合夥)) (“**Guomin Kaide**”)(1)	67,500,000	90,000,000
Ningbo Meishan Free Trade Zone Ningke Investment L.P. (寧波梅山保稅港區凝科投資合夥企業(有限合夥)) (“**Ningke Investment**”)(1)(5)	38,250,000	51,000,000
Langma No. 4 (Shenzhen) Venture Capital Center L.P. (朗瑪四號(深圳)創業投資中心(有限合夥)) (“**Langma No. 4**”)(4)(5)	15,000,000	20,000,000
Total	**1,126,815,750**	**1,502,421,000**

Notes:

(1) For further details on the background of such investor, please see “— Pre-IPO Investments.”

(2) In October 2020, (i) Instant Technology transferred the registered capital of our Company of RMB200,848,410 to Shenzhen CMB Growth No. 17 Equity Investment Fund L.P. (深圳市招銀成長拾柒號股權投資基金合夥企業(有限合夥)) (“**CMB Growth**”) at a consideration of approximately USD46,732,192; and (ii) Instant Technology transferred the registered capital of our Company of RMB22,316,490 to Zhuhai Chengzhang Gongying Venture Capital Fund L.P. (珠海市成長共贏創業投資基金(有限合夥)) (“**Zhuhai Gongying**”) at a consideration of approximately USD5,192,466. To the best of our Company’s knowledge, Zhuhai Gongying is an Independent Third Party. For further details on the background of CMB Growth, please see “— Pre-IPO Investments.”

(3) In August 2022, Xindong Venture transferred the registered capital of our Company of RMB56,250,000 to Wenzhou Taiyang Equity Investment L.P. (溫州鈦陽股權投資合夥企業(有限合夥)) (“**Wenzhou Taiyang**”) at a consideration of RMB234,947,520. For further details on the background of Wenzhou Taiyang, please see “— Pre-IPO Investments.”

(4) In May 2021, (i) Langma No. 4 transferred the registered capital of our Company of RMB7,500,000 to Suzhou Industrial Park Qijing Investment L.P. (蘇州工業園區啟璟投資合夥企業(有限合夥)) (“**Qijing Investment**”) at a consideration of approximately RMB19,987,902; and (ii) Langma No. 4 transferred the registered capital of our Company of RMB7,500,000 to Zibo Tianhui Qianxing Investment L.P. (淄博天匯乾興投資合夥企業(有限合夥)) (“**Tianhui Qianxing**”) at a consideration of approximately RMB19,987,902. For further details on the background of Qijing Investment and Tianhui Qianxing, please see “— Pre-IPO Investments.”

(5) To the best of our Company’s knowledge, such investor is an Independent Third Party.

(5) Equity transfers in 2019 and 2020

In December 2019, ISG transferred 5.55% of its equity interests of our Company to each of Suzhou Inno Enterprise Management Co., Ltd. (蘇州英諾企業管理有限公司) ("**Inno Enterprise Management**") and Inno HK. Each of such equity transfers was settled by contribution of equity interests of Inno Enterprise Management and Inno HK. In March 2020, Inno Enterprise Management transferred 5.55% of its equity interests of our Company to Innocore. Such equity transfer was settled by contribution of equity interests of Innocore. The value of the equity interests transferred in each of the aforementioned transactions was valued to be not less than RMB122,983,500 by an independent valuer in September 2019.

Following completion of the aforesaid equity transfers, Inno HK and Innocore each held 5.55% equity interests of our Company, and Inno Enterprise Management no longer held any equity interests in our Company. The aforesaid equity transfers are part of the steps to streamline the Group's shareholding structure.

(6) Equity transfers in 2020

On September 16, 2019, SK China Company Limited ("**SK China**") agreed to provide ISG with a loan of US$60 million with ISG's equity interest in the Company as a pledge, and agreed that SK China has the right to issue an option exercise notice requiring ISG to transfer the Company's equity interest to SK China at an equivalent consideration of US$60 million with reference to the Company's valuation following the Series B Financing. On March 19, 2020, SK China issued an option exercise notice and ISG transferred 10.62% of the Company's equity interest to SK China, and SK China waived the abovementioned loan and pledge accordingly. On April 27, 2020, the registration of the abovementioned equity transfer was completed.

In December 2020, (i) ISG transferred 1.34% equity interest of our Company to On Ride Investments Limited ("**On Ride**") at a cash consideration of US$10,000,000; (ii) ISG transferred 1.34% equity interest of our Company to King Winne Electronic Technology Limited (金芯微電子科技有限公司) ("**King Winne Electronic**") at a cash consideration of US$10,000,000; and (iii) ISG transferred 0.67% equity interest to Zheng Xu (鄭旭) at a cash consideration of US$5,000,000. The equity transfers were completed on December 2, 2020 upon completion of registration of equity change, and the consideration was fully paid on December 14, 2020.

Upon completion of the above equity transfers, the shareholding structure of our Company was as follows:

Shareholders	Registered capital of our Company	Percentage of shareholding
	(RMB)	(%)
ISG	1,066,581,332	35.53
Suzhou Zhanyi	10,000,000	0.33
CMB No. 1	38,900,000	1.30
Shenzhen Gongying	1,100,000	0.04
Wujiang Industrial Investment	262,500,000	8.74
Shenshang VC	30,000,000	1.00
Jiake Investment	35,000,000	1.17
Jinhu Investment	20,000,000	0.67
Zhuhai VC	90,000,000	3.00
Instant Technology	42,507,600	1.42
CMB Langyao	132,836,250	4.43
Tongchuang Zhuoyue	82,500,000	2.75
Huaye Tiancheng	37,500,000	1.25
Xindong Venture	56,250,000	1.87
Guomin Kaide	67,500,000	2.25
Ningke Investment	38,250,000	1.27
Langma No. 4	15,000,000	0.50
Innocore	166,600,774	5.55
Inno HK	166,600,774	5.55
SK China(1)(2)	318,807,000	10.62
CMB Growth	200,848,410	6.69
Zhuhai Gongying	22,316,490	0.74
On Ride(2)	40,086,848	1.34
King Winne Electronic(2)	40,086,848	1.34
Zheng Xu (鄭旭)(2)	20,043,424	0.67
Total	**3,001,815,750**	**100**

Notes:

(1) In December 2022, SK China transferred the registered capital of our Company of RMB73,622,658 to Shanghai Guoping Private Equity Investment Fund L.P. (上海國玶私募投資基金合夥企業(有限合夥)) (formerly known as Jiaxing Guoping Equity Investment L.P. (嘉興國玶股權投資合夥企業(有限合夥)) ("**Shanghai Guoping**") at a consideration of RMB300,000,000. For further details on the background of Shanghai Guoping, please see "— Pre-IPO Investments."

(2) To the best of our Company's knowledge, such investor is an Independent Third Party.

(7) Series C Financing

We have completed the Series C Financing in January 2021, through capital increases as detailed below. For further details, see "— Pre-IPO Investments." As a result, the registered capital of our Company was increased to RMB3,533,887,592.

Subscribers	Registered capital subscribed for	Cash Consideration
	(RMB)	*(RMB)*
CMB Growth	293,802,717	783,000,000
Zhuhai Gongying	6,378,858	17,000,000
Shenzhen Gongchuang Future Investment Partnership L.P. (深圳共創未來投資合夥企業(有限合夥)) ("**Gongchuang Future**")[1][2]	75,045,394	200,000,000
Xiamen Huaye Qirong Venture Capital Partnership L.P. (廈門華業啟融創業投資合夥企業(有限合夥)) ("**Huaye Qirong**")[1][2]	37,522,697	100,000,000
Qijing Investment[1]	37,522,697	100,000,000
Zibo Tianhui Hongxin Investment Partnership L.P. (淄博天匯弘鑫投資合夥企業(有限合夥)) ("**Tianhui Hongxin**")[1][2]	6,754,085	18,000,000
Zeng Yuqun (曾毓群)[2][3]	75,045,394	200,000,000
Total	**532,071,842**	**1,418,000,000**

Notes:

(1) For further details on the background of such investor, please see "— Pre-IPO Investments."

(2) To the best of the Company's knowledge, such investor is an Independent Third Party.

(3) In April 2023, Mr. Zeng Yuqun (曾毓群) ("**Mr. Zeng**") transferred the registered capital of our Company of RMB75,045,394 to Ms. Hong Huacan (洪華燦), the spouse of Mr. Zeng, at nil consideration. To the best of our Company's knowledge, Mr. Zeng and Ms. Hong Huacan (洪華燦) are Independent Third Parties.

(8) Inno Zhuhai Becoming a Wholly-Owned Subsidiary of our Company

Since November 2019, our Company has acquired equity interests of Inno Zhuhai from Zhuhai Gaoxin Service Center, Zhuhai VC and also Zhuhai Kechuang Hengrui Investment Co., Ltd. (珠海科創恒瑞投資管理有限公司) ("**Zhuhai Kechuang**"), a limited liability company established in the PRC ultimately controlled by the State-owned Assets Supervision and Administration Commission of Zhuhai Municipal People's Government (珠海市人民政府國有資產監督管理委員會), which subscribed for increased registered capital of Inno Zhuhai of RMB84,654,900 in March 2020. Subsequently, following the completion of the last acquisition of equity interest of Inno Zhuhai from Zhuhai Kechuang by our Company in April 2021, Inno Zhuhai became a wholly-owned subsidiary of our Company.

(9) Equity transfers in 2021

On November 29, 2021, as part of the steps to streamline the Group's shareholding structure, ISG distributed the registered capital of our Company to the following distributees at nil consideration. Following the above distributions, ISG no longer held any equity interest of our Company and was dissolved on December 7, 2022. Details of the distributions of the registered capital of our Company are set out below:

Distributor	Distributee	Registered capital transferred	Percentage of equity interest
		(RMB)	*(%)*
ISG	Inno Holding[(1)]	434,962,664	12.31
ISG	Dr. Luo	248,877,685	7.04
ISG	Mr. Son	230,814,360	6.53
ISG	Inno Youpeng[(2)]	151,926,623	4.30

Notes:

(1) Inno Holding is an exempt private company limited by shares incorporated in Singapore and is held by Dr. Luo and Mr. Son as to 55.4% and 44.6%, respectively.

(2) Inno Youpeng is a limited partnership established in the PRC. Its general partner is Innocore (Suzhou) Enterprise Consulting Co., Ltd. (英諾芯(蘇州)企業諮詢有限公司) ("**Innocore Consulting**"), a company established under the laws of the PRC and ultimately controlled by Dr. Luo, and holds approximately 0.08% of the interest therein. Inno Youpeng is held as to approximately 35.04%, 5.66% and 59.30% by Ms. Jiahan Jenny Yu, Mr. Eicke Richard Weber and 12 other limited partners as to its limited partnership interests. Other than Ms. Jiahan Jenn Yu, none of the limited partners held one-third or more of the interest therein. All limited partners of Inno Youpeng are Independent Third Parties.

On even date, Inno HK transferred the registered capital of our Company of RMB24,683,848 to Inno Youpeng at a consideration of approximately US$12,410, and the consideration was fully paid on June 11, 2024.

The aforesaid equity transfers were completed on November 29, 2021 upon completion of registration of equity change.

(10) Series D Financing

We have completed the Series D Financing in February 2022, through capital increases as detailed below. For further details, see "— Pre-IPO Investments." As a result, the registered capital of our Company was increased to RMB4,046,026,435.

Subscribers	Registered capital subscribed for	Cash Consideration
	(RMB)	*(RMB)*
Yu Hao (俞浩)[(1)(2)(3)]	63,806,304	325,000,000
Shenzhen Huashengchuang Technology L.P. (深圳市華升創科技合夥企業(有限合夥)) ("**Shenzhen Huashengchuang**")[(1)(2)]	63,806,304	325,000,000
Wenzhou Taixin Phase 4 Equity Investment L.P. (溫州鈦信四期股權投資合夥企業(有限合夥)) ("**Taixin Phase 4**")[(1)(2)]	18,651,073	95,000,000
Wenzhou Taixin Phase 5 Equity Investment L.P. (溫州鈦信五期股權投資合夥企業(有限合夥)) ("**Taixin Phase 5**")[(1)(2)]	59,879,762	305,000,000
Hainan Xietong Shifu Venture Capital Investment Fund L.P. (海南協同仕富創業投資基金合夥企業(有限合夥)) ("**Xietong Shifu**")[(1)]	39,265,418	200,000,000
Qingdao Hangyue Equity Investment L.P. (青島航越股權投資合夥企業(有限合夥)) ("**Qingdao Hangyue**")[(1)]	29,449,063	150,000,000
Nanjing Yida Huike Venture Capital L.P. (南京毅達匯科創業投資合夥企業(有限合夥)) ("**Nanjing Yida**")[(1)(2)]	43,191,959	220,000,000
Dongke Semiconductor (Anhui) Co., Ltd. (東科半導體(安徽)股份有限公司) ("**Dongke Semiconductor**")[(1)]	19,632,709	100,000,000
Wenzhou Taixin Phase 7 Equity Investment L.P. (溫州鈦信七期股權投資合夥企業(有限合夥)) ("**Taixin Phase 7**")[(1)(2)]	49,081,772	250,000,000
Shanghai Lingyue Sairui Enterprise Management Center L.P. (上海領越賽睿企業管理中心(有限合夥)) ("**Lingyue Sairui**")[(1)]	19,632,709	100,000,000
Hunan Xingxiang Zhaozheng Zhiyuan Industry Investment L.P. (湖南興湘招證致遠產業投資合夥企業(有限合夥)) ("**Hunan Xingxiang**")[(1)]	15,725,800	80,100,000
Tianjin Saifu Gaopeng Yisheng Enterprise Management L.P. (天津賽富高鵬翼盛企業管理合夥企業(有限合夥)) ("**Saifu Gaopeng**")[(1)]	21,595,980	110,000,000

Subscribers	Registered capital subscribed for	Cash Consideration
	(RMB)	*(RMB)*
Shenzhen Jiacheng Xinhe Investment L.P. (深圳市佳承鑫和投資合夥企業(有限合夥)) (“**Jiacheng Xinhe**”)(1)	35,044,385	178,500,000
Haitong Innovation Securities Investment Co., Ltd. (海通創新證券投資有限公司) (“**Haitong Innovation**”)(1)	9,816,354	50,000,000
Haifu Changjiang Growth Equity Investment (Hubei) Partnership (L.P.) (海富長江成長股權投資(湖北)合夥企業(有限合夥)) (“**Haifu Changjiang**”)(1)	15,706,167	80,000,000
China-Belgium Direct Equity Investment Fund (中國-比利時直接股權投資基金) (“**China-Belgium Fund**”)(1)	7,853,084	40,000,000
Total	**512,138,843**	**2,608,600,000**

Notes:

(1) To the best of our Company’s knowledge, such investor is an Independent Third Party.

(2) For further details on the background of such investor, please see “— Pre-IPO Investments.”

(3) In July 2024, Mr. Yu Hao transferred 5,822,812 Shares held by him to Wujiang Industrial Investment at a consideration of RMB150,000,000. For further details on the background of Wujiang Industrial Investment, please see “— Pre-IPO Investments.”

(11) Capital Reduction and Conversion into a Joint Stock Limited Company

On January 18, 2023, the then Shareholders approved capital reduction of our Company and our Company gazetted such capital reduction on the following day. On June 30, 2023, as approved by the Shareholders at the time, our Company underwent a capital reduction at a ratio of 9.1593:1, which was based on the net asset value of our Company of approximately RMB7,327,466,399 as of April 30, 2023, as assessed by an independent valuer. Immediately after the capital reduction, the registered capital of our Company became RMB800,000,000.

As approved by Shareholders at that time on July 31, 2023, our Company was converted from a limited liability company into a joint stock limited company on September 27, 2023. Our Company was renamed as InnoScience (Suzhou) Technology Holding Co., Ltd. (英諾賽科(蘇州)科技股份有限公司). Immediately after the conversion into a joint stock limited company, the registered share capital of our Company became 800,000,000 Shares with a nominal value of RMB1.00 each, all of which are fully paid up.

(12) Capital Increase in April 2024

In April 2024, Xinsheng Dapeng subscribed for 10,677,142 Shares at a cash consideration of RMB10,677,142. The capital increase was completed on April 28, 2024 upon completion of registration of equity change, and the consideration was fully paid on June 5, 2024.

Xinsheng Dapeng is our employee shareholding platform with Dr. Luo as its general partner holding approximately 0.00001% of the limited partnership interest therein and the participants of the Pre-IPO Share Plan who are based in the PRC as its limited partners. For details of the Pre-IPO Share Plan, see "Appendix VII — Statutory and General Information — Further Information about our Directors, Supervisors, Management and Substantial Shareholders — 5. Pre-IPO Share Plan."

(13) Series E Financing

We have completed the Series E Financing in April 2024, through capital increases as detailed below. For further details, see "— Pre-IPO Investments."

Following the aforesaid capital increase and the Series E Financing, the total number of issued Shares of our Company was increased to 833,788,253. The number of Shares subscribed by the Series E Pre-IPO Investors represented 2.77% of the total issued share capital of the Company as at the date of this prospectus.

Subscribers (the "Series E Pre-IPO Investors")	Number of Shares subscribed for	Cash Consideration
		(RMB)
Wuhan Optics Valley Core Future Special Investment Fund Partnership Enterprise (Limited Partnership) (武漢光谷芯未來專項投資基金合夥企業(有限合夥)) ("**Wuhan Optics Valley Core**")(1)(2)	21,333,333	600,000,000
Hangzhou Guangyao Zhixin Tingyi Enterprise Management Consulting Partnership (Limited Partnership) (杭州光曜致新庭頤企業管理諮詢合夥企業(有限合夥)) ("**Hangzhou Guangyao**")(1)	1,777,778	50,000,000
Total	**23,111,111**	**650,000,000**

Notes:

(1) To the best of our Company's knowledge, such investor is an Independent Third Party.

(2) For further details on the background of such investor, please see "— Pre-IPO Investments."

EMPLOYEE SHARE INCENTIVE SCHEME

The Company's currently effective employee share incentive scheme, the Pre-IPO Share Plan, was amended and approved by the Board on April 7, 2024.

In preparation for the Listing and to incentivise the Group's employees, the equity interest of ISG was transferred to Innocore and Inno HK, two of the employee shareholding platforms of the Group. Furthermore, Xinsheng Dapeng was established by the Company on March 28, 2024 to serve as the other employee shareholding platform of the Group. As of the date of this prospectus, there were three employee shareholding platforms for the Pre-IPO Share Plan, namely (i) Innocore, (ii) Xinsheng Dapeng, and (iii) Inno HK, which held 32,941,114 Shares, 10,677,142 Shares and 28,060,504 Shares, representing 3.75%, 1.21% and 3.19% of the share capital in issue of the Company immediately upon completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), respectively. Details of Innocore, Xinsheng Dapeng and Inno HK are set out as follows:

(i) Innocore is a limited partnership established in the PRC with Innocore Consulting as its general partner holding approximately 7.75% of the limited partnership interest therein, representing 2,553,107 Shares of which 1,053,107 Shares were not granted to any participants of the Pre-IPO Share Plan as of the date of this Prospectus. Innocore Consulting is a limited liability company established in the PRC which is held by Dr. Luo and Mr. Son as to approximately 55.38% and approximately 44.62%, respectively. Innocore has seven other limited partners, each of which holds less than one-third of the partnership interest therein and is a limited partnership established in the PRC. Dr. Luo is the general partner holding approximately 0.0001% of the limited partnership interests in each of five of the seven limited partnerships, representing 1 Share for each of such 5 limited partnerships (i.e., 5 Shares in total). Dr. Luo is also the general partner of the remaining two limited partnerships, holding 0.19% and 16.30% limited partnership interests therein, representing 600,001 and 8,001 Shares, respectively. The limited partners of these seven limited partnerships are the participants of the Pre-IPO Share Plan who are based in the PRC.

(ii) Xinsheng Dapeng is a limited partnership established in the PRC with Dr. Luo as its general partner holding approximately 0.375% of the limited partnership interests therein, representing approximately 40,000 Shares, and the participants of the Pre-IPO Share Plan who are based in the PRC as its limited partners.

(iii) Inno HK is a company incorporated under the laws of Hong Kong. The share capital of Inno HK comprises one ordinary share, which is held by Dr. Luo, and 28,060,504 preference shares, 19,418,304 of which are held by Dr. Luo and 8,642,200 of which are held by the 25 participants of the Pre-IPO Share Plan who are based outside the PRC. Pursuant to the articles of association of Inno HK, only the holder of the ordinary share shall be entitled to exercise the voting rights attached to such ordinary share at general meetings and holders of preference shares are not entitled to any voting rights at general meetings in respect of the preference shares held. As such, Inno HK is controlled by Dr. Luo.

The maximum number of Shares underlying the Pre-IPO Share Plan is 71,678,760 Shares (the total number of Shares held by Innocore, Xinsheng Dapeng and Inno HK), representing approximately 8.60% of the share capital in issue of the Company as of the date of this Prospectus. As of the Latest Practicable Date, (i) our Company granted and allotted to qualified participants an aggregate of 50,559,342 Shares under the Pre-IPO Share Plan, representing approximately 5.75% of the share capital in issue of the Company as of the date of this Prospectus; and (ii) a total of 21,119,418 Shares had not yet been granted and were retained and held by Dr. Luo. The Company will not make new grants with respect to such 21,119,418 Shares under the Pre-IPO Shares Plan to any qualified participants before and after the Listing. As of the Latest Practicable Date, no Shares were vested under the Pre-IPO Share Plan. Pursuant to the terms of the Pre-IPO Share Plan, any Shares underlying the Pre-IPO Share Plan shall only be vested following the Company's listing. For details of the Pre-IPO Share Plan, see "Appendix VII — Statutory and General Information — Further Information about our Directors, Supervisors, Management and Substantial Shareholders — 5. Pre-IPO Share Plan."

THE CONTROLLING SHAREHOLDERS GROUP

As of the date of this prospectus, Dr. Luo is directly interested in approximately 5.90% of the total issued share capital of our Company and indirectly interested in approximately 23.10% of our total issued share capital, including (i) through being the controller of Inno Holding, which holds approximately 10.31% of our Company, (ii) being the ultimate general partner of Innocore, which holds approximately 3.95% of our Company, (iii) through being the controller of Inno HK, which holds approximately 3.37% of our Company, (iv) through being the ultimate general partner of Inno Youpeng, which holds 4.19% of our Company, and (v) through being the general partner of Xinsheng Dapeng, which holds 1.28% of our Company.

To enhance corporate decision-making efficiency and to strengthen the control of Dr. Luo and the Controlling Shareholders Group over the Company, Dr. Luo and Mr. Son, who are long-term entrepreneurship partners, agreed on a written voting rights arrangement and a voting rights proxy agreement on October 15, 2021 and November 24, 2024, respectively (the "**Voting Rights Arrangements**"). Mr. Son agreed, among others, to have acted and will continue to act pursuant to Dr. Luo's direction for all actions in relation to the voting rights attached to the shares of our Company and Inno Holding, in which he was or has been interested directly or indirectly pursuant to a written voting rights arrangement entered into between Dr. Luo and Mr. Son on October 15, 2021. Further, pursuant to the voting rights proxy agreement (the "**Voting Rights Proxy Agreement**") entered into between Dr. Luo and Mr. Son on November 24, 2024, Mr. Son confirmed that he has appointed and will appoint Dr. Luo as his true and lawful proxy to vote all shares of our Company and Inno Holding that Mr. Son has been and will be interested at any and all meetings of shareholders of our Company and Inno Holding (as the case may be), and on any and all actions taken by written consent of shareholders of our Company and Inno Holding (as the case may be). Prior to the Voting Rights Proxy Agreement, Mr. Son has acted pursuant to Dr. Luo's direction for all actions in relation to the voting rights attached to the shares of our Company and Inno Holding, in which he was or has been interested directly or indirectly. The Voting Rights Arrangements will remain effective until termination with mutual written consent of both parties. As such, Dr. Luo was also deemed to be interested in 5.47% of the total issued share capital of our Company, which is held by Mr. Son as of the date of this prospectus.

As a result, Dr. Luo, Inno Holding, Innocore, Inno HK, Inno Youpeng and Xinsheng Dapeng are a group of controlling shareholders of the Company, which directly or indirectly control in approximately 34.48% of the total issued share capital of our Company as of the date of this prospectus.

For details of the Controlling Shareholders Group, see "Relationship with the Controlling Shareholders Group."

OUR MAJOR SUBSIDIARIES

During the Track Record Period, the following subsidiaries made a material contribution to our results of operation and financial position:

Name	Place of Establishment	Date of Establishment	Shareholding	Principal business activities
Inno Zhuhai	PRC	December 17, 2015	100%	Research and development, manufacturing and sales of the Group's products
Inno Suzhou. . . .	PRC	October 23, 2017	100%	Research and development, design, manufacturing and sales of the Group's products
Inno Shenzhen . .	PRC	November 9, 2020	100%	Research and development, and sales of the Group's products

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

During the Tracking Record Period, we have not made any acquisitions, disposals or mergers that we consider to be material to us.

PRE-IPO INVESTMENTS

Overview

The following table summarizes the key terms of the Pre-IPO Investments to our Company made by the Pre-IPO Investors:

	April 2018 Financing	Series B Financing	Series C Financing	Series D Financing	Series E Financing
Amount of registered capital subscribed for *(RMB)*	55,000,000	1,126,815,750	532,071,842	512,138,843	23,111,111
Amount of consideration paid *(RMB)*.	55,000,000	1,502,421,000	1,418,000,000	2,608,600,000	650,000,000
Basis of determining the consideration paid . . .	The consideration for the Pre-IPO Investments was determined based on arm's length negotiations between our Company and the Pre-IPO Investors after taking into consideration various factors including but not limited to, the timing of the investments, the market value, and the prospects of our business.				

	April 2018 Financing	Series B Financing	Series C Financing	Series D Financing	Series E Financing
Date of agreements	September 2017	September 2019	December 2020	From September 2021 to January 2022	From December 2023 to April 2024
Date of payment in full	June 27, 2018	January 12, 2021	January 15, 2021	16 February, 2022	April 1, 2024
Consideration Cost per Share (approximation)(1)	RMB1.00	RMB1.33	RMB2.67	RMB5.09	RMB28.13
Discount to the Offer Price (approximation)(2)	83.05%	77.40%	54.84%	13.68%	5.76%

Lock-up Period: Pursuant to the applicable PRC law, all current Shareholders (including the Pre-IPO Investors) are subject to the relevant PRC statutory transfer restriction for a period of one year from the Listing Date.

Use of proceeds from the Pre-IPO Investments: We utilized the proceeds from the Pre-IPO Investments for the principal business of our Group, including but not limited to research and development activities, the growth and expansion of our Company's business, capital expenditures for factory equipment, and general working capital purposes. As of the Latest Practicable Date, approximately 91.82% of the net proceeds from the Pre-IPO Investments had been utilized.

Strategic benefits to our Company brought by the Pre-IPO Investors: At the time of the Pre-IPO Investments, our Directors were of the view that our Group could benefit from the additional funds provided by the Pre-IPO Investors' investments in our Group, insights for industry, advice on business expansion and strategic direction, upstream and downstream resources that the Pre-IPO Investors bring to our Company, and the knowledge, production capacity and experience of the Pre-IPO Investors. Their investments also demonstrated their confidence in our Group's operations and served as an endorsement of our Group's performance, strengths and prospects.

Notes:

(1) Based on the consideration cost per Share as stipulated in the agreements of the Pre-IPO Investments.

(2) Calculated based on (i) an adjusted consideration cost per Share whereby the consideration cost per Share as stipulated in the agreements of the Pre-IPO Investments is adjusted, where appropriate, to remove the effect of the capital reduction which took place on June 30, 2023 and (ii) the assumption that the Offer Price is HK$32.26 per H Share (being the mid-point of the indicative Offer Price range of HK$30.86 to HK$33.66). For details of the capital reduction, see "— Corporate Development — (11) Capital Reduction and Conversion into a Joint Stock Limited Company."

Rights of the Pre-IPO Investors

Pursuant to the existing shareholders' agreement and capital increase agreements, the Pre-IPO Investors (save for the Series E Pre-IPO Investors) had been granted certain special rights, including, among others, right of first refusal and co-sale, anti-dilution rights, divestment rights, drag-along rights, liquidation preferences, dividend right, and information rights. All special rights (including the divestment rights) granted to the Pre-IPO Investors are immediately terminated upon the first submission of our Company's listing application with the Stock Exchange, and will only be exercisable if our Company fails to obtain approval for the listing application and withdraws such listing application with the Shareholders' approval.

Pursuant to the respective capital increase agreements and supplemental agreements entered into between our Company and each of the Series E Pre-IPO Investors, the Series E Pre-IPO Investors had been granted certain special rights, including among others, divestment rights. All special rights (including the divestment rights) granted to the Series E Pre-IPO Investors cease to be exercisable before the first submission of our Company's listing application with the Stock Exchange, and will only be exercisable if the listing application is rejected or withdrawn.

Joint Sponsors' Confirmation

Having considered the terms of the Pre-IPO Investment, including the timing of termination of various special rights granted to all Pre-IPO Investors, the Joint Sponsors have confirmed that the investment by the Pre-IPO Investors is in compliance with Chapter 4.2 of the Guide for New Listing Applicants issued by the Stock Exchange.

Information about Our Major Pre-IPO Investors

Set out below is a description of our major Pre-IPO Investors, which primarily consist of private equity funds and strategic investment corporations, and together with the Controlling Shareholders Group, hold more than 80% of our total issued share capital of the date of this prospectus. To the best of our Company's knowledge, save as otherwise disclosed in this subsection, all the Pre-IPO Investors are Independent Third Parties.

CMB Investors (being CMB Growth, CMB No. 1 and CMB Langyao)

CMB Growth and CMB No. 1 are limited partnerships established under the laws of the PRC. The general partner of each of CMB Growth and CMB No. 1 is CMB Shenzhen, a limited liability company established under the laws of the PRC and ultimately controlled by CM Bank. CMB Growth is held by CMB Shenzhen as general partner and CMB Finance Holding (Shenzhen) Co., Ltd.(招銀金融控股(深圳)有限公司) ("**CMB Finance Holding**") as limited partner as to 0.05% and 99.95%, respectively. CMB No. 1 is held by CMB Shenzhen as its general partner and CMB Finance Holding as limited partner as to 0.33% and 99.67%, respectively. CMB Finance Holding is a limited liability company established under the laws of the PRC and is ultimately controlled by CM Bank.

CMB Langyao is a limited partnership established under the laws of the PRC. Its general partner is CMB Shenzhen. Its limited partners include Shenzhen CMB No. 4 Equity Investment Partnership (Limited Partnership)(深圳市招銀肆號股權投資合夥企業(有限合夥)) ("**CMB No. 4**"), holding 41.92% interest therein, the National Council for Social Security Fund (全國社會保障基金理事會) ("**NCSSF**"), holding 40.00% interest therein, CMB Finance Holding, holding 16.33% interest therein, and another limited partner, holding less than one-third of interest therein. CMB No. 4 is a limited partnership established under the laws of the PRC with CMB Shenzhen as its general partner and CMB Finance Holding as its limited partner, holding 0.33% and 99.67% interest therein, respectively. NCSSF is ultimately managed by Ministry of Finance (財政部) of the PRC. To the best knowledge, information and belief of our Directors, save that the CMB No. 4 and CMB Finance Holding are ultimately controlled by CM Bank, all other limited partners of CMB Langyao are independent from each other.

Each of the general partners of CMB Growth, CMB No. 1 and CMB Langyao is CMB Shenzhen, which is ultimately controlled by CM Bank. As at the date of this prospectus. the CMB Investors together hold approximately 15.80% of our total issued share capital. Immediately following the completion of the Global Offering, assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised, the CMB Investors will be interested in a total of approximately 14.99% of our issued share capital and will therefore be considered a group of connected persons with respect to our Company.

Wujiang Industrial Investment

Wujiang Industrial Investment is a limited liability company established under the laws of the PRC and is a wholly-owned subsidiary of Suzhou Wujiang Dongfang State-owned Capital Investment and Management Co., Ltd. (蘇州市吳江東方國有資本投資經營有限公司), which is wholly-owned by the State-owned Assets Supervision and Administration Office of Wujiang District Government of Suzhou (蘇州市吳江區人民政府國有資產監督管理辦公室). As at the date of this prospectus, Wujiang Industrial Investment holds approximately 6.92% of our total issued share capital.

SK China

SK China is a limited liability company incorporated in Hong Kong. It is mainly engaged in advanced materials, energy, life sciences and biopharmaceuticals related business, and digital business. SK China is ultimately controlled by SK Inc., a company incorporated in Korea and listed on the Korea Exchange (stock code: 034730.KS). As of the date of this prospectus, SK China holds approximately 5.81% of our total issued share capital.

Hua Capital Investors (being Tongchuang Zhuoyue, Huaye Tiancheng, Huaye Qirong and Gongchuang Future)

Tongchuang Zhuoyue is a limited partnership established under the laws of the PRC. Its general partner is Shenzhen Huaye Tiancheng Investment Partnership Enterprise (Limited Partnership) (深圳華業天成投資合夥企業(有限合夥)) ("**Shenzhen Huaye**") holding 2.17% interest therein. Its limited partners include Ningbo Meishan Bonded Port Tengyun Yuansheng Equity Investment Partnership Enterprise (Limited Partnership) (寧波梅山保稅港區騰雲源晟股權投資合夥企業(有限合夥)) ("**Ningbo Tengyun Yuansheng**") holding 44.07% interest therein, Mr. Huang Tao (黃濤) holding 17.63% interest therein, Mr. Sun Yelin (孫業林) holding 9.70% interest therein, and one other limited partner which holds less than one-third of the interest therein. Shenzhen Huaye is a limited partnership established under the laws of the PRC. Its general partner is Shenzhen Huaye Tiancheng Investment Co., Ltd. (深圳華業天成投資有限公司) ("**Huaye Investment**"), which holds 1.00% interest therein and is ultimately controlled by Mr. Sun Yelin (孫業林). Its limited partners include Mr. Sun Yelin (孫業林) and Mr. Yang Huajun (楊華君), holding 59.00% and 40.00% of the interests therein, respectively. Mr. Huang Tao (黃濤), Mr. Sun Yelin (孫業林) and Mr. Yang Huajun (楊華君) are Independent Third Parties. Ningbo Tengyun Yuansheng is a limited partnership established under the laws of the PRC. Its general partner is Century Tengyun Investment Management Co., Ltd. (世紀騰雲投資管理有限公司), which holds 1.00% interest therein and is wholly owned by Tibet Tengyun Investment Management Co., Ltd. (西藏騰雲投資管理有限公司) ("**Tibet Tengyun**"), a company ultimately controlled by Mr. Huang Tao (黃濤). The limited partner of Ningbo Tengyun Yuansheng is Tibet Tengyun, holding 99.00% of the interests therein. To the best knowledge, information and belief of our Directors, save that Tibet Tengyun and Ningbo Tengyun Yuansheng are ultimately controlled by Mr. Huang Tao (黃濤) and Shenzhen Huaye is ultimately controlled by Mr. Sun Yelin (孫業林), the other limited partners of Tongchuang Zhuoyue are independent from each other.

Huaye Tiancheng is a limited partnership established under the laws of the PRC. Its general partner is Shenzhen Huaye holding 1.21% interest therein. It has 19 limited partners, none of which holds one-third or more of the interest therein. To the best knowledge, information and belief of our Directors, all the limited partners of Huaye Tiancheng are independent from each other.

Huaye Qirong is a limited partnership established under the laws of the PRC. Its general partner is Zhuhai Hengqin Huaye Tiancheng Investment Partnership Enterprise (Limited Partnership) (珠海橫琴華業天成投資合夥企業(有限合夥)) ("**Zhuhai Hengqin**"). It is held by Zhuhai Hengqin as to 1.00% as general partner, CICC Qirong (Xiamen) Equity Investment Fund Partnership Enterprise (Limited Partnership) (中金啟融(廈門)股權投資基金合夥企業(有限合夥)) ("**CICC Qirong**") as to approximately 85.97%, and one other limited partner which holds less than one-third of the interest therein. Zhuhai Hengqin is a limited partnership established under the laws of the PRC. Its general partner is Huaye Investment holding 1.00% interest therein. Its limited partners include Mr. Sun Yelin (孫業林) and Mr. Yang Huajun (楊華君), holding 59.00% and 40.00% of the interests therein, respectively. CICC Qirong is a limited partnership established under the laws of the PRC. It is held by CICC Capital Operation

Co., Ltd. (中金資本運營有限公司) as its general partner, which holds 0.04% interest therein and is ultimately controlled by China International Capital Corporation Limited (中國國際金融股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 03908) and Shanghai Stock Exchange (stock code: 601318). Its other limited partner is Yatou Yinxin (Xiamen) Investment Management Co., Ltd. (亞投銀欣(廈門)投資管理有限公司) ("**Yatou Yinxin**"), holding 99.96% of the interests therein. Yatou Yinxin is held by two Independent Third Parties, each holding 50.00% of the interests therein. To the best knowledge, information and belief of our Directors, all the limited partners of Huaye Qirong are independent from each other.

Gongchuang Future is a limited partnership established under the laws of the PRC. Its general partner is Zhuhai Hengqin holding 0.16% interest therein. Its other limited partners include Ningbo Tengyun Yuansheng holding 68.67% interests therein, and Tibet Tengyun holding 31.17% interests therein. To the best knowledge, information and belief of our Directors, save that Ningbo Tengyun Yuansheng and Tibet Tengyun are both ultimately controlled by Mr. Huang Tao (黃濤), the other limited partners of Gongchuang Future are independent from each other.

Each of the general partners of Tongchuang Zhuoyue, Huaye Tiancheng, Huaye Qirong and Gongchuang Future is ultimately managed by Huaye Investment. The Hua Capital Investors are therefore considered as a group of shareholders. As at the date of this prospectus, the Hua Capital Investors together hold approximately 5.52% of our total issued share capital.

Taixin Investors (being Wenzhou Taiyang, Taixin Phase 4, Taixin Phase 5 and Taixin Phase 7)

Wenzhou Taiyang is a limited partnership established under the laws of the PRC. Its general partners are Shenzhen Taixin Private Equity Investment Fund Management Co., Ltd (深圳鈦信私募股權投資基金管理有限公司) ("**Shenzhen Taixin**") holding 0.02% interest therein and Wenzhou Huatai Equity Investment Partnership Enterprise (Limited Partnership) (溫州華鈦股權投資合夥企業(有限合夥)) ("**Wenzhou Huatai**") holding 0.40% interest therein. It has 24 limited partners, none of which holds one-third or more of the interest therein. To the best knowledge, information and belief of our Directors, all the limited partners of Wenzhou Taiyang (except Mr. Gao Yihui (高毅輝), Mr. Chen Xu (陳旭), and Mr. Hou Xuliang (侯旭亮) who are also the limited partners of Shenzhen Taixin) are independent from each other. Shenzhen Taixin is limited liability company established under the laws of the PRC and is ultimately controlled by Mr. Gao Yihui (高毅輝), an Independent Third Party. Wenzhou Huatai is a limited partnership established under the laws of the PRC. Its general partner is Shenzhen Shangyi Management Consulting Co., Ltd. (深圳尚毅管理諮詢有限公司), which holds 3.00% interest therein and is wholly owned by Mr. Gao Yihui (高毅輝). Its limited partners include Mr. Gao Yihui (高毅輝), holding 86.68% of the interests therein, and two other limited partners, Mr. Chen Xu (陳旭) and Mr. Hou Xuliang (侯旭亮), none of which holds one-third or more of the interest therein.

Each of Taixin Phase 4, Taixin Phase 5 and Taixin Phase 7 is a limited partnership established under the laws of the PRC with Pingyang Taijin Equity Investment Partnership Enterprise (Limited Partnership) (平陽鈦金股權投資合夥企業(有限合夥)) ("**Pingyang Taijin**") as its general partner. Pingyang Taijin holds approximately 6.49%, 0.31% and 0.22% interest in Taixin Phase 4, Taixin Phase 5 and Taixin Phase 7, respectively. Each of Taixin Phase 4, Taixin Phase 5 and Taixin Phase 7 has 19, 19 and 34 limited partners, respectively. None of such limited partners holds one-third or more of the interest therein. Pingyang Taijin is a limited partnership established under the laws of the PRC. Its general partner is Ms. Liao Xianmei (廖先美), an Independent Third Party, holding 1.00% interest therein. Its limited partners include Mr. Gao Yihui (高毅輝) holding 68.86% of the interests therein, and three other limited partners, none of which holds one-third or more of the interest therein. To the best knowledge, information and belief of our Directors, except Mr. Gao Yihui (高毅輝), Mr. Chen Xu (陳旭), and Mr. Hou Xuliang (侯旭亮) who are also limited partners of Shenzhen Taixin as aforementioned, all limited partners of each of Taixin Phase 4, Taixin Phase 5 and Taixin Phase 7 are independent from each other.

Each of the general partners of Wenzhou Taiyang, Taixin Phase 4, Taixin Phase 5 and Taixin Phase 7 is ultimately managed or controlled by Mr. Gao Yihui (高毅輝). The Taixin Investors are therefore considered as a group of shareholders. As at the date of this prospectus, the Taixin Investors together hold approximately 4.36% of our total issued share capital.

Wuhan Optics Valley Core

Wuhan Optics Valley Core is a limited partnership established under the laws of the PRC. Its general partner is Wuhan Hi-tech Industry Investment Private Fund Management Co., Ltd. (武漢高科產業投資私募基金管理有限公司), which holds 0.0166% interest therein and is ultimately controlled by Wuhan Donghu New Technology Development Zone Management Committee (武漢東湖新技術開發區管理委員會) (the "**Wuhan Donghu Management Committee**"). Its limited partner is a limited partnership established under the laws of the PRC, the general partner and limited partner of which are both ultimately controlled by the Wuhan Donghu Management Committee. As at the date of this prospectus, Wuhan Optics Valley Core holds approximately 2.56% of our total issued share capital.

Zhuhai Gangwan

Zhuhai Gangwan is a limited liability company established under the laws of the PRC. It is ultimately wholly owned by the Zhuhai (National) Gaoxin Industrial Development Zone Management Committee Development Reform and Finance Bureau (珠海(國家)高新技術產業開發區管理委員會發展改革和財政金融局). As at the date of this prospectus, Zhuhai Gangwan holds approximately 2.13% of our total issued share capital.

Zhongtian Fortune Investors (being Jiake Investment, Ningke Investment, Tianhui Qianxing and Tianhui Hongxin)

Jiake Investment is a limited partnership established under the laws of the PRC. Its general partner is Shenzhen Zhongtian Fortune Fund Management Co., Ltd. (深圳中天匯富基金管理有限公司) ("**Zhongtian Fortune**") holding 2.72% interest therein. Its limited partners include Guangzhou Xinglong Investment Development Co., Ltd (廣州興隆投資發展有限公司) ("**Guangzhou Xinglong**") holding 52.60% interest therein, Zibo Huifu Yingjia Equity Investment Partnership Enterprise (Limited Partnership) (淄博匯富盈嘉股權投資合夥企業(有限合夥)) ("**Huifu Yingjia**") holding 29.20% interest therein, and seven individuals, none of which holds one-third or more of the interest therein. Zhongtian Fortune is a limited liability company established under the laws of the PRC and is held by two Independent Third Parties and Shenzhen Zhongtian Huifu Investment Partnership (Limited partnership) (深圳中天匯富投資合夥企業(有限合夥)) ("**Zhongtian Partnership**") as to 40.00%, 40.00% and 20.00%, respectively. Zhongtian Partnership is held by an Independent Third Party as the general partner and two other Independent Third Parties as limited partners, as to 75.00%, 15.00% and 10.00%, respectively. Zhongtian Fortune is also the general partner of Ningke Investment, Tianhui Qianxing and Tianhui Hongxin. Guangzhou Xinglong is a limited company established under the laws of the PRC and is ultimately controlled by an Independent Third Party. Huifu Yingjia is a limited partnership established under the laws of the PRC. Its general partner is Zhongtian Fortune holding 0.0185% interest therein. Its limited partners include Shenzhen Ruiye Specialty New Phase I Investment Partnership (Limited Partnership) (深圳市瑞業專精特新一期投資合夥企業(有限合夥)) ("**Shenzhen Ruiye**") and an Independent Third Party, holding 92.6795% and 7.3019% of the interests therein, respectively. Shenzhen Ruiye is a limited partnership established under the laws of the PRC with Shenzhen Ruiye Shujin Asset Management Co., Ltd. (深圳市瑞業數金資產管理有限公司) ("**Ruiye Shujin**"), which is ultimately controlled by an Independent Third Party, as its general partner holding 0.1996% interest therein. Its limited partner is a limited partnership established under the laws of the PRC with Ruiye Shujin as its general partner holding 0.0739% interest therein and 35 other limited partners, none of which holds one-third or more of the interest therein. To the best knowledge, information and belief of our Directors, all the limited partners of Jiake Investment are independent from each other.

Ningke Investment is a limited partnership established under the laws of the PRC. Its general partner is Zhongtian Fortune holding approximately 0.28% interest therein. It is held by Zhongtian Fortune as general partner and 35 limited partners, none of which holds one-third or more of the interest therein. To the best knowledge, information and belief of our Directors, all the limited partners of Ningke Investment are independent from each other.

Tianhui Qianxing is a limited partnership established under the laws of the PRC. Its general partner is Zhongtian Fortune holding approximately 4.71% interest therein. It is held by Zhongtian Fortune as general partner and 25 limited partners, none of which holds one-third or more of the interest therein. To the best knowledge, information and belief of our Directors, all the limited partners of Tianhui Qianxing are independent from each other.

Tianhui Hongxin is a limited partnership established under the laws of the PRC. Its general partner is Zhongtian Fortune holding approximately 0.50% interest therein. It is held by Zhongtian Fortune as general partner and 20 limited partners, none of which holds one-third or more of the interest therein. To the best knowledge, information and belief of our Directors, all the limited partners of Tianhui Hongxin are independent from each other.

Each of the general partners of Jiake Investment, Ningke Investment, Tianhui Qianxing and Tianhui Hongxin is Zhongtian Fortune. The Zhongtian Fortune Investors are therefore considered as a group of shareholders. As at the date of this prospectus, the Zhongtian Fortune Investors together hold approximately 2.08% of our total issued share capital.

Hong Huacan (洪華燦)

Ms. Hong Huacan (洪華燦) ("**Ms. Hong**") is an Independent Third Party. Ms. Hong is currently the supervisor of Xiamen Ruiting Investment Co., Ltd. (廈門瑞庭投資有限公司), a limited liability company established in the PRC principally engaging in investments, and corporate management and consulting. As at the date of this prospectus, Ms. Hong holds approximately 1.78% of our total issued share capital.

Shanghai Guoping

Shanghai Guoping is a limited partnership established under the laws of the PRC. Its general partner is Ningbo Zhongping Enterprise Management Co., Ltd. (寧波仲平企業管理有限公司), which holds 0.0325% interest therein and is controlled by an Independent Third Party. Shanghai Guoping has two other limited partners which include Ping An Life Insurance of China (中國平安人壽保險股份有限公司), which holds approximately 97.53% interest therein and is controlled by Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 02318) and Shanghai Stock Exchange (stock code: 601318). Another limited partner of Shanghai Guoping holds not more than one-third of the interest therein. As at the date of this prospectus, Shanghai Guoping holds approximately 1.75% of our total issued share capital. To the best knowledge, information and belief of our Directors, all the limited partners of Shanghai Guoping are independent from each other.

Guomin Kaide

Guomin Kaide is a limited partnership established under the laws of the PRC. Its general partner is Guangdong National Innovation and Entrepreneurship Investment Management Co., Ltd (廣東國民創新創業投資管理有限公司) ("**Guangdong National Innovation**"), a limited liability company established under the laws of the PRC and ultimately held by six shareholders, including our Supervisor, Mr. Peng Xingguo (彭星國先生) as to 36% and five other Independent Third Parties, each holding less than one-third of interests therein. Guomin Kaide is held by Guangdong National Innovation as general partner holding 1.00% interest therein, Zhuhai Longxing Youda Investment Partnership Enterprise (Limited Partnership) (珠海龍星有達投資合夥企業(有限合夥)) ("**Zhuhai Longxing**") holding 35.00% interest therein, National Center for Science and Technology Risk Development (國家科技風險開發事業中心) ("**NCSTRD**") holding 30.00% interest therein, and five other limited partners, none of which holds one-third or more of the interest therein. Zhuhai Longxing is a limited partnership established under the laws of the PRC. Its general partner is Mr. Zheng Jun (鄭軍), an Independent Third Party holding 0.30% interest therein. Its limited partners include Mr. Zheng Xu (鄭旭), an Independent Third Party who also directly holds approximately 0.48% of our total issued share capital as at the date of this prospectus, and one other limited partner, holding 93.24% and 6.46% interest therein, respectively. NCSTRD is ultimately managed by the Ministry of Science and Technology (科學技術部) and the Ministry of Finance (財政部) of the PRC. Given that the general partner of Guomin Kaide is ultimately held by Mr. Peng Xingguo (彭星國先生), our Supervisor, as to 36% as detailed above, Guomin Kaide is therefore considered as a connected person of our Company. As at the date of this prospectus, Guomin Kaide holds approximately 1.60% of our total issued share capital. To the best knowledge, information and belief of our Directors, all the limited partners of Guomin Kaide are independent from each other.

Yu Hao (俞浩)

Mr. Yu Hao (俞浩) ("**Mr. Yu**") is an Independent Third Party. Mr. Yu is currently the executive director of Shanghai Little Dolphin Private Equity Fund Management Co., Ltd. (上海小海豚私募基金管理有限公司), principally engaging in private equity investment and fund management services. As at the date of this prospectus, Mr. Yu holds approximately 1.51% of our total issued share capital.

Shenzhen Huashengchuang

Shenzhen Huashengchuang is a limited partnership established under the laws of the PRC. Its general partner is Shenzhen Mengma Tengyue Technology Co., Ltd. (深圳市夢馬騰躍科技有限公司) ("**Shenzhen Mengma**"), holding 10.00% interest therein. It has one limited partner, Ms. Zhang Lili (張莉莉), an Independent Third Party, holding 90.00% interest therein. Shenzhen Mengma is a company established under the laws of the PRC and is ultimately controlled by an Independent Third Party. As at the date of this prospectus, Shenzhen Huashengchuang holds approximately 1.51% of our total issued share capital.

Qijing Investment

Qijing Investment is a limited liability company established under the laws of the PRC. It is ultimately controlled by a group of individuals who are Independent Third Parties. As at the date of this prospectus, Qijing Investment holds approximately 1.07% of our total issued share capital.

Nanjing Yida

Nanjing Yida is a limited partnership established under the laws of the PRC. Its general partner is Nanjing Yida Equity Investment Management Enterprise (Limited Partnership) (南京毅達股權投資管理企業(有限合夥)) ("**Yida Equity**"), holding approximately 0.05% interest therein. Its limited partners include Shandong Yida Venture Capital Fund Partnership Enterprise (Limited Partnership) (山東毅達創業投資基金合夥企業(有限合夥)) ("**Shandong Yida**") holding approximately 45.43% interest therein and four other limited partners, none of which holds one-third or more of the interest therein. Yida Equity is a limited partnership established under the laws of the PRC. Its general partner is a company wholly owned by Jiangsu Yida Equity Investment Fund Management Co., Ltd. (江蘇毅達股權投資基金管理有限公司) ("**Jiangsu Yida**"), holding 99.00% of the interests therein. It has one other limited partner, namely Jiangsu Yida, holding 1.00% of the interests therein. Jiangsu Yida is ultimately controlled by Independent Third Parties. Shandong Yida is a limited partnership established under the laws of the PRC. Its general partner is Yida Equity holding 1.00% interest therein. It has seven limited partners, none of which holds one-third or more of the interest therein. All such five limited partners of Nanjing Yida are ultimately managed by an Independent Third Party. As at the date of this prospectus, Nanjing Yida holds approximately 1.02% of our total issued share capital.

Instant Technology

Instant Technology is a limited liability company established under the laws of the British Virgin Islands. It is principally engaged in equity investments and ultimately controlled by an Independent Third Party. As at the date of this prospectus, Instant Technology holds approximately 1.01% of our total issued share capital.

PUBLIC FLOAT

Immediately upon completion of the Global Offering (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised), our Company will have 389,559,466 Domestic Unlisted Shares and 489,592,787 H Shares, among which:

(i) the 389,559,466 Domestic Unlisted Shares (representing approximately 44.31% of our total issued Shares upon Listing) will not be considered as part of the public float as such Domestic Unlisted Shares will not be converted into H Shares; and

(ii) among the 489,592,787 H Shares,

    (a) 216,278,395 H Shares to be converted from Domestic Unlisted Shares pursuant to the Full Circulation Application of our Company and listed on the Stock Exchange (representing approximately 24.60% of our total issued Shares upon Listing assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised) will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the Listing as such Shares are being held by Dr. Luo, Inno Holding, Inno HK, Innocore, Inno Youpeng, Xinsheng Dapeng, Mr. Son, the CMB Investors, and Guomin Kaide, which are core connected persons of our Company;

(b) 227,950,392 H Shares to be converted from Domestic Unlisted Shares pursuant to the Full Circulation Application of our Company and listed on the Stock Exchange (representing approximately 25.93% of our total issued Shares upon Listing assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised), will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the Listing as these Shares are not held by persons who are core connected persons of our Company upon Listing nor are they accustomed to take instructions from our Company's core connected persons in relation to the acquisition, disposal, voting or other disposition of their Shares and their acquisition of Shares were not financed directly or indirectly by our Company's core connected persons; and

(c) 45,364,000 H Shares to be issued under the Global Offering (representing approximately 5.16% of our total issued Shares upon Listing) will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the Listing, assuming that (i) the Offer Size Adjustment Option and the Over-allotment Option are not exercised and (ii) none of the following persons will take part in the Global Offering: our Company's core connected persons, any persons who are accustomed to take instructions from our Company's core connected persons in relation to the acquisition, disposal, voting or other disposition of their Shares, and any person whose acquisition of Shares were financed directly or indirectly by our Company's core connected persons.

Details of the Conversion of Domestic Unlisted Shares into H Shares are set out below:

		Number of Shares upon Listing (Assuming that the Full Circulation Application of our Company is completed)	
Shareholders	**Number of Domestic Unlisted Shares as of the date of this prospectus**	**Domestic Unlisted Shares**	**H Shares converted from Domestic Unlisted Shares**
Inno Holding[(1)]	86,002,931	43,001,465	43,001,466
Dr. Luo[(1)]	49,209,305	24,604,652	24,604,653
Mr. Son[(1)]	45,637,736	22,818,868	22,818,868
Inno Youpeng[(1)]	34,920,280	17,460,140	17,460,140
Innocore[(1)]	32,941,114	16,470,557	16,470,557

Shareholders	Number of Domestic Unlisted Shares as of the date of this prospectus	Number of Shares upon Listing (Assuming that the Full Circulation Application of our Company is completed) Domestic Unlisted Shares	H Shares converted from Domestic Unlisted Shares
Inno HK[(1)]	28,060,504	14,030,252	14,030,252
Xinsheng Dapeng[(1)]	10,677,142	5,338,571	5,338,571
CMB Growth[(2)]	97,804,824	48,902,412	48,902,412
CMB Langyao[(2)]	26,265,029	13,132,515	13,132,514
CMB No. 1[(2)]	7,691,497	3,845,749	3,845,748
Wujiang Industrial Investment	57,725,587	44,749,893	12,975,694
SK China	48,479,039	0	48,479,039
Tongchuang Zhuoyue[(3)]	16,312,301	14,681,071	1,631,230
Gongchuang Future[(3)]	14,838,340	13,354,506	1,483,834
Huaye Qirong[(3)]	7,419,170	0	7,419,170
Huaye Tiancheng[(3)]	7,414,682	5,931,746	1,482,936
Taixin Phase 5[(4)]	11,839,717	5,919,858	5,919,859
Wenzhou Taiyang[(4)]	11,122,023	5,561,011	5,561,012
Taixin Phase 7[(4)]	9,704,686	4,852,343	4,852,343
Taixin Phase 4[(4)]	3,687,781	1,843,890	1,843,891
Wuhan Optics Valley Core	21,333,333	17,066,667	4,266,666
Zhuhai Gangwan	17,795,237	0	17,795,237
Ningke Investment[(5)]	7,562,976	3,781,488	3,781,488
Jiake Investment[(5)]	6,920,370	3,460,185	3,460,185
Tianhui Qianxing[(5)]	1,482,936	741,468	741,468
Tianhui Hongxin[(5)]	1,335,450	667,725	667,725
Hong Huacan	14,838,340	0	14,838,340
Shanghai Guoping	14,557,030	7,278,515	7,278,515
Guomin Kaide	13,346,428	6,673,214	6,673,214
Shenzhen Huashengchuang	12,616,092	12,616,092	0
Qijing Investment	8,902,106	0	8,902,106
Nanjing Yida	8,540,124	0	8,540,124
Instant Technology	8,404,809	0	8,404,809
On Ride	7,926,166	0	7,926,166
King Winne Electronic	7,926,166	3,963,083	3,963,083
Xietong Shifu	7,763,749	3,881,874	3,881,875
Jiacheng Xinhe	6,929,146	3,464,573	3,464,573
Yu Hao	6,793,280	6,793,280	0
Shenshang VC	5,931,746	2,965,873	2,965,873
Qingdao Hangyue	5,822,812	0	5,822,812
Zhuhai Gongying	5,673,784	2,836,892	2,836,892

Shareholders	Number of Domestic Unlisted Shares as of the date of this prospectus	Number of Shares upon Listing (Assuming that the Full Circulation Application of our Company is completed)	
		Domestic Unlisted Shares	H Shares converted from Domestic Unlisted Shares
Saifu Gaopeng	4,270,062	2,989,043	1,281,019
Zheng Xu	3,963,083	0	3,963,083
Jinhu Investment	3,954,497	0	3,954,497
Dongke Semiconductor	3,881,875	1,940,937	1,940,938
Lingyue Sairui	3,881,875	0	3,881,875
Hunan Xingxiang	3,109,382	0	3,109,382
Haifu Changjiang	3,105,500	0	3,105,500
Jiacheng Peihe	1,977,249	593,175	1,384,074
Haitong Innovation	1,940,937	970,468	970,469
Hangzhou Guangyao	1,777,778	266,667	1,511,111
China-Belgium Fund	1,552,750	0	1,552,750
Shenzhen Gongying	217,497	108,748	108,749
Total	**833,788,253**	**389,559,466**	**444,228,787**

Notes:

(1) As of the date of this prospectus, Dr. Luo is directly interested in approximately 5.90% of the total issued share capital of our Company and indirectly interested in approximately 23.10% of our total issued share capital, including (i) through being the controller of Inno Holding, (ii) being the ultimate general partner of Innocore, (iii) through being the controller of Inno HK, (iv) through being the ultimate general partner of Inno Youpeng, and (v) through being the general partner of Xinsheng Dapeng. Mr. Son agreed, among others, to have acted and will continue to act pursuant to Dr. Luo's direction for all actions in relation to the voting rights attached to the shares of our Company and Inno Holding, in which he was or has been interested directly or indirectly pursuant to a written voting rights arrangement entered into between Dr. Luo and Mr. Son on October 15, 2021. Further, pursuant to the voting rights proxy agreement (the "**Voting Rights Proxy Agreement**") entered into between Dr. Luo and Mr. Son on November 24, 2024, Mr. Son confirmed that he has appointed and will appoint Dr. Luo as his true and lawful proxy to vote all shares of our Company and Inno Holding that Mr. Son has been and will be interested at any and all meetings of shareholders of our Company and Inno Holding (as the case may be), and on any and all actions taken by written consent of shareholders of our Company and Inno Holding (as the case may be). Prior to the Voting Rights Proxy Agreement, Mr. Son has acted pursuant to Dr. Luo's direction for all actions in relation to the voting rights attached to the shares of our Company and Inno Holding, in which he was or has been interested directly or indirectly. As such, Dr. Luo is also deemed to be interested in 5.47% of the total issued share capital of our Company, which is held by Mr. Son. As a result, Dr. Luo, Inno Holding, Innocore, Inno HK, Inno Youpeng and Xinsheng Dapeng are a group of controlling shareholders of the Company, which are interested in approximately 34.48% of the total issued share capital of our Company as of the date of this prospectus. See "— The Controlling Shareholders Group" and "Relationship with the Controlling Shareholders Group."

(2) Each of the general partners of CMB Growth, CMB No. 1 and CMB Langyao is CMB Shenzhen, which is ultimately controlled by CM Bank. The CMB Investors are therefore considered as a group of shareholders. As at the date of this prospectus, the CMB Investors together hold approximately 15.80% of our total issued share capital. Immediately following the completion of the Global Offering, assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised, the CMB Investors will be interested in a total of approximately 14.99% of our issued share capital and will therefore be considered a group of connected persons with respect to our Company.

(3) Each of the general partners of Tongchuang Zhuoyue, Huaye Tiancheng, Huaye Qirong and Gongchuang Future is ultimately managed by Huaye Investment. The Hua Capital Investors are therefore considered as a group of shareholders and are interested in a total of approximately 5.52% of our total issued share capital as the date of this prospectus.

(4) Each of the general partners of Wenzhou Taiyang, Taixin Phase 4, Taixin Phase 5 and Taixin Phase 7 is ultimately managed or controlled by Mr. Gao Yihui (高毅輝). The Taixin Investors are therefore considered as a group of shareholders and are interested in a total of approximately 4.36% of our total issued share capital as the date of this prospectus.

(5) Each of the general partners of Jiake Investment, Ningke Investment, Tianhui Qianxing and Tianhui Hongxin is Zhongtian Fortune. The Zhongtian Fortune Investors are therefore considered as a group of shareholders and are interested in a total of approximately 2.08% of our total issued share capital as the date of this prospectus.

In light of the above, the public float of our Company will be 31.09% upon Listing assuming that (i) the Offer Size Adjustment Option and the Over-allotment Option are not exercised and (ii) none of the following persons will take part in the Global Offering: our Company's core connected persons, any persons who are accustomed to take instructions from our Company's core connected persons in relation to their acquisition, disposal, voting or other disposition of their shares, and any person whose acquisition of Shares were financed directly or indirectly by our Company's core connected persons.

CAPITALIZATION OF OUR COMPANY

The table below is a summary of the capitalization of our Company as of the date of this prospectus and the Listing Date (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised):

Shareholders	Total number of Shares as of the prospectus date	Number of Domestic Unlisted Shares immediately after completion of the Global Offering	Number of H Shares immediately after completion of the Global Offering	Total number of Shares immediately after completion of the Global Offering	Ownership Percentage as of the prospectus date	Ownership percentage immediately after completion of the Global Offering
					(%)	*(%)*
Inno Holding[(1)]	86,002,931	43,001,465	43,001,466	86,002,931	10.31	9.78
Dr. Luo[(1)]	49,209,305	24,604,652	24,604,653	49,209,305	5.9	5.60
Mr. Son[(1)]	45,637,736	22,818,868	22,818,868	45,637,736	5.47	5.19
Inno Youpeng[(1)]	34,920,280	17,460,140	17,460,140	34,920,280	4.19	3.97
Innocore[(1)]	32,941,114	16,470,557	16,470,557	32,941,114	3.95	3.75
Inno HK[(1)]	28,060,504	14,030,252	14,030,252	28,060,504	3.37	3.19
Xinsheng Dapeng[(1)]	10,677,142	5,338,571	5,338,571	10,677,142	1.28	1.21

Shareholders	Total number of Shares as of the prospectus date	Number of Domestic Unlisted Shares immediately after completion of the Global Offering	Number of H Shares immediately after completion of the Global Offering	Total number of Shares immediately after completion of the Global Offering	Ownership Percentage as of the prospectus date	Ownership percentage immediately after completion of the Global Offering
					(%)	(%)
CMB Growth[(2)]	97,804,824	48,902,412	48,902,412	97,804,824	11.73	11.12
CMB Langyao[(2)]	26,265,029	13,132,515	13,132,514	26,265,029	3.15	2.99
CMB No. 1[(2)]	7,691,497	3,845,749	3,845,748	7,691,497	0.92	0.87
Wujiang Industrial Investment	57,725,587	44,749,893	12,975,694[*(6)]	57,725,587	6.92	6.57
SK China	48,479,039	0	48,479,039[*]	48,479,039	5.81	5.51
Tongchuang Zhuoyue[(3)]	16,312,301	14,681,071	1,631,230[*]	16,312,301	1.96	1.86
Gongchuang Future[(3)]	14,838,340	13,354,506	1,483,834[*]	14,838,340	1.78	1.69
Huaye Qirong[(3)]	7,419,170	0	7,419,170[*]	7,419,170	0.89	0.84
Huaye Tiancheng[(3)]	7,414,682	5,931,746	1,482,936[*]	7,414,682	0.89	0.84
Taixin Phase 5[(4)]	11,839,717	5,919,858	5,919,859[*]	11,839,717	1.42	1.35
Wenzhou Taiyang[(4)]	11,122,023	5,561,011	5,561,012[*]	11,122,023	1.33	1.27
Taixin Phase 7[(4)]	9,704,686	4,852,343	4,852,343[*]	9,704,686	1.16	1.10
Taixin Phase 4[(4)]	3,687,781	1,843,890	1,843,891[*]	3,687,781	0.44	0.42
Wuhan Optics Valley Core	21,333,333	17,066,667	4,266,666[*]	21,333,333	2.56	2.43
Zhuhai Gangwan	17,795,237	0	17,795,237[*]	17,795,237	2.13	2.02
Ningke Investment[(5)]	7,562,976	3,781,488	3,781,488[*]	7,562,976	0.91	0.86
Jiake Investment[(5)]	6,920,370	3,460,185	3,460,185[*]	6,920,370	0.83	0.79
Tianhui Qianxing[(5)]	1,482,936	741,468	741,468[*]	1,482,936	0.18	0.17
Tianhui Hongxin[(5)]	1,335,450	667,725	667,725[*]	1,335,450	0.16	0.15
Hong Huacan	14,838,340	0	14,838,340[*]	14,838,340	1.78	1.69
Shanghai Guoping	14,557,030	7,278,515	7,278,515[*]	14,557,030	1.75	1.66
Guomin Kaide	13,346,428	6,673,214	6,673,214	13,346,428	1.6	1.52
Shenzhen Huashengchuang	12,616,092	12,616,092	0[*]	12,616,092	1.51	1.44
Qijing Investment	8,902,106	0	8,902,106[*]	8,902,106	1.07	1.01
Nanjing Yida	8,540,124	0	8,540,124[*]	8,540,124	1.02	0.97
Instant Technology	8,404,809	0	8,404,809[*]	8,404,809	1.01	0.96
On Ride	7,926,166	0	7,926,166[*]	7,926,166	0.95	0.90
King Winne Electronic	7,926,166	3,963,083	3,963,083[*]	7,926,166	0.95	0.90
Xietong Shifu	7,763,749	3,881,874	3,881,875[*]	7,763,749	0.93	0.88
Jiacheng Xinhe	6,929,146	3,464,573	3,464,573[*]	6,929,146	0.83	0.79
Yu Hao	6,793,280	6,793,280	0[*]	6,793,280	0.81	0.77
Shenshang VC	5,931,746	2,965,873	2,965,873[*]	5,931,746	0.71	0.67
Qingdao Hangyue	5,822,812	0	5,822,812[*]	5,822,812	0.7	0.66
Zhuhai Gongying	5,673,784	2,836,892	2,836,892[*]	5,673,784	0.68	0.65
Saifu Gaopeng	4,270,062	2,989,043	1,281,019[*]	4,270,062	0.51	0.49

Shareholders	Total number of Shares as of the prospectus date	Number of Domestic Unlisted Shares immediately after completion of the Global Offering	Number of H Shares immediately after completion of the Global Offering	Total number of Shares immediately after completion of the Global Offering	Ownership Percentage as of the prospectus date	Ownership percentage immediately after completion of the Global Offering
					(%)	(%)
Zheng Xu	3,963,083	0	3,963,083*	3,963,083	0.48	0.45
Jinhu Investment	3,954,497	0	3,954,497*	3,954,497	0.47	0.45
Dongke Semiconductor	3,881,875	1,940,937	1,940,938*	3,881,875	0.47	0.44
Lingyue Sairui	3,881,875	0	3,881,875*	3,881,875	0.47	0.44
Hunan Xingxiang	3,109,382	0	3,109,382*	3,109,382	0.37	0.35
Haifu Changjiang	3,105,500	0	3,105,500*	3,105,500	0.37	0.35
Jiacheng Peihe	1,977,249	593,175	1,384,074*	1,977,249	0.24	0.22
Haitong Innovation	1,940,937	970,468	970,469*	1,940,937	0.23	0.22
Hangzhou Guangyao	1,777,778	266,667	1,511,111*	1,777,778	0.21	0.20
China-Belgium Fund	1,552,750	0	1,552,750*	1,552,750	0.19	0.18
Shenzhen Gongying	217,497	108,748	108,749*	217,497	0.03	0.02
Investors taking part in the Global Offering	0	0	45,364,000*	45,364,000	0.00	5.16
Total	**833,788,253**	**389,559,466**	**489,592,787**	**879,152,253**	**100.00**	**100.00**

Notes:

(1)-(5) Please refer to the respective notes in the section headed "— Capitalization of our Company" below.

(6) The Company's cornerstone investors, namely Jiangsu State-Owned Enterprise Mixed Ownership Reform Fund (Limited Partnership) (江蘇國有企業混合所有制改革基金(有限合夥)), Jiangsu Suzhou High-end Equipment Industry Special Mother Fund (Limited Partnership) (江蘇蘇州高端裝備產業專項母基金(有限合夥)) and Suzhou Dongfang Chuanglian Investment Management Co., Ltd. (蘇州東方創聯投資管理有限公司) (the "**Jiangsu Cornerstone Investors**") are close associates of Wujiang Industrial Investment. As such, Wujiang Industrial Investment and the Jiangsu Cornerstone Investors are regarded as a group of shareholders when considering the public float for the purpose of Rule 8.08 of the Listing Rules after the Listing.

(7) Assuming that the Offer Size Adjustment Option and the Over-allotment option are not exercised.

* Shares that count towards the public float. As indicated in the chart above, a total of 273,314,392 Shares will be counted as public float, representing 31.09% of the total number of Shares immediately after completion of the Global Offering (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised).

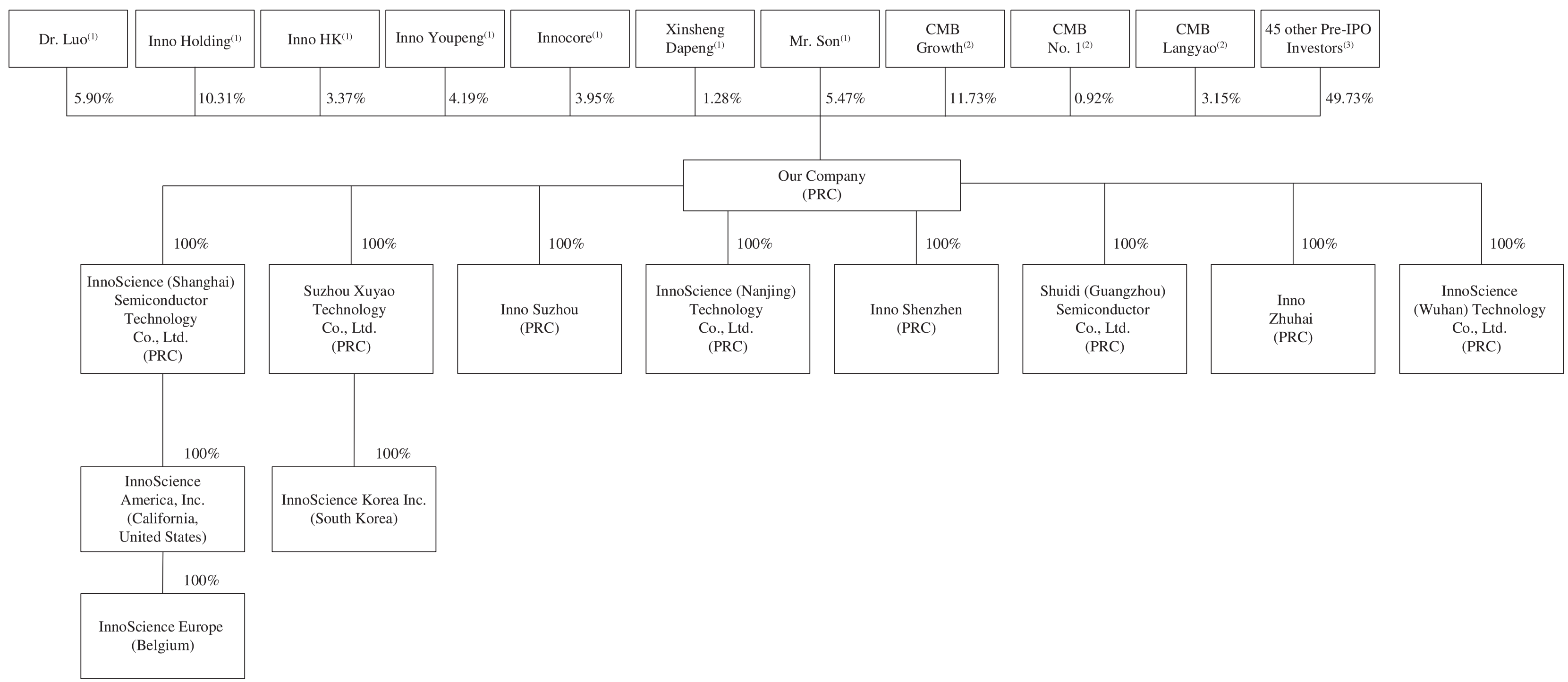
PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisor has confirmed that we have legally and properly completed, settled, and obtained the requisite legal approvals and completed requisite governmental registrations with relevant governmental authorities in the PRC with respect to all the aforesaid capital increases and equity transfers.

CORPORATE STRUCTURE

(1) Corporate Structure Immediately Before Completion of the Global Offering

The chart below sets out the shareholding structure of our Company immediately before the completion of the Global Offering:



Notes:

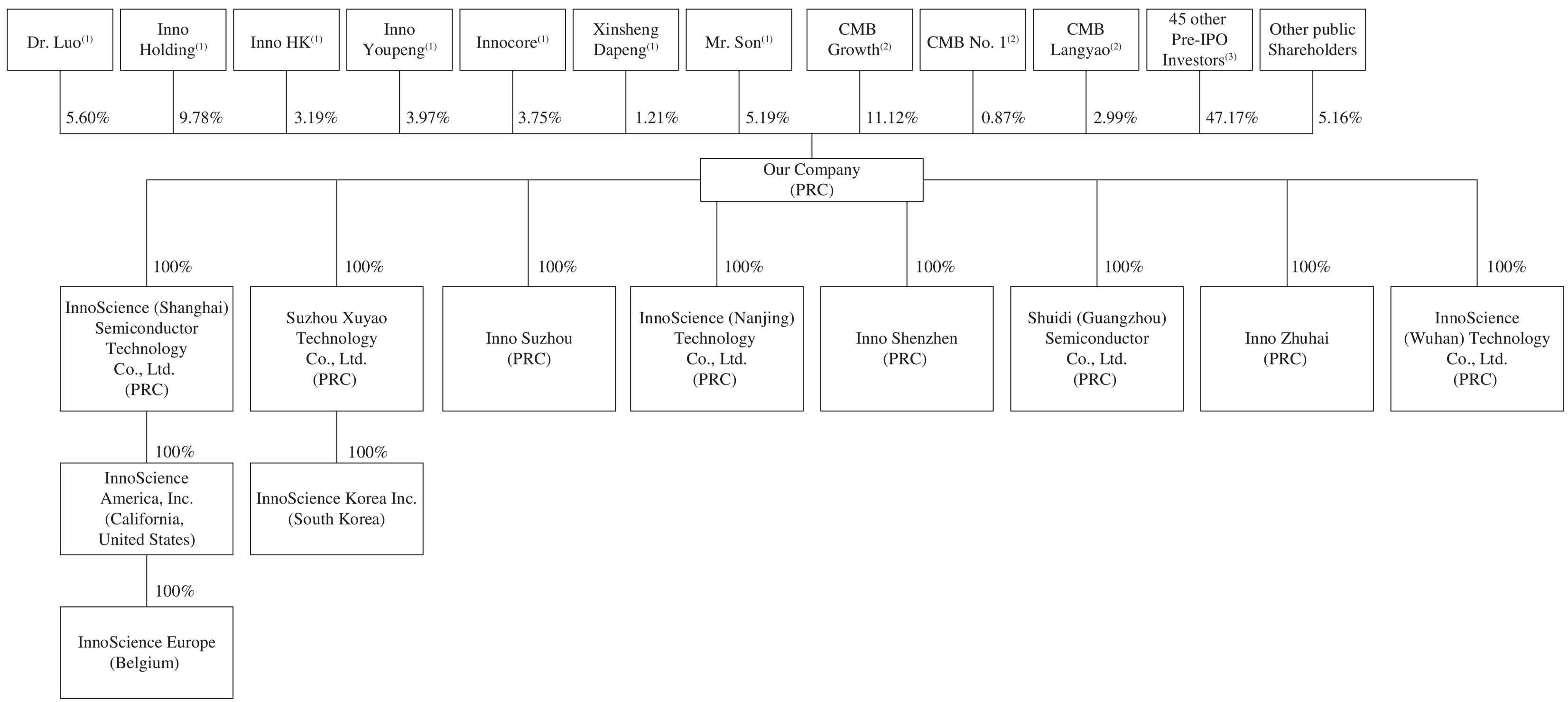
(1) As of the date of this prospectus, Dr. Luo is directly interested in approximately 5.90% of the total issued share capital of our Company and indirectly interested in approximately 23.10% of our total issued share capital, including (i) through being the controller of Inno Holding, (ii) being the ultimate general partner of Innocore, (iii) through being the controller of Inno HK, (iv) through being the ultimate general partner of Inno Youpeng, and (v) through being the general partner of Xinsheng Dapeng. In addition, pursuant to the written voting trust arrangement agreed between Dr. Luo and Mr. Son on October 15, 2021, Mr. Son confirmed that he has acted and agreed to continue to act pursuant to Dr. Luo's direction for all his past and future actions in relation to the voting rights attached to the shares of our Company in which he was or will be interested directly or indirectly. As such, Dr. Luo is also deemed to be interested in 5.47% of the total issued share capital of our Company, which is held by Mr. Son. As a result, Dr. Luo, Inno Holding, Innocore, Inno HK, Inno Youpeng and Xinsheng Dapeng are a group of controlling shareholders of the Company, which are interested in approximately 34.48% of the total issued share capital of our Company as of the date of this prospectus. See "— The Controlling Shareholders Group" and the section headed "Relationship with the Controlling Shareholders Group."

(2) Each of the general partners of CMB Growth, CMB No. 1 and CMB Langyao is CMB Shenzhen, which is ultimately controlled by CM Bank. The CMB Investors are therefore considered as a group of shareholders. As at the date of this prospectus, the CMB Investors together hold approximately 15.80% of our total issued share capital. Immediately following the completion of the Global Offering, assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised, the CMB Investors will be interested in a total of approximately 14.99% of our issued share capital and will therefore be considered a group of connected persons with respect to our Company.

(3) Please refer to the respective notes in section headed "— Capitalization of our Company" and "— Pre-IPO Investments" above for details of other Pre-IPO Shareholders.

(2) Corporate Structure Immediately Following Completion of the Global Offering

The chart below sets out the shareholding structure of our Company immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised):



Notes:

(1)-(3) See the respective notes under "— Corporate Structure immediately before Completion of the Global Offering."

OVERVIEW

Who We Are

We are driving innovation in the global power semiconductor industry, dedicated to advancing the GaN power semiconductor industry and fostering its ecosystem. We are the first in the world to achieve mass production of 8-inch GaN-on-Si wafers and the only company that offers a full voltage spectrum of GaN-on-Si semiconductor products on industrial scale. We ranked first among all GaN power semiconductor companies globally in 2023 in terms of revenue, according to Frost & Sullivan. The emergence of renewable energy and compute intensive applications has been transforming the world. This trend leads to a surging demand for more efficient and economical power semiconductors products. GaN, a wide bandgap semiconductor material featuring high-frequency and low on-resistance, has become the centerpiece in the ongoing revolution of the power semiconductor industry. Underpinned by our continual innovation and strong technological expertise, we design, develop and manufacture various types of GaN products, including discrete chips, integrated circuits ("ICs"), wafers and modules. We empower customers across a broad range of sectors, including consumer electronics, renewable energy and industrial applications, automotive electronics and data centers.

Our IDM model enables in-house control of the entire process from design, manufacturing to testing. With an integrated operational framework, the IDM model facilitates coordination and synergy while ensuring the quality of our power semiconductor products. It provides stable production capacities, enables innovation through design and process iterations and supports cost-effective scaling. By controlling the entire operation process, the IDM model allows us to quickly identify and tackle the pain points associated with the product applications ahead of our competitors, thus reinforcing our first-mover advantage. As of June 30, 2024, we house the world's largest GaN power semiconductor production base, with a production capacity of 12,500 wafers per month. Such capacity enables us to capture growing market opportunities with stable supplies, thus nurturing customer confidence. Our advanced mass production technologies also led to an 80% increase in die per wafer and a 30% reduction in single chip cost compared to 6-inch GaN-on-Si wafers, showcasing our cost advantages as well as leadership in the ongoing innovation and commercialization of GaN products.

Our position at the forefront of the GaN semiconductor industry is solidified by our continuous efforts in innovation and technological advancement. Through long-term dedication to R&D, we lead the market in 8-inch GaN-on-Si technologies. As of the Latest Practicable Date, we had 406 patents and 387 patent applications in the world, covering critical areas such as chip design, device structuring, wafer manufacturing, packaging and reliability testing. We pioneered the effort in expanding the application of GaN products by working closely with reputable customers in diverse sectors, introducing innovative products, tackling pain points and delivering unique value. Leveraging our comprehensive expertise in GaN technologies, we design, develop and manufacture high-performance and reliable GaN discrete chips for various applications across low-, medium- and high-voltage ranges in different packaging options, and our product R&D covers 15V to 1,200V.

Benefiting from our technological leadership and commercialization capabilities, our GaN products have gained wide market recognition, contributing to the development of an ecosystem centered on GaN products. According to Frost & Sullivan, with a revenue of RMB592.7 million in 2023, we ranked first among all GaN power semiconductor companies globally, holding a market share of 33.7%. As of June 30, 2024, our cumulative shipment exceeded 850 million in terms of equivalent GaN discrete chips. Our GaN products gained recognition from customers across various application areas, resulting in a strong revenue growth during the Track Record Period. Our revenue increased by 99.7% from RMB68.2 million in 2021 to RMB136.2 million in 2022, by 335.2% to RMB592.7 million in 2023. Our revenue increased by 25.2% from RMB308.1 million in the six months ended June 30, 2023 to RMB385.8 million in the six months ended June 30, 2024. We had a loss for the year of RMB3,399.3 million, RMB2,205.5 million and RMB1,101.9 million in 2021, 2022, 2023, and we had loss for the period of RMB579.7 million and RMB488.0 million in the six months ended June 30, 2023 and 2024, respectively. Our adjusted net loss (non-HKFRS measure), which was adjusted by adding back (i) changes in the carrying amount of liabilities recognized for financial instruments issued to investors, (ii) equity-settled share-based payment expenses, and (iii) listing expenses, amounted to RMB1,080.8 million, RMB1,276.9 million, RMB1,015.6 million, RMB549.0 million and RMB377.8 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively.

Market Opportunities

The fourth industrial revolution requires more efficient and economic electric power supply devices, especially with the rapid growth of renewable energy and compute intensive applications. Traditional silicon semiconductor products are less desirable in these applications due to their inherent constraints. On the contrary, as one of the latest generation of semiconductor materials, GaN semiconductor products are broadly applied across different sectors in recent years and are expected to lead a new wave of global energy revolution.

GaN power semiconductors have gone through multiple development stages including the early development period, the development period, the commercialization period and the boom period, which started from 2023. Driven by downstream market developments in EVs and data centers, photovoltaic power stations and power grids, among others, the GaN power semiconductor industry increased rapidly from RMB139.4 million in 2019 to RMB1.8 billion in 2023, with a CAGR of 88.5%. According to Frost & Sullivan, in 2023, the penetration rate of global GaN power semiconductors was 0.5% in the power semiconductor market and accounted for 1.4% of the global power semiconductor discrete chip market. As technologies continue to mature and the potential of the downstream applications broaden, 2023 is poised to be the inaugural year of an industry-wide surge in demand for GaN power semiconductors. The market is anticipated to enter a period of rapid growth. By 2028, the size of the global GaN power semiconductor market is expected to reach RMB50.1 billion, increasing its share to 10.1% of the global power semiconductor market and accounting for 24.9% of the global power semiconductor discrete chip market.

OUR STRENGTHS

Driving innovation in the global power semiconductor industry

The emergence of renewable energy and compute intensive applications has been transforming the world, leading to a surging demand for more efficient and economical power semiconductor products, according to Frost & Sullivan. GaN, a wide bandgap semiconductor material featuring high-frequency and low on-resistance, has become the centerpiece in the ongoing revolution in the power semiconductor industry.

Our leading position in driving the innovation of the global GaN power semiconductor market is evident in the following achievements:

- **Pioneering industry innovation.** We are driving innovation in the global power semiconductor industry, dedicated to advancing the GaN power semiconductor industry and fostering its ecosystem. Our forward-thinking strategies and breakthroughs in core technologies and key processes underpinned our success in becoming the first in the world to achieve mass production of 8-inch GaN-on-Si wafers. We are the only company in the world to have the mass-production capabilities for a full voltage spectrum of GaN-on-Si semiconductor products. Our full-voltage product portfolio allows us to cater to a wide range of industrial applications, from low-voltage consumer electronics to high-voltage renewable energy and industrial applications, automotive electronics and data centers. We are able to offer customized solutions with versatility and enhance the performance, efficiency and reliability of end-use applications, thus securing our competitive edge in the industry. We pioneered the effort in expanding the application of GaN products by working closely with reputable customers in diverse sectors including consumer electronics, automobiles and renewable energy, introducing innovative products and delivering unique value. We facilitate industry collaboration and the formulation of industry standards, promoting an orderly market and healthy competition.

- **Mass-production capability and largest capacity.** We are the first in the world to achieve mass production of 8-inch GaN-on-Si wafers, increasing die per wafer by 80% and reducing single chip cost by 30% compared with 6-inch GaN-on-Si wafers, demonstrating our cost advantages while facilitating the ongoing innovation and commercialization of the GaN products. We house the world's largest GaN power semiconductor production base, with a production capacity of 12,500 wafers per month as of June 30, 2024. Such capacity enables us to capture growing market opportunities with stable supplies, thus nurturing customer confidence.

- **Shipment volume, market share and growth rate.** We are the leader in GaN power semiconductor products, with a revenue of RMB592.7 million from the GaN power semiconductor sector in 2023, representing a market share of 33.7%. Our revenue grew rapidly from RMB68.2 million in 2021 to RMB136.2 million in 2022, and further to RMB592.7 million in 2023, representing a CAGR of 194.8%. Our revenue increased from RMB308.1 million in the six months ended June 30, 2023 to RMB385.8 million in the six months ended June 30, 2024. We ranked first globally among GaN power semiconductor companies in 2023 in terms of equivalent GaN discrete chip shipment, with a market share of 42.4%, according to Frost & Sullivan. As of June 30, 2024, our cumulative shipment exceeded 850 million in terms of equivalent GaN discrete chips.

- **Leading ecosystem development.** Our long-term focus is to expand the application of GaN products and build a robust and rich industry ecosystem through innovation and extensive industry collaborations. We pioneer industry innovations through both in-house and collaborative R&D efforts on a wide spectrum of related technologies including GaN drivers, control chips as well as packaging and testing. With such efforts on building an industry ecosystem, we aspire to lay a solid foundation for the industry's future growth. Furthermore, as an early mover in the industry, we tapped into the supply chain of lighthouse customers, who are industry leaders open to adopting our products, and maintained solid and long-term relationships, leveraging which we also rapidly expanded our customer network. Through stable and lasting collaboration with customers, we acquired significant know-how in their respective application scenarios. We continually iterate our products to focus not only on design, structure and functionality, but also on producibility, reliability, performance and product lifecycle planning, with a view to facilitating customer success in their respective end markets, helping them achieve design-wins.

IDM Model Tailored to Industry Needs with High Barriers

While advanced process technologies significantly enhance digital chip performance, the functionality of analog chips — especially power semiconductor chips — largely hinges on the intrinsic properties of the semiconductor materials employed. Different materials have distinct bandgap, carrier mobility, electrical and thermal conductivity and other properties, resulting in varied performance and applications. As a result, the IDM model, which enables in-house control of the entire process from design, manufacturing to testing, has been the mainstream operational framework in the broader power semiconductor industry. According to Frost & Sullivan, the global top five power semiconductor companies all adopted the IDM model. In the rapidly evolving GaN power semiconductor industry, this model continues to prove to be the most effective.

By encompassing design, manufacturing, packaging and testing within a single operational framework, the IDM model offers coordination and synergy, thus ensuring the quality of power semiconductor products. It provides stable production capacities, enables innovation through design and process iterations and supports cost-effective scaling. The IDM model also allows us to understand and in turn tackle the pain points faced by our customers before our competitors, as we control the entire process from design to testing, thus reinforcing our first-mover advantage. This approach has become the preferred model for the industry and is poised to dominate in the near future, according to Frost & Sullivan.

Our operational strategies are centered on a highly integrated IDM model, forming significant competitive edges that distinguish us from our peers:

- **Stable delivery.** Our 8-inch GaN wafer production base, the only one of its kind in the world in terms of its mass production capabilities, combined with in-house control over design and manufacturing processes, enable us to meet bulk delivery demands and ensure our customers' supply chain stability.

- **Design and process coordination.** Under the IDM model, our R&D and manufacturing efforts are seamlessly coordinated throughout the entire product development and delivery process. Leveraging this full-process control, we are able to standardize our major products to make them compatible with vast customer needs, and rapidly scale up production. Besides the standardized needs, the IDM model also enables us to rapidly respond to specialized customer needs, develop and customize design and put viable projects into production, thereby shortening the product delivery cycle, ensuring product performance and quality and unleashing the full potential of our R&D and technological strengths. We adopt a unique and efficient Integrated Product Development ("IPD") system to enhance end-to-end operational efficiency, ensuring that the optimal design of our products can be realized by reliable and economical manufacturing processes and deliver cutting-edge performance.

- **Operational cost advantage.** Our relentless enhancement of GaN technologies positioned our GaN products to significantly outperform traditional silicon-based solutions in terms of frequency, power density and thermal management, among others. Furthermore, compared to the fabless model, the IDM model allows us to have the in-house control of the entire process from design, manufacturing to testing, enabling refined process management and efficient scaling. IDM model enables us to manage costs more effectively than fabless companies, which are subject to foundry processing fees, thereby allowing us to adopt more competitive pricing. As we complete the initial investment in the plants, building and equipment, we are poised to efficiently ramp up production, drive down the average production costs and harness economies of scale.

- **First mover advantage.** Solidified by the IDM model, our first-mover advantage is expected to sustain over the long term. New entrants aiming to manufacture 8-inch GaN power semiconductors could take up to nine years to reach full-scale production, while transitioning from 6- inch to 8-inch production also requires years of development and significant investment to achieve a product yield rate above 90%, according to Frost & Sullivan. We are therefore well positioned to benefit from our technology leadership. Furthermore, due to the lengthy and costly validation processes of GaN power semiconductor chips, once such process for a supplier is complete, customers, once adopted GaN products are typically unwilling to switch chip suppliers. As an early mover, we therefore benefit from stable, long-term customer relationships.

Established Technology Leadership

Our position at the forefront of the GaN semiconductor industry is solidified by our technological leadership. Through long-term dedication to R&D, we lead the market in 8-inch GaN-on-Si technologies. During the Track Record Period, our R&D expenses in aggregate amounted to RMB1,737.0 million. As of the Latest Practicable Date, we had 406 patents and 387 patent applications in the world, covering critical areas such as chip design, device structuring, wafer manufacturing, packaging and reliability testing. Our key technology strengths include the following:

- **Proven 8-inch mass production technologies.** Our advancements in 8-inch GaN-on-Si wafer technologies place us significantly ahead of the competition. 8-inch wafer technology marks a major leap forward in the industry. Transitioning from 6-inch to 8-inch wafers is not merely an upgrade; it requires the development of new processes and techniques for mass production, where we hold a clear first-mover advantage. The process flow we engineered is fully compatible with GaN and encompasses a suite of techniques, including epitaxy, planarization and etching processes. These production processes seamlessly integrate with our 8-inch GaN-on-Si wafer manufacturing equipment. In addition, according to Frost & Sullivan, the power semiconductor industry has long standardized on 8-inch silicon wafers, with mainstream manufacturing equipment and processes tailored and optimized for this size. We pioneered the development of GaN process technologies, where we successfully re-purposed the manufacturing equipment, making them fully compatible with the GaN material. This significant breakthrough enables our 8-inch GaN-on-Si wafer technologies to integrate seamlessly with the existing silicon-based equipment, leading to substantial efficiency over 6-inch GaN wafers. Furthermore, our equipment for 8-inch GaN wafer products has the most advanced technical capabilities, thus positioning us well for a swift transition to the production of wafers in different sizes when the time comes. Leveraging our robust 8-inch GaN-on-Si wafer production technologies, we breached the production bottleneck of 12,500 wafers per month as of June 30, 2024, reaching industrial-scale commercialization with a yield rate exceeding 95%.

- **Full voltage spectrum product portfolio.** We are the only company in the world to have achieved the technological breakthrough across the entire voltage spectrum of GaN products. This capability demonstrates our comprehensive expertise in GaN technologies, whereby we successfully iterated our high-voltage products to a world-leading level in terms of die per wafer. We design, develop and manufacture high-performance and reliable GaN discrete chips for various applications across low-, medium- and high-voltage ranges in different packaging options. High-voltage and low-voltage GaN products necessitate distinct technologies, each demanding significant investments and specialized knowledge. We possess the unique ability to adjust our GaN offerings to meet dynamic and diverse demands, benefiting from the versatility of our technologies encompassing both high-voltage and low-voltage

GaN products. This breadth of capability also allows us to enhance cost-effectiveness and operational efficiency by dynamically allocating production facilities and resources across different voltage ranges, all under uniform management.

- **Unique GaN packaging technologies.** Packaging provides mechanical support and protection for GaN power chips from physical and environmental damage while also facilitating heat dissipation. Advanced packaging techniques, materials and processes are crucial to unlocking the full potential of GaN, enhancing the performance of power semiconductor products. Our achievements in GaN packaging technology underscore our comprehensive leadership in the field. By optimizing packaging, we ensure GaN products achieve high performance, leveraging their high-frequency and high-power density characteristics. As a pioneer in the commercialization of GaN products, we continually innovate packaging forms, introduce specialized materials and processes and set the paradigm for packaging technologies across various application areas. In terms of packaging forms, we were the first in the world to develop packaging solutions such as TO252 tailored to the characteristics of GaN devices, thereby expanding the market for GaN applications. The TO252 package, often used in high-power applications, offers excellent heat dissipation and reliability, making it ideal for power supplies and automotive electronics. In China, we also led the development of advanced packaging forms, including wafer-level chip-scale packaging ("WLCSP"), for GaN products. WLCSP is a miniaturized packaging technique where the package is nearly the same size as the chip, allowing for superior electrical performance and space efficiency, especially in compact electronics like smartphones. Compared to silicon chips using traditional packaging, GaN chips with advanced packaging exhibit 30 times lower thermal resistance and five times lower parasitic inductance, leading to better performance and efficiency. To meet the needs of power system intensification, we developed the world's smallest package size, products of which have been verified and mass-produced. With respect to packaging materials, we innovatively introduced high thermal conductivity chip bonding materials, improving thermal conductivity by 20% over silicon packaging materials. In terms of packaging processes, we introduced the laser slotting process that enhances product reliability by addressing the cracking issues in the GaN epitaxial layer, furthering enhancing the durability and performance of our products.

- **Robust reliability.** The high reliability of our GaN products is the foundation of our technological excellence, which ensures that our GaN products perform their intended functions without failure over their specified lifetimes. We invested significantly in the establishment of comprehensive methodologies and processes, and we are equipped with sophisticated facilities and equipment for reliability testing. We consistently conduct reliability testing according to stringent standards to ensure that our products meet the requirements of industrial applications and high-end consumer products. We conduct reliability testing from three key aspects, namely, the primary performance, lifespan and electrostatic discharge resistance of the chips to verify if the design meets the expected standards; the performance of the chips under extreme conditions such as high temperature and high pressure to ensure the packaging design and manufacturing are up to standard; and the performance parameters of the chips during actual use. We also conduct extended reliability testing that exceeds industry standard requirements. For instance, we exceed the industry benchmark of 1,000 hours for high-temperature reverse bias testing, which evaluates long-term stability under high voltage and temperature, extending it to 3,000 hours without any product failures. Underpinned by our optimal design and reliability, our cumulative shipment exceeded 850 million as of June 30, 2024 in terms of equivalent GaN discrete chips, which in turn fueled the growing demand for our products from customers across different application areas.

Our established technology leadership in the GaN semiconductor industry is not just a testament to our past achievements but a foundation for future innovation. Our commitment to continual investment in R&D positions us to formulate industry standards and create value to our customers and partners.

Industrial-Scale Commercialization

Our journey from technological innovation to market leadership is underpinned by our commercialization capabilities, as is evident in various aspects of our operations. We have built significant strengths on the supply side. Our mass production capabilities, combined with advanced manufacturing processes, have translated into significant first-mover advantages as the first in the world to commercialize 8-inch GaN-on-Si wafers on an industrial scale.

- **World-leading GaN discrete chip shipment.** We ranked first globally among GaN power semiconductor companies in 2023 in terms of equivalent GaN discrete chip shipment, with a market share of 42.4%. As of June 30, 2024 our cumulative shipment exceeded 850 million in terms of equivalent GaN discrete chips.

- **Exceptional yield rates.** Our wafer yield rate surpasses 95%, which showcases our advanced process control and manufacturing excellence.

- **Cost efficiency.** The full solution cost of our GaN products now undercuts that of traditional silicon-based solutions in applications such as consumer electronics, renewable energy and industrial applications, automotive electronics and data centers, offering competitive pricing to customers and bolstering our market position. For example, in consumer electronics, GaN solutions can achieve approximately a 70% reduction in the size and weight of USB-PD chargers at the same cost, or increase the charging power by around 50%, thereby enabling faster charging. In the renewable energy sector, GaN solutions can improve energy utilization efficiency by around 30% and decrease the size of solar power stations by around 30%, with a 20% lower overall system cost for solar applications.

We have a broad and deeply integrated customer and partner ecosystem.

- **Collaboration along the value chain.** Our broad and deeply integrated customer and partner ecosystem spans the entire industry value chain, from equipment manufacturers to packaging and testing firms, fostering an expansive GaN industry ecosystem. This collaborative effort catalyzes innovation and integration along the entire GaN value chain.

- **Broad and deep customer partnerships.** We collaborate with a broad base of reputable domestic and international customers across various applications. Our customers comprise leading providers of semiconductor manufacturing services, high-tech companies specializing in renewable energy technology as well as Tier-1 suppliers of automotive OEMs. We have achieved breakthroughs in multiple subfields of GaN applications, positioning us as one of the leading Chinese GaN semiconductor chip company with supply collaborations with major companies worldwide, according to Frost & Sullivan. Our profound collaboration with leading industry customers culminated in the development of tailored innovative solutions. For example, during the collaboration with a strategic customer who is a leading battery manufacturer and technology company, we became keenly aware of its pressing needs to improve the energy-efficiency of its high-performance lithium-ion battery forming and grading equipment. This equipment is used in battery activating and testing, one of the most energy-intensive stages of the lithium-ion battery production process. We developed the all-GaN power supply modules which have a compact and cable-free design. Our products helped the customer boost their production efficiency by cutting production line construction expenses, improving factory space utilization and reducing operational costs. In addition, our GaN solutions halved energy loss during the battery formation stage, resulting in substantial economic benefits for the customer.

Our proven commercialization capabilities showcase our ability to not only innovate, but also effectively bring these innovations to market, securing our leadership position in the GaN semiconductor industry.

Winning Team with Track Record of Value Creation

Our leadership team, including our founder and chairperson of the Board, Dr. Weiwei Luo, and CEO, Dr. Jingang Wu, has extensive experience in the field of advanced materials and semiconductor technology. Underpinned by her profound expertise in advanced materials, Dr. Luo's commercial acumen, industry insight and capability to integrate international technological resources were pivotal in steering the founding team to focus strategically on GaN products. Under her guidance, our Company has pioneered GaN power semiconductor products since its inception, leveraging an IDM model crucial to our success. In addition, Dr. Luo holds the position of executive deputy director at the Power Supply Technology Committee of the China Advanced Semiconductor Industry Innovation Alliance. She was listed among China's 100 Power Businesswomen by Forbes China in 2024. Dr. Wu brings substantial expertise in technology development and management within the semiconductor industry. Prior to joining us, he served as the R&D vice president at a leading semiconductor foundry, where he demonstrated exceptional leadership and a dedication to technological innovation.

Our leadership is supported by a robust R&D team of 304 dedicated employees as of June 30, 2024, many of whom are semiconductor industry veterans with profound expertise in technology and material innovation. The team's continuous innovation contributed to an extensive portfolio of 406 patents and 387 patent applications in the world as of the Latest Practicable Date, covering critical areas such as chip design, device structuring, wafer manufacturing, packaging and reliability testing. The team's expertise not only underpins our technological advancements, but also underscores our commitment to driving industry innovation.

OUR STRATEGIES

Enhancing Global GaN Ecosystem Development and Market Penetration

As a pivotal technology in optimizing energy efficiency in the global era of high computing power, GaN holds the key to optimizing energy use efficiency. With the world's largest GaN power semiconductor production capacity, shipments and revenue in 2023, we are committed to facilitating GaN's global proliferation and fostering a robust GaN ecosystem. We plan to utilize our advantage in the global GaN power semiconductor market to elevate GaN's market penetration, thereby positioning GaN as the fundamental building block of the new infrastructure in the era of high computing power. This endeavor is expected to deliver substantial benefits to society by supporting the increasing computing power demand, promoting efficient energy utilization and propelling technological innovation and economic growth.

Furthermore, we intend to continue our efforts in reducing the overall solution cost of GaN compared to silicon. The average price of our GaN overall solutions has significantly decreased during the Track Record Period, greatly facilitating the commercialization of GaN. Leveraging our production capacity and cutting-edge 8-inch design and process technologies, we aim to further reduce costs within the GaN industry. This initiative is expected to broaden the application of GaN semiconductor materials and enhance their penetration in the power semiconductor market.

In collaboration with our partners, we aim to build a win-win GaN ecosystem. Through partnerships within the GaN ecosystem, we plan to promote the adaptation of GaN power semiconductor technology and products among providers of equipment, drivers and controllers, raw materials and packaging and testing services. Together, we aim to expand the GaN market and foster a collaborative environment for growth and innovation.

Expanding GaN Product Portfolio and Customer Base

Through continual investment in R&D, we plan to enrich our product portfolio with GaN wafers, discrete chips, ICs and modules. By introducing more innovative and high-value products, we expect to meet the rapidly growing and diverse needs of downstream applications. We intend to strengthen our industry position by continually launching innovative products for novel applications, including automotive electronics, data centers, consumer electronics and renewable energy and industrial applications, attracting new customers across a broader spectrum of industries. In the automotive electronics sector, we will focus on developing (i) high-voltage and medium-voltage chips for onboard chargers ("OBCs") and DC-DC power modules, (ii) medium-voltage GaN chips for LiDAR and (iii) low-voltage chips for onboard PD chargers. In the data center sector, we will develop (i) server power supply chips (converting AC-DC high-voltage to medium-voltage DC), upgrading performance and expanding sales with global leading customers, (ii) peripheral power supply modules for GPU motherboards (converting 48V to 12V) and (iii) power supply chips for GPU processors (converting 12V to 1V). In the consumer electronics sector, we plan to expand our OVP low-voltage chip applications from mobile phones to laptops and other electronics, rapidly scaling up sales. We will also develop and mass-produce medium-voltage products for emerging applications such as audio amplifiers, beauty devices and electronic cigarettes. In the renewable energy sector, we will leverage GaN materials' bidirectional conduction advantages to upgrade existing products and develop high-voltage and medium-voltage chips for photovoltaic micro-inverters, optimizers and energy storage converters, as well as medium-voltage chips for battery management. In the industrial applications sector, we will upgrade GaN power modules for battery formation and capacity grading, enhancing efficiency and performance to meet customer demands and expand applications. We will also develop high-voltage and medium-voltage chips for industrial motor drives, targeting industrial automation and robotics applications.

We place great emphasis on developing and maintaining long-term relationships with major customers, which are rooted in our established technology leadership and proven commercialization capabilities. As an early mover in the industry, we tapped into the supply chain of lighthouse customers who subsequently became our major customers. These solid and long-term relationships not only create value for the customers but also facilitate the rapid expansion of our customer network. We plan to deepen collaboration with existing customers by exploring new areas of cooperation with our new and enhanced offerings. We are dedicated to fostering regular engagement with our customers through visits, webinars and industry events. This approach ensures that our customers are well-informed about our latest innovations and industry insights, while also allowing us to gain a deeper understanding of their evolving needs and challenges particularly those of Tier-1 suppliers of automotive OEMs. Specifically, we recognize the critical role Tier-1 suppliers play in the automotive supply chain and aim to collaborate more closely with them by offering tailored solutions that address their unique requirements. By leveraging our IDM model, we can co-develop and refine products that meet the high standards of precision, reliability and scalability required in the automotive industry. Our goal is to align with the stringent demands of automotive production, such as enhanced power efficiency, enabling Tier-1 suppliers to remain competitive and meet evolving regulatory requirements. This partnership-driven approach will strengthen our long-term relationships and solidify our position within the automotive supply ecosystem. A loyal and growing customer base will help us increase our shipments, thereby growing our revenue and improving gross margins, consolidating our market leadership.

Early engagement in the product introduction phase allows us to closely collaborate with customers, identifying their requirements, market trends and challenges early on. This approach aims to shorten our product introduction cycles, facilitating the transition from design in to design-win, ultimately leading to an increase in orders and shipments and enhanced user stickiness.

- **Automotive electronics.** According to Frost & Sullivan, the global sales volume of EVs is expected to increase from 18.6 million units in 2024 to 50.5 million units in 2028, representing a CAGR of 28.4%. EVs is expected to be a growing application and demand driver for GaN power semiconductors. We plan to continue developing high- and low-voltage automotive-grade products for use in EVs' OBCs, DC-DC converters, BMS and charging piles.

- **Data centers.** The increasing demand for computing power across industries is driving the development of energy-intensive data centers, where GaN power semiconductors have become a key technology for optimizing energy efficiency. According to Frost & Sullivan, the global computing power capacity is expected to grow from 2,466.6 EFlops in 2024 to 18,282.3 EFlops in 2028, representing a CAGR of 65.0%. The global market of GaN power semiconductors for data centers is expected to increase from RMB136.2 million in 2024 to RMB1,462.0 million in 2028, with a CAGR of 81.0%. We expect to continue our cooperation with server power supply providers, mass-producing highly reliable products. Additionally, we plan to develop GaN discrete chips for use in powering GPUs within data centers, further enhancing power density, reducing size and cutting energy consumption.

- **Consumer electronics.** According to Frost & Sullivan, the global sales of consumer electronics are expected to maintain steady growth from 2,897.2 million units in 2024 to 3,887.5 million units in 2028, representing a CAGR of 7.6%. In particular, eyeing the trend in the consumer electronics sector towards higher power and miniaturization. we plan to continue to develop and mass-produce high-power density, high-frequency, low-consumption GaN chip products, and expand our GaN product applications in a broader range of consumer electronics and household appliances.

- **Renewable energy and industrial applications.** With the "carbon peak" and "carbon neutrality" trends, the demand for energy storage and photovoltaic products is expected to grow significantly. According to Frost & Sullivan, the global energy storage battery annual installed capacity is expected to increase from 306.2 GWh in 2024 to 1,302.5 GWh in 2028, representing a CAGR of 43.6%, and the installed capacity of the global photovoltaic industry is expected to increase from 1,992.7 GW in 2024 to 5,164.8 GW in 2028, representing a CAGR of 26.9%. We plan to continue developing high-voltage products for these areas, maximizing the performance of GaN discrete chips to enhance the efficiency of photovoltaic systems and reduce the energy consumption of storage systems.

Further Expanding Production Capacity

Eyeing the pivotal moment facing the global GaN power semiconductor industry, we plan to prudently and efficiently expand our production capacity to maintain our leadership. Our revenue from GaN wafers increased from RMB39.4 million in 2021 to RMB208.7 million in 2023 over a CAGR of 130.1% and increased by 51.6% from RMB91.7 million in the six months ended June 30, 2023 to RMB138.9 million in the six months ended June 30, 2024. Low-voltage GaN wafers provide higher efficiency due to lower on-resistance and faster switching speeds, which can lead to reduced energy consumption and operational costs, making them attractive to industries focused on sustainability. We are of the view that companies adopting low-voltage GaN technology early can gain a competitive advantage by offering more efficient and compact solutions compared to traditional technology. While the low-voltage wafers will be able to help us cover more voltage spectrum and enrich our product portfolio, it is expected to help us open up new markets. Meanwhile, the launch can stimulate further R&D efforts, leading to innovative applications and products, thereby creating additional revenue streams. We are preparing ourselves to meet the surging market demand for GaN products, increase our revenue, unleash economies of scale and improve our operational efficiency and profit margins. Robust production capacity is crucial for efficiently fulfilling customer orders, which forms a core part of our competitive strength.

With the support of robust production capacity, we also plan to continue selling standardized wafer products to other GaN power semiconductor companies besides offering discrete chips, ICs and modules. This will allow us to further expand market presence, accelerate the refinement of manufacturing processes and optimize our capacity utilization efficiency.

Continual R&D Strengthening Technological Barriers

To solidify our position in the GaN power semiconductor industry, we plan to further unleash the advantages of our IDM model. This involves persistent investment in rapidly evolving technologies and processes, ensuring we maintain our technology and scale advantage in 8-inch GaN-on-Si wafer production. We expect to continually optimize every aspect of the IDM model, enhancing and accumulating know-how in GaN-on-Si manufacturing. This will not only refine production processes and improve yield rates, but also align with our capacity strategy, fortifying our competitive edge with optimal efficiency.

We intend to continually iterate our products, reducing chip size to increase the die per wafer, elevating our product performance and technological barriers.

Specifically, we plan to:

- **expand high-voltage product lines.** We expect to expand our product offerings in 650-1,200V high-voltage products and tap into high-power EVs, high-voltage motors and drives, power transmission and distribution and other high-voltage applications. We also plan to develop bidirectional structure high-voltage discrete chips, which can reduce the cost of the power control system, thereby improving our pricing capability and product competitiveness.

- **develop high-frequency products.** For mid- and low-voltage GaN power semiconductors, we aim to develop high-frequency products. High-frequency products enable miniaturization of peripheral components such as inductors, aligning with the trend towards lighter consumer electronics and home appliances.

- **advance integrated solutions.** Building on the intrinsic properties of GaN, integrated GaN solutions that combine GaN HEMTs with drivers and other functional components may deliver better performance than discrete GaN HEMT products in certain applications and may also improve the overall solution's cost efficiency. We plan to continue developing driver and control chips that are more compatible with the high-frequency characteristic of GaN, delivering these to customers in the form of integrated solutions.

- **invest in next-generation technology research.** We are also committed to investing in the R&D of next-generation GaN design and process technologies, continually enhancing the performance and efficiency of our GaN products to maintain our technological leadership.

Relentless Implementation of Global Strategy

We believe that in the wake of the global era of high computing power, GaN, as a fundamental building block of the new infrastructure, will have unprecedented opportunities. We are therefore committed to expanding the global sales network of our GaN products. Our global expansion plans include establishing sales centers overseas, focusing on expanding relationships with internationally renowned leading customers, and enhancing our global brand awareness.

We also intend to set up integrated R&D and production centers overseas to attract top talent in the power semiconductor field, thereby strengthening our R&D capabilities. This move will allow us to be closer to leading international customers, respond swiftly to their needs, facilitate faster product introduction and enhance customer retention.

Furthermore, we aim to integrate global supply chain resources to optimize our cost structure and enhance our global delivery capabilities. This strategy underscores our commitment to becoming a global leader in the GaN industry, providing efficient, innovative solutions worldwide and fostering closer collaborations with leading international customers.

OUR BUSINESS MODEL

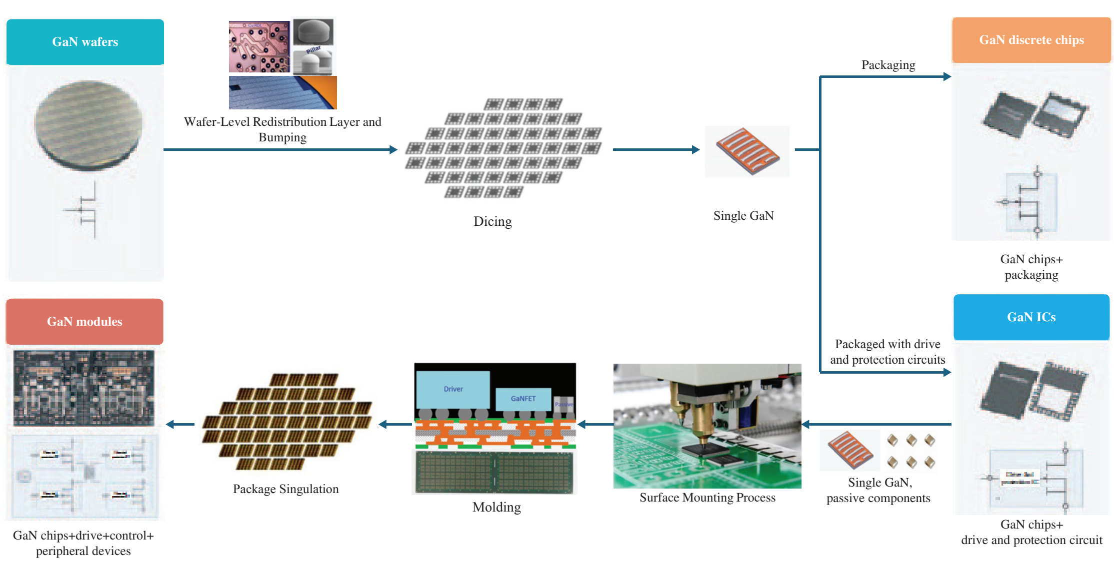
We have adopted an IDM model that provides in-house control over the entire process from design and manufacturing to packaging, testing and sales of finished products. This integrated operational framework fosters coordination and synergy, ensuring the quality of our power semiconductor products while providing stable production capacities, facilitating innovation through iterative design and process improvements and supporting cost-effective scaling. By maintaining control over every stage of the operation, the IDM model allows us to swiftly identify and address application challenges, giving us a significant first-mover advantage over competitors.

Unlike the fabless and foundry model where fabless companies rely on external foundries for production and are often limited by the capabilities of their partners, and foundries rely on fabless companies for design and lack control over the design process, the IDM model integrates design and manufacturing, creating operational synergies. Companies adopting the IDM model in our industry typically undergo a cyclical process of substantial capital and R&D expenditures during the ramp-up phase, which may lead to short-term losses. However, the long-term benefits of the IDM model in the GaN power semiconductor industry far outweigh these initial costs. These advantages include enhanced synergy between design and manufacturing, greater capacity and supply stability, cost benefits from large-scale production and continual process and technological advancements. See "Industry Overview — Analysis Of Global GaN Power Semiconductor Industry — Value Chain Of GaN Power Semiconductor Industry And Business Model Comparison." Given these advantages, the IDM model is expected to become the dominant business model in the power semiconductor industry. By choosing this model, we are positioning ourselves for sustainable growth and leadership in the rapidly evolving GaN power semiconductor sector, ensuring we remain competitive and profitable in the long term.

OUR PRODUCTS AND SOLUTIONS

GaN Product Types

We offer various types of GaN products along the industry value chain, including GaN wafers, GaN discrete chips, GaN integrated circuits ("GaN ICs") and GaN modules, which showcase our capabilities to provide tailored GaN solutions to our customers, depending on their needs from different fields. The picture below illustrates our different GaN product types and the fabrication process of GaN wafers into these products.



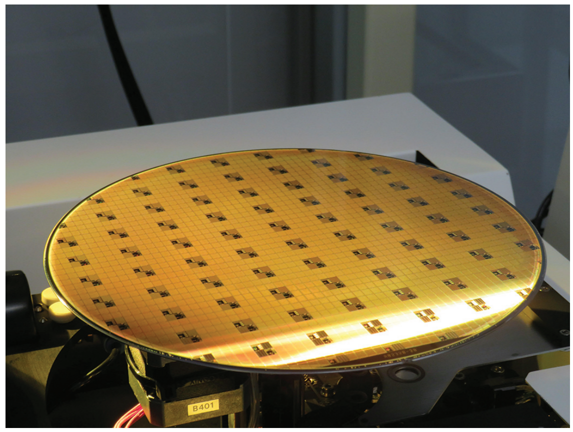
Wafers serve as the foundation for producing semiconductor electronics. Through the wafer fabrication procedure, which is composed of many repeated sequential processes to build up numerous layers of different materials in microscopic structures, dies are created on finished wafers upon dicing. Depending on the size and type of dies, a finished wafer can contain thousands of dies. Based on the packaging forms adopted, dies can be turned into discrete chips and ICs.

Discrete chips are individually packaged dies that provide basic functions to manage power activation and deactivation processes and require integration with drive and protection circuits for functionality. The drive circuit initiates the operation of GaN discrete chips with a small current and provides the necessary power and optimization to achieve high frequency, efficiency and reliability, while the protection circuit offers real-time monitoring and protection against overcurrent, overvoltage, overheating and short circuits, ensuring the safe use of power supply. We integrate GaN dies with drive and protection circuits into GaN ICs. These drive and protection circuits are specially designed by us, fully leveraging the characteristics of GaN to provide users with a comprehensive solution with high power density and compactness. GaN modules are produced by integrating GaN discrete chips, drive and protection circuits and passive components such as inductors and capacitors and through the process of surface mounting and molding. GaN modules serve as complete power conversion solutions, converting input power into one or more stable output voltages, providing users with efficient and reliable power solutions.

GaN Wafers

We are the first company in the world to achieve mass production of 8-inch GaN-on-Si wafers. As of June 30, 2024, our production capacity reached 12,500 wafers per month. According to Frost & Sullivan, we held the largest GaN power semiconductor production capacity worldwide. Our 8-inch GaN-on-Si wafers offer more effective areas, excellent processing capabilities, enhanced production efficiency and reduced costs, with die per wafer increased by 80% and single chip cost decreased by 30%, as compared with that of conventional 6-inch wafers. We supply 8-inch GaN-on-Si wafers to cater to specific customer requirements for chip selection and integrated design. These wafers are delivered in un-diced and un-packaged form, providing customers with the flexibility of wafer dicing and IC packaging based on their own product designs. All our discrete chip products are available for sale in wafer form. We also offer wafer epitaxial growth processing. Our operations are supported by industry-leading MOCVD equipment and underpinned by our proprietary process technologies and long-term accumulated know-how, allowing us to deliver epitaxial layers that are distinguished by their high quality, high precision, fast growth rates and cost-efficiency.

We provide wafers in two different product forms, namely GaN dies and GaN wafer in pieces. During the Track Record Period, we have sold an aggregate of over 340 million GaN dies and around 20 thousand GaN wafers in pieces. The price of our wafer products is primarily determined based on our production costs, considering benefits from economies of scale. Additionally, since our wafers are primarily sold to downstream customers with large purchasing needs, prices are typically negotiated based on factors such as production volume, customer-specific requirements and prevailing market conditions. The average selling price of our GaN dies is typically in the range of single-digit RMB, while the average selling price of GaN wafers in pieces typically range from several thousand to tens of thousands in RMB. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, our revenue from GaN wafers amounted to RMB39.4 million, RMB50.0 million, RMB208.7 million, RMB91.7 million and RMB138.9 million, respectively, accounting for 57.8%, 36.7%, 35.2%, 29.7% and 36.0% of our total revenue for the respective periods. The following picture illustrates a sample 8-inch GaN-on-Si wafer.



GaN Discrete Chips and GaN ICs

We design, develop and manufacture high-performance and reliable GaN discrete chips for various applications across low-, medium- and high-voltage ranges in different packaging options, and our product R&D covers 15V to 1,200V. Notably, we developed the V-GaN series, our flagship line of bi-directional GaN chips, which can be applied to a variety of sectors, including consumer electronics and industrial applications. The V-GaN series, featuring our proprietary patented technologies, is distinguished by its bi-directional conductivity, allowing one V-GaN chip to replace two silicon MOSFETs, facilitating space saving while reducing heat generation. The deployment of V-GaN products thus significantly improves the overall system cost-efficiency.

Aside from GaN discrete chips, we design, develop and manufacture high-performance and reliable GaN ICs, integrating discrete chips with other electronic components, such as drivers and protection. Our GaN IC solutions streamline circuit complexity while delivering low heat generation, exceptional driver efficiency, high precision and reduced size, thereby enhancing overall system reliability.

Our large-scale production capabilities and sophisticated 8-inch GaN-on-Si wafer manufacturing techniques ensure the stable supply of GaN discrete chips. In 2021, 2022 and 2023 and the six months ended June 30, 2024, we sold 23, 58, 164 and 155 types of GaN discrete chips, respectively. Our cumulative shipments exceeded 850 million as of June 30, 2024 in terms of equivalent GaN discrete chips, placing us at the forefront of the global market. We have sold an aggregate of over 185 million GaN discrete chips and ICs during the Track Record Period. Given the broad adoption of our products across diverse industries with varying specifications, product complexity and functionality, pricing varies accordingly. The average selling price of our GaN discrete chips and ICs typically ranges from single-digit to double-digit RMB. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, our revenue from GaN discrete chips and ICs amounted to RMB27.8 million, RMB86.1 million, RMB192.1 million, RMB57.3 million and RMB138.4 million, respectively, accounting for 40.7%, 63.3%, 32.4%, 18.6% and 35.9% for the respective periods.

GaN Modules

We are committed to providing one-stop, high-efficiency, high-frequency and high-power-density integrated GaN solutions. In response to power supply design challenges and to maximize the efficiency and capabilities of GaN discrete chips, we introduced a broad range of GaN modules, including our GaN power supply modules for lithium-battery forming and grading equipment. Our GaN modules can significantly boost power density and operational efficiency. For example, we produce GaN single-phase microinverters adopted in the photovoltaic sector. Single-phase microinverters convert direct current from individual panels into alternating current. In recent years, the adoption of microinverters has surged, driven by their enhanced safety, high power generation efficiency, robust reliability and flexible application. However, their high cost posed a challenge. Benefiting from GaN's reduced conduction losses and fast switching speed, single-phase microinverters by adopting GaN can double or triple their frequency while reducing system loss by approximately 30% as compared with traditional silicon-based modules, enabling compatibility with higher capacity solar panels. It also reduces the size of microinverters by approximately 30% and their costs by approximately 20%.

Our product offerings expanded to include GaN modules during the Track Record Period. We have sold an aggregate of over 250 thousand GaN modules during the Track Record Period. Due to their customized nature, the pricing of our GaN modules varies, with their average selling price typically being in the range of several thousand in RMB. Revenue from GaN modules amounted to RMB106.5 million in the six months ended June 30, 2024, accounting for 27.6% of our total revenue in the same period.

The table below sets forth the breakdown of our revenue in both absolute amount and percentage of our total revenue by product and service category for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
							(unaudited)			
GaN Discrete Chips and GaN ICs	27,769	40.7	86,138	63.3	192,066	32.4	57,293	18.6	138,443	35.9
GaN Wafers	39,412	57.8	50,036	36.7	208,666	35.2	91,653	29.7	138,928	36.0
GaN Modules[(1)]	–	–	–	–	190,420	32.1	159,167	51.7	106,470	27.6
Others[(2)]	1,034	1.5	–	–	1,565	0.3	–	–	1,970	0.5
Total	**68,215**	**100.0**	**136,174**	**100.0**	**592,717**	**100.0**	**308,113**	**100.0**	**385,811**	**100.0**

Notes:

(1) We were able to generate 32.1% of our total revenue from GaN modules immediately upon the launch of such products in 2023, primarily due to our early engagement with potential customers prior to 2023 to explore opportunities for GaN modules. The development process spanned from 2021 to 2022. We then commenced production of GaN modules in November 2022 and delivered the GaN modules to the customers in 2023 for installation in their battery production lines.

(2) Others primarily include non-recurring engineering ("NRE") services we provide to customers in the broader semiconductor and electronics industries. Such services are on a one-off basis, and revenue is recognized when customers accept our services. Depending on the customer needs, our NRE services may include (i) customized R&D and (ii) testing to verify if the application of the Company's GaN devices meets customer requirements.

Application Areas

The emergence of renewable energy and compute intensive applications has been transforming the world, which leads to a surging demand for more efficient and economical power semiconductor products. We are well positioned to capture the booming market opportunities. The GaN products we design, develop and manufacture are suitable for a broad range of application areas, including consumer electronics, renewable energy and industrial applications, automotive electronics and data centers.

Consumer Electronics

Our GaN products are widely used in consumer electronics, encompassing mobile phones, laptops, e-bikes, e-scooters and small household appliances. Benefiting from its unique characteristics such as high frequency, high efficiency, fast switching speed and low on-resistance per unit area, GaN significantly enhances performance and efficiency and reduces size of various consumer electronics products, delivering better and more convenient experience to consumers. According to Frost & Sullivan, the global market of GaN power semiconductors for consumer electronics increased rapidly from RMB85.0 million in 2019 to RMB1,412.0 million in 2023, with a CAGR of 101.9%. The market size is expected to further increase from RMB2,466.3 million in 2024 to RMB21,133.3 million in 2028, with a CAGR of 71.1%, and fast-charging and other power adapters for mobile phones and laptops are expected to be the main driver.

Key Products

The following table sets forth our key GaN products used in consumer electronics and their respective characteristics.

Application Area	Our GaN Products	Characteristics
Mobile phone chargers  Laptop power adapters 	650V/700V GaN discrete chips and GaN ICs	Our GaN products are suitable for powering various compact and portable electronic devices, including smartphones, tablets, LCD displays and laptops. GaN's characteristics, including high frequency, fast switching speed, low switching losses and high efficiency, align with the increasing demand for higher power and higher power density in mobile phone chargers, especially in the rapidly expanding fast-charging sector. As a result, our GaN products enable the production of more compact, efficient and portable power adapters.

Application Area	Our GaN Products	Characteristics
Over-voltage protection ("OVP") chips 	40V/100V bi-directional GaN discrete chips	An OVP chip safeguards the primary system of mobile phones, laptops and other consumer electronic products by shutting down the power supply when the input voltage exceeds a predetermined level. With the consumer electronics charging power continuing to increase, OVP circuits becomes essential. Our flagship V-GaN chips streamline OVP circuits by replacing two silicon MOSFETs with one V-GaN chip. This improves the performance and reduces both the cost and circuit size, which is crucial for circuit boards applied in products with stringent space constraints, such as mobile phones.
E-bikes/E-scooters	650V/700V GaN discrete chips	GaN discrete chips excel in operating with reduced switching and conduction losses, enhancing power conversion efficiency and the overall charging performance. They also feature a fanless design, which minimizes size and enhances water resistance. Moreover, the deployment of GaN discrete chips can more than double the power supply's switching frequency and allow a reduction in the size of peripheral components by over 40%, leading to a more streamlined and lightweight charger design. Many high-end e-bikes today are equipped with GaN chargers, which offer rapid charging capabilities, compact design and portability.
Small household appliances	650V/700V GaN discrete chips and GaN ICs	Our GaN products offer efficient power conversion and motor drive solutions, and are becoming increasingly prevalent in small household appliances. For example, GaN ICs in electric hair dryers provide greater power within a compact space, delivering over 30% more power than traditional silicon MOSFET solutions.

Key Development Focuses

Aside from the above, we are developing GaN products applied in audio systems, especially class D amplifiers. GaN products, when applied in audio systems, enhance audio quality and improve heat dissipation, while occupying smaller circuit board areas, thus leading to more advanced, efficient and compact audio systems. We are also focused on developing GaN products for wireless charging in consumer electronics. GaN technologies reduce parasitic capacitance, enhance switching speed and reduce on-resistance per unit area. When applied to wireless charging systems, GaN products can minimize power losses, leading to higher efficiency and increased charging range. Wireless charging has found broad applications in mobile phones, smart homes and EVs charging, and possesses substantial growth potential. In addition, we are developing GaN products for air-conditioner and TV power supplies. GaN products, when applied in air-conditioner power supplies, facilitate energy-saving, enhance energy efficiency and reduce noise. When applied in TV power supplies, GaN products significantly improve heat dissipation, increase switching frequency and reduce transformer size, which is becoming more crucial as large-screen slim-design TVs become more popular.

Case Study

In response to our consumer electronics brands' demand for more advanced and compact internal power switch used in mobile phones, we developed our flagship V-GaN series, the world's first GaN chips for integration within mobile phones and other consumer electronics, according to Frost & Sullivan. Notably, one V-GaN chip can replace two silicon MOSFETs. The below set forth the details of this joint development.

- *Application area*: OVP for consumer electronics (including mobile phones and laptops).

- *Our products*: low-voltage (30-60V) GaN discrete chips.

- *Customer requirements and pain points*: in consumer electronics, the application of GaN in fast charging has become prevalent, satisfying customers' demand for swift mobile device recharging. Yet, mobile phones' internal architecture continues to rely on traditional silicon MOSFETs for power switches. These silicon components, constrained by their size and impedance, not only consume significant mainboard space, but also, under high-power fast charging situations, are prone to generate substantial heat causing power efficiency losses. Such drawbacks compromise fast charging stability and the duration of high-power charging sessions, presenting a major inconvenience to mobile phone users, and accordingly, a concern to mobile phone manufacturers.

- *R&D focus*: to meet mobile phone manufacturers' pressing needs for more compact design and enhanced efficiency, in 2022, we initiated the R&D of GaN-on-Si bi-directional enhancement-mode HEMTs, a pioneering endeavor in the industry.

- *Product features*: leveraging GaN's superior properties, including its low on-resistance, minimal package parasitic capacitance, fast switching speed and absence of reverse recovery, our single bi-directional enhancement-mode V-GaN chip can replace two silicon MOSFETs. When applied to OVP chips, this technology showcases its core benefits of reduced impedance, heightened efficiency and increased power density, leading to a more compact system design and reduced energy consumption. This application marks a significant advancement in GaN's integration into mobile phone internal battery management systems.

- *Product iteration*: our OVP for mobile phones commenced mass production and shipment in 2021, becoming the first GaN chip in the world integrated into the interior of mobile phones. The product has since undergone continual enhancement and iteration based on our advanced technology platform. The 2022 mass-produced chips were successfully incorporated into our end customers' mobile phone mainboards, delivering a 64% reduction in mainboard area occupied and a 85% decrease in peak thermal output compared to their previous solutions, receiving favorable market reception. The launch of two additional products in 2023, differentiated by their on-resistance, broadened the range of application areas and adapted to more mobile phone models, providing customers with a diverse spectrum of design options and further expanding the role of GaN in consumer electronics.

- *Achievement*: our flagship V-GaN chips and technologies are at an international leading level, recognized as the "Excellent Technological Innovation Product" of the "China Chip" ("中國芯"優秀技術創新產品) for three consecutive years by the China Center for Information Industry Development (中國電子信息產學發展研究院) and honored with the award of the 15th "China Semiconductor Innovative Product and Technology" (第十五屆中國半導體創新產品和技術) by the China Semiconductor Industry Association (中國半導體行業協會).

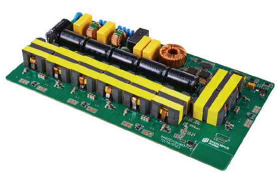
Renewable Energy and Industrial Applications

Our GaN products offer advanced, efficient and cost-effective solutions for renewable energy and industrial applications. They are applied in many renewable energy and industrial applications, including lithium-ion battery formation and grading equipment, battery management systems, LED lighting, photovoltaic and energy storage systems and motor drivers and controls. According to Frost & Sullivan, the global market of GaN power semiconductors for renewable energy and industrial applications increased steadily from RMB29.6 million in 2019 to RMB89.0 million in 2023, with a CAGR of 31.6%, and is expected to further increase from RMB192.9 million in 2024 to RMB1,577.0 million in 2028, with a CAGR of 69.1%.

Key Products

The following table sets forth our key GaN products for renewable energy and industrial applications and their respective characteristics.

Application Area	Our GaN Products	Characteristics
Lithium-ion battery formation and grading equipment	All-GaN power supply modules for battery formation and grading equipment	Formation and grading equipment, critical in the lithium-ion battery production process for activation and testing, necessitates extensive use of high-power bi-directional power conversion modules. This equipment is used for one of the most energy-intensive stages in the production process, consuming a substantial portion of energy. Leveraging the high-frequency and high-efficiency features of our GaN products, we significantly enhanced the efficiency and power density of these power supply modules. Such improvements not only boost the overall productivity of battery production lines, considerably reduce hardware costs, but also significantly reduces electricity consumption.
Battery management systems.	100V/150V bi-directional GaN discrete chips	Battery management systems are essential for the safe operation of energy storage and EVs battery packs, preventing damage and malfunctions while ensuring reliable charging and discharging. They often feature a battery protection unit that isolates the battery when required. GaN discrete chips, due to their lack of body diodes compared with MOSFETs, allow for the replacement of two silicon NMOS transistors in conventional battery protection units with a single V-GaN chip. As a result, our flagship V-GaN chips facilitate cost savings and improve the overall efficiency of the battery management systems by reducing transmission loss by over 45%. In addition, when compared with silicon-based solutions, V-GaN chips can further reduce board area occupied by over 33%, resulting in a cost-efficient system design.

Application Area	Our GaN Products	Characteristics
LED lighting 	650V/700V GaN discrete chips	Amid a global shift to sustainable and eco-friendly practices, the LED lighting industry is witnessing accelerated expansion. LED applications now extend beyond conventional lighting uses to emerging areas such as intelligent lighting and horticultural lighting. Our GaN products enable LED drivers to achieve reduced switching losses and driver sizes, while increasing efficiency and switching frequency, leading to more compact and thinner solutions.
Photovoltaic and energy storage systems 	40V/100V/650V/700V GaN discrete chips GaN single-phase microinverters	Green energy solutions, particularly photovoltaics, are widely adopted to reduce carbon emissions and foster sustainable development. To ensure consistent power supply, these systems must be integrated with energy storage solutions for nighttime use. Our GaN products, characterized by their low static and dynamic losses, low parasitic capacitance, fast switching speed and support for high frequency, significantly improve the efficiency of photovoltaic systems while reducing their costs by shrinking the size of the systems. When applied to photovoltaic microinverters, our GaN products reduce energy transition loss by over 30%, their sizes by over 20%, while reducing product costs. Our GaN products also enable energy storage systems to operate with minimal energy transmission loss and maximize energy conversion efficiency. When applied to bi-directional DC-DC converters for energy storage systems, our GaN products can substantially reduce energy transition loss.
Motor drivers and controls. .	100V GaN discrete chips 500V GaN ICs	Motor drivers and controls are essential power sources for a wide range of applications, including consumer electronics, household appliances, industrial production and robotics. Our GaN solutions enhance these systems by improving their performance, reliability and efficiency, reducing the size and weight of motor drivers and controls and lowering their costs.

Case Study

In response to a strategic customer's demand for higher-performance and energy-efficient lithium-ion battery forming and grading equipment, we developed All-GaN modules for battery forming and grading equipment power supplies. The below set forth the details of this joint development.

- *Application area*: lithium-ion battery forming and grading equipment.

- *Our products*: All-GaN power supply modules for battery forming and grading equipment.

- *Customer requirements and pain points*: in the lithium-ion battery manufacturing process, the use of formation and grading equipment is essential for battery activating and testing. This equipment ranks among the most energy-intensive components of the lithium-ion battery production process. Conventional configurations necessitate large formation and grading units, which, due to their size, cannot be situated in close proximity to the batteries. This necessitates connection through several high-current cables, leading to high costs, low efficiency and considerable energy consumption. With the scaling of the production capacity of our customer, a leading battery manufacturer and technology company, addressing the energy consumption issue of formation and grading equipment became increasingly critical.

- *R&D focus*: leveraging the high-frequency and high-efficiency features of GaN, our R&D efforts centered on innovative solutions poised to improve the efficiency and power density of battery formation and grading power supply modules. Reducing the size of these modules facilitated their proximity to the batteries, enabling a compact and cable-free design.

- *Product features*: our proprietary All-GaN power supply modules for battery formation and grading machines, which adopt both high-voltage and low-voltage GaN discrete chips, feature a compact design that allows for proximity placement to the battery. This advancement facilitates a compact and cable-free design, significantly improving production line efficiency and offering a considerable reduction in electricity consumption.

- *Achievement*: our product significantly enhanced our customer's manufacturing process and boosted their production efficiency by cutting production line construction expenses, improving factory space utilization and reducing operational costs. In addition, our GaN solutions halved energy loss during the battery formation and grading stage, resulting in substantial gains for the customer.

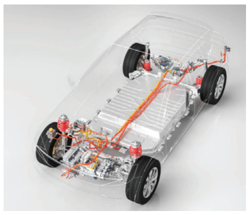
Automotive Electronics

In automotive electronics, our GaN products are mainly applied to 48V power systems and LiDAR systems. In 2021, we received IATF 16949 automotive-grade certification. According to Frost & Sullivan, the global market of GaN power semiconductors for EVs increased from RMB0.4 million in 2019 to RMB69.4 million in 2023, with a CAGR of 266.0%. The market size is expected to further increase from RMB245.9 million in 2024 to RMB24,636.5 million in 2028, with a CAGR of 216.4%, and EVs is expected to be the key driver for this growth.

Key Products

The following table sets forth our key GaN products used in automotive electronics and their respective characteristics.

Application Area	Our GaN Products	Characteristics
LiDAR. . . . . 	80V/100V automotive-grade GaN discrete chips	The incorporation of GaN products into LiDAR systems is becoming increasingly popular, particularly in applications requiring high performance and reliability, including autonomous vehicles, drones and other remote sensing devices. LiDAR systems collect, interpret and analyze information related to object, distance and motion, facilitating efficient and safe automation in various settings, including autonomous driving. Our GaN products can be used in laser drivers in LiDAR systems. Our advanced GaN transistors outperform conventional technology by delivering higher currents and narrower pulse widths, which facilitate extended measurement ranges and superior resolution. In the LiDAR systems for autonomous vehicles, the high power and rapid response offered by GaN products empower the vehicles to detect and identify nearby objects and obstacles instantaneously. This boosts the vehicles' reaction time, facilitating more efficient vehicle safety monitoring and an improved autonomous driving experience.

Application Area	Our GaN Products	Characteristics
EVs power systems 	100V GaN discrete chips	Vehicles today are incorporating an increasing number of interactive features, necessitating a more robust power distribution system. To accommodate this, the automotive industry is shifting to more efficient power systems, which requires the adoption of efficient, compact and lightweight converters. Our GaN products, with their exceptional switching characteristics and high-frequency capabilities, facilitate the development of these smaller, lighter converters while also improving efficiency by minimizing losses associated with inductance.

Key Development Focuses

Aside from the above, we are developing high-voltage GaN products applied in on-board chargers. GaN can enhance the efficiency of on-board chargers through characteristics such as low parasitic capacitance, low power losses, fast switching speed and high switching frequency, at the same time leading to more compact and cost-effective designs. In particular, the adoption of new power supply topologies can bring out the full potential of GaN discrete chips by leveraging their high-frequency characteristics, thus enhancing the power efficiency and cost-effectiveness of on-board chargers.

Data Centers

A data center is a specialized facility that contains computer systems, telecommunications equipment and storage systems, crucial for an organization's IT functions. In today's fast-paced digital world, especially with the rise of large-scale data processing and the global era of high computing power, data centers are vital for ensuring the uninterrupted operation of businesses, acting as the pivotal infrastructure for the digital economy and indispensable for the storage, processing and management of substantial data volumes. According to Frost & Sullivan, the global market of GaN power semiconductors for data centers increased rapidly from RMB8.2 million in 2019 to RMB70.0 million in 2023, with a CAGR of 70.9%, and is expected to further increase from RMB136.2 million in 2024 to RMB1,462.0 million in 2028, with a CAGR of 81.0%.

In a typical data center, power devices (PSU) must facilitate several stages of power conversion. Initially, power devices converts high-voltage alternating current into medium-voltage direct current in data server. Subsequently, power devices converts this medium-voltage direct current into low-voltage direct current to power the GPUs ("multi-stage conversion”). Thus, power devices are crucial for the stable and efficient operation of data centers. Power devices with higher power density can enhance GPU computational efficiency. Additionally, higher conversion efficiency can significantly reduce power consumption of data centers.

Currently, with the rapid increase in demand for GPU computing power, global data centers are facing two major challenges. Firstly, GPUs require power devices of higher power capacity to facilitate massive computations. Secondly, the operation of data centers requires substantial power consumption. In 2023, data centers accounted for approximately 1.4% of global electricity demand, and is expected to rise to 9.4% by 2028, according to Frost & Sullivan. Thus, power utilization efficiency has therefore become a critical issue for data centers.

Our GaN products boost the efficiency and compactness of power devices used for power conversion in data servers and GPUs. Notably, our GaN discrete chips can reduce the size and increase the efficiency of power conversion, leading to a more energy-efficient design. Power devices adopting our GaN discrete chips not only meets the high-power demands of data centers but also significantly enhances power conversion efficiency due to GaN’s low-conduction loss characteristic. In addition, the efficient use of space on the motherboard of data center GPUs is of utmost importance to GPU chip manufacturers. The high-frequency capabilities of GaN products allow for a reduction in component size by eliminating or reducing the size of certain components. Such reduction in size not only provides additional space for computing units on the motherboard but also reduces costs for GPU chip manufacturers.

RESEARCH AND DEVELOPMENT

We are committed to innovation and focus on the R&D of our technology platform and products. Our technology platform undergoes continual iterations and refinement. In general, every new generation of our technology platform leads to improvement of product performance and reduction of production costs each by 30%. Specifically, the iteration of our technology platform drives improvement in critical performance metrics of our products, including on-resistance per unit area, saturation current, dynamic resistance, figures of merit, heat dissipation and power efficiency.

The iteration of our technology platform enables us to improve product reliability and manage cost effectively, as well as to expand the product portfolio and diversify application areas. Leveraging our technology platform, we expanded our portfolio of GaN products to encompass a wide voltage spectrum, continuing to innovate in the development of 900-1,200V high-voltage products and 15-30V low-voltage products. In addition, our products now have advanced from consumer grade to industrial grade and are progressing towards automotive grade, covering a broader range of application areas with higher quality standards.

We invested significant resources into the R&D of our GaN products and technologies. We established our global R&D center in Suzhou, China, positioning it as a leading R&D center for third-generation semiconductor materials and chips. Leveraging our Suzhou R&D center, we actively engage in resolving engineering challenges associated with mass production to bolster the overall competitiveness of our GaN materials and products. Our endeavors in R&D resulted in significant accomplishments, evidenced by a proven history of generating intellectual property and industry expertise. As of the Latest Practicable Date, our R&D efforts had accumulated 406 patents, which consisted of 331 invention patents and 75 utility model patents, and 387 patent applications in the world, covering key areas such as chip design, device structuring, wafer manufacturing, packaging and reliability testing. See "— Intellectual Property."

We are supported by a robust R&D team of 304 dedicated employees as of June 30, 2024, many of whom are semiconductor industry veterans with profound expertise in technology and material innovation. With over 40% of them holding a master's degree or above, members of our R&D team bring an average of more than eight years of experience in the semiconductor industry and nearly three years of tenure with our Company as of the same date. Meanwhile, we deployed R&D resources internationally and established R&D teams in Europe, North America and Asia. Specifically, the European team primarily focuses on device R&D and reliability assessment, including developing device application platforms, conducting robustness characterization tests and evaluating reliability. The North American team specializes in product and driver chip design, undertaking the R&D of high-performance, complex power chips. In Asia, our team is divided into two specialized groups. The team in Korea focuses on driver chip design, similar to their North American counterparts. The Asian team in China is primarily responsible for planning and developing new technology platforms, forming project teams to implement R&D plans, and ensuring timely project completion. This team also establishes R&D standards, optimizes the R&D management system, and organizes project evaluations, initiations, progress coordination and summaries.

In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, we had R&D expenses of RMB661.7 million, RMB581.1 million, RMB348.7 million, RMB167.9 million and RMB145.5 million, respectively. Our R&D expenses as a proportion of operating expenses reached 76.1%, 68.4% and 50.8% in 2021, 2022 and 2023, respectively, all of which are higher than the average of the global GaN power semiconductor industry in 2021, 2022 and 2023, according to Frost & Sullivan. Our R&D expenses decreased consistently during the Track Record Period, primarily due to a reduction in engineering test expenses. Prior to achieving advanced technology for mass production, we conducted extensive testing and validation of GaN products and technologies. By the second quarter of 2022, as our technology advanced, we transitioned into the early stages of mass production to meet market demand for GaN products. This advancement reduced the need for extensive testing and validation, resulting in lower engineering test expenses. Since 2023, as we steadily scaled up mass production, engineering test expenses have continued to decline. In addition, we use our products in the testing and validation. In the six months ended June 30, 2024, the decrease in the production costs for our products also contributed to the decrease in engineering test expenses. According to Frost & Sullivan, this trend in R&D expenses aligns with the performance of other GaN power semiconductor companies in the early stages of their business. Going forward, we expect our R&D expenses (including the engineering test expenses) to continue decreasing, albeit at a slower rate, assuming no significant technological breakthroughs by us or within the power semiconductor industry.

Our Technologies

Our core R&D competencies set us apart in the highly competitive GaN power semiconductor industry, particularly in the field of 8-inch GaN-on-Si wafer technology. These competencies are driven by our focus on innovation, advanced technology platforms, and continuous improvement in both design and production processes. This foundation has enabled us to excel in the mass production of 8-inch GaN wafers, a critical differentiator when compared to our competitors.

We developed a range of technologies based on our 8-inch GaN-on-Si technologies, which primarily include (i) 8-inch GaN-on-Si product design technologies and (ii) 8-inch GaN-on-Si production process technologies. Anchoring our success in our proprietary technologies, we are committed to independent research and development, and we have formed a comprehensive system to protect our IP rights. See "— Intellectual Property."

8-inch GaN-on-Si Product Design Technologies

We refined our GaN product design technologies to enhance performance, reliability and scalability while reducing costs for our products. Figures of merit ("FOMs") are critical performance indicators used to evaluate the overall performance and efficiency of GaN products. GaN discrete chips demonstrate notably better FOMs than traditional silicon discrete chips. Our design enhancements, together with meticulous process control of the 8-inch GaN-on-Si wafers, effectively control fluctuations in process parameters. This advancement successfully reduced capacitance and improved the FOMs, facilitating the large-scale production of high-performance GaN discrete chips with reduced switching and transmission losses.

On-resistance per unit area is another critical performance indicator for GaN products. By minimizing this parameter, we can design more compact chips and increase the number of dies per wafer, substantially reducing production expenses. Our advanced strain enhancement layer technology significantly reduces on-resistance by approximately 66%, as compared with traditional silicon discrete chips, allowing for the production of economical yet high-performance GaN discrete chips.

To enhance the application of GaN discrete chips in specialized sectors, we developed the V-GaN structure. This innovative design outperforms the traditional silicon MOSFETs by markedly lowering the on-resistance and leakage current per unit area. As a result, we achieved a significant 30% reduction in system losses and a 33% increase in area efficiency.

Moreover, our GaN product design technologies enable discrete chips to sustain minimal dynamic on-resistance throughout different temperature and voltage conditions, ensuring consistent on-resistance during power switching operations. Reduced resistance can result in lower losses and device heating, thus increasing the reliability of discrete chips. Our design approach ensures GaN products sustain temperature stability in applications, demonstrating strong reliability.

8-inch GaN-on-Si Production Process Technologies

Our ability to achieve the 8-inch GaN-on-Si production milestone is built upon several core R&D capabilities that form the foundation of our technological advancements. At the heart of our success is a deep expertise in materials science, which enables us to overcome the complex challenges of GaN-on-Si epitaxial growth by controlling material interactions at the atomic level. This is complemented by our precision in process engineering, where we have developed highly tailored manufacturing processes for GaN wafers that seamlessly integrate with existing 8-inch silicon-based production equipment. Our strong cross-disciplinary approach allows us to bring together insights from physics, chemistry and electrical engineering, enabling us to optimize both material properties and device performance. In addition, our deep knowledge of the power and electrical characteristics of semiconductor devices allows us to continually refine the design and architecture of our GaN discrete chips, enhancing their efficiency and yield. During the chip manufacturing process, a data-driven information management system further ensures high wafer-level yields, as we leverage real-time monitoring to fine-tune production and maintain quality. Our expertise in scaling processes from the lab to industrial production, along with strong management practices such as efficient supply chain management and rigorous product reliability and quality control, is essential for transforming innovation into stable, large-scale manufacturing, while ensuring high yield rate. These key capabilities not only enable us to meet the technical challenges of GaN-on-Si production but also position us as a leader in the industry, driving continuous improvement and scalability.

We achieved successful production of tens of thousands of 8-inch GaN-on-Si wafers, ensuring the stable mass production and monthly shipment of both high-voltage and low-voltage discrete chips. The crucial technical challenge in producing GaN-on-Si epitaxial materials is the compatibility between the Si substrates and the GaN material. This incompatibility can cause racking and dislocations in the epitaxial layer, thus compromising chip performance. We refined the GaN-on-Si epitaxial growth process to produce wafers that are consistently uniform, free of cracks and characterized by low dislocation density and minimal defects. In addition, we developed a bespoke 8-inch GaN-on-Si epitaxial buffer technology for both high-voltage and low-voltage discrete chips. This technology allows us to swiftly tailor the epitaxial growth process to cater to unique requirements or applications.

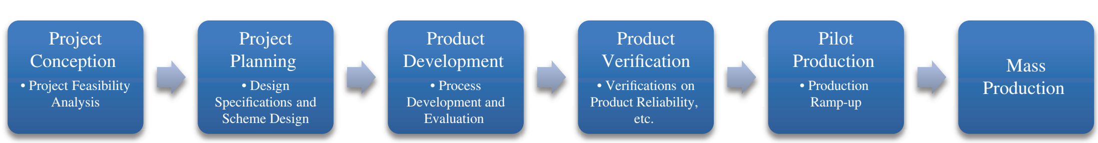
Furthermore, the process flow we engineered is fully compatible with silicon and encompasses a suite of techniques including planarization and etching processes. These production processes seamlessly integrate with our 8-inch GaN-on-Si wafer manufacturing equipment. We keep refining and iterating our production process technologies, leveraging our advanced 8-inch GaN-on-Si production capacities. By optimizing the structure, performance and dimensions of our GaN discrete chips, along with continual improvement in process technologies, we can continue to increase the number of dies per wafer, thus further improving our wafer utilization.

Benefiting from our excellent production process technologies, our wafer-level yield rate surpasses 95%, which showcases our advanced process control and manufacturing excellence.

R&D Process

We develop our technology platforms and products in accordance with an established process and roles and responsibilities. In the project conception phase, we conduct an initial feasibility analysis to comprehensively analyze customer needs, the competitive landscape and key technologies required, which allows us to identify business opportunities and potential economic returns based on industry insights and expertise. Once the project is viable and established, our multi-disciplinary R&D team initiates the project. During the project planning phase, we determine the technology platforms and product specification requirements through close collaboration with the product application department. We then devise a product design scheme and create a project development plan predicated on detailed analysis of device structure, process solutions and packaging, all tailored to meet the product specifications. We conduct process R&D in line with the product design scheme in the product development phase. Upon completion, we proceed to the product verification phase to conduct extensive product performance tests, ensuring product specifications, reliability, robustness and system performance are met. After a thorough technical review, pilot production starts, with close monitoring of the production process and product performance to ensure product reliability, stability and quality. Our production department then proceeds to commence mass production following the successful completion of production ramp-up.

The below chart illustrates the phases of our R&D project development process.



INTELLECTUAL PROPERTY

Our success and competitive advantages depend in part on our ability to develop and protect our core technologies and intellectual property. We own a large portfolio of intellectual property, including patents, registered trademarks, confidential technical information and expertise in the development of GaN technologies in Asia, Europe and the United States.

We rely on a combination of patents, copyrights, trademark law, trade secret protection and confidentiality agreements with customers, suppliers and employees to protect our intellectual property rights. We have also adopted a comprehensive set of internal rules for intellectual property management. These guidelines set out the obligations of our employees and create a reporting mechanism in connection with the protection of our intellectual property. As of the Latest Practicable Date, our R&D efforts had accumulated 406 patents, which consisted of 331 invention patents and 75 utility model patents, and 387 patent applications in the world. Our intellectual property portfolio includes 67 patents for our key technologies used in 8-inch GaN-on-Si products. As of the Latest Practicable Date, we had 45 registered trademarks, 283 registered patents and 14 registered copyrights in the PRC.

The below table sets forth details of our key invention patents as of the Latest Practicable Date.

Patent Name	Registration No.	Intended Use(s)	Functions	Authorization Date	Expiry Date
Semiconductor equipment and its manufacturing methods	CN202180004469.0	8-inch GaN-on-Si wafer fabrication	Reduce HEMT power consumption and leakage current	July 7, 2023	August 11, 2041
Nitride-based bidirectional switching devices and their manufacturing methods	CN202180004407.X	8-inch GaN-on-Si wafer fabrication	Stabilize bidirectional HEMT substrate potential	April 28, 2023	May 25, 2041
Nitride-based bidirectional switching devices and their manufacturing methods	CN202210425771.X	8-inch GaN-on-Si wafer fabrication	Stabilize bidirectional HEMT substrate potential	December 5, 2023	May 25, 2041
Nitride-based bidirectional switching device and manufacturing method thereof	CN202211284000.X	8-inch GaN-on-Si wafer fabrication	Stabilize bidirectional HEMT substrate potential	December 22, 2023	May 25, 2041
Nitride-based bidirectional switching device and manufacturing method thereof	CN202211290381.2	8-inch GaN-on-Si wafer fabrication	Stabilize bidirectional HEMT substrate potential	December 22, 2023	May 25, 2041

Patent Name	Registration No.	Intended Use(s)	Functions	Authorization Date	Expiry Date
Nitride-based bidirectional switching device and manufacturing method thereof . . .	CN202211290384.6	8-inch GaN-on-Si wafer fabrication	Stabilize bidirectional HEMT substrate potential	December 29, 2023	May 25, 2041
Semiconductor device and manufacturing method thereof . . .	CN202180001585.7	8-inch GaN-on-Si wafer fabrication	Avoid damage to the lateral surfaces/sidewalls of the doped nitride semiconductor layer during the ion implantation process	July 8, 2022	April 12, 2041
Semiconductor devices	CN202180001018.1	8-inch GaN-on-Si wafer fabrication	Enhance device performance with multiple field plates located on the gate electrode	August 12, 2022	February 19, 2041
Electronic apparatus and manufacturing method thereof . . .	CN202080003294.7	8-inch GaN-on-Si wafer fabrication	Simplify the fabrication process to reduce manufacturing costs	December 10, 2021	July 8, 2040
Electronic apparatus . .	CN202111365337.9	8-inch GaN-on-Si wafer fabrication	Improve device stability	July 4, 2023	July 8, 2040
Nitride-based bidirectional switching devices and method for manufacturing the same	TW111104140	8-inch GaN-on-Si wafer fabrication	Stabilize bidirectional HEMT substrate potential	November 21, 2023	January 28, 2042
Nitride-based bidirectional switching devices and method for manufacturing the same	TW111104155	8-inch GaN-on-Si wafer fabrication	Stabilize bidirectional HEMT substrate potential	July 21, 2023	January 28, 2042

Patent Name	Registration No.	Intended Use(s)	Functions	Authorization Date	Expiry Date
Nitride-based bidirectional switching devices and method for manufacturing the same	TW111104159	8-inch GaN-on-Si wafer fabrication	Stabilize bidirectional HEMT substrate potential	August 21, 2023	January 28, 2042
Nitride-based bidirectional switching devices and method for manufacturing the same	TW111104170	8-inch GaN-on-Si wafer fabrication	Stabilize bidirectional HEMT substrate potential	July 21, 2023	January 28, 2042
Nitride-based bidirectional switching device and method for manufacturing the same	TW111101875	8-inch GaN-on-Si wafer fabrication	Enhance device voltage resistance and reliability	August 21, 2023	January 17, 2042
Clamping circuit integrated on gallium nitride semiconductor device and related semiconductor device	US12027514B2	GaN-on-Si device	Integrate clamping circuit including substrate into the device and realize the integration of the functions of gallium nitride chips	July 2, 2024	April 28, 2040
Semiconductor device and preparation method thereof . . .	CN118099205B	8-inch GaN-on-Si wafer fabrication	Improve the voltage resistance and reliability of the gate in the semiconductor device	August 13, 2024	April 9, 2044
Nitride-based semiconductor bidirectional switching device and method for manufacturing the same	US12087763B2	8-inch GaN-on-Si wafer fabrication	A nitride-based bidirectional switching device with substrate potential management capability	September 10, 2024	May 25, 2041

Patent Name	Registration No.	Intended Use(s)	Functions	Authorization Date	Expiry Date
Semiconductor device and method for manufacturing the same	US12125902B2	8-inch GaN-on-Si wafer fabrication	A new semiconductor device that includes substrate, nucleation layer, buffer layer, nitride-based semiconductor layers, S/D electrodes and gate electrode	October 22, 2024	September 21, 2041
Gallium nitride semiconductor device	CN112259606B	GaN-on-Si device	A new gallium nitride semiconductor device with excellent internal temperature distribution performance	November 1, 2024	November 2, 2040

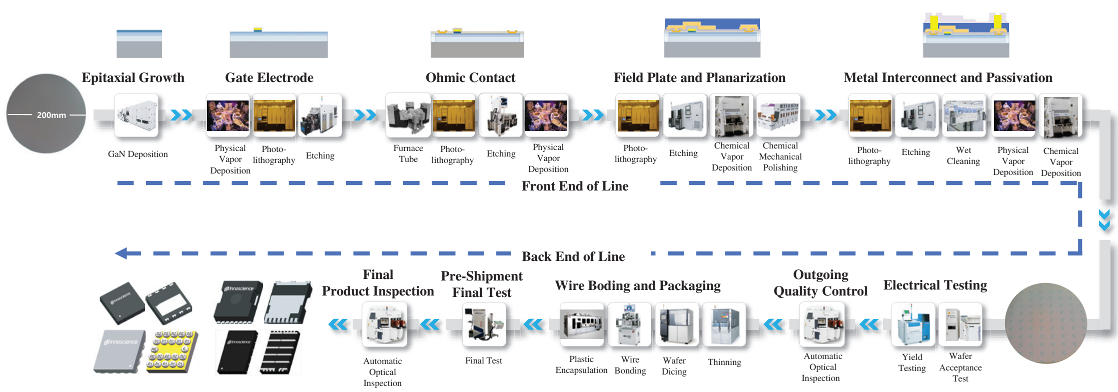
There can be no assurance that our intellectual property protection efforts will be successful. Even if our efforts are successful, we may incur significant costs in defending our rights. From time to time, third parties may initiate litigation against us alleging infringement of their proprietary rights or declaring their non-infringement of our intellectual property rights. See "Risk Factors — Risks Relating to Our Industry and Business — Our business depends on our ability to protect our intellectual property rights, and we may be subject to intellectual property infringement and other claims by third parties in the PRC or other jurisdictions, which, if successful, could cause us to pay significant damages and incur other costs."

PRODUCTION

We adopt an IDM integrated vertical operation model that spans chip design, device structuring, wafer manufacturing, packaging and reliability testing. This integrated approach enables us to exert effective control over the entire production process. By applying our core technologies at each stage of manufacturing and processing, we are able to perform prompt optimization and enhancement across all technical aspects. As a result, our production model facilitates high yield rates of our GaN products.

Production Process

We are committed to the continual development of production process techniques to enhance manufacturing and production management capabilities. The process of growing GaN layers on a silicon wafer, known as epitaxial growth, involves depositing a thin layer of GaN onto a silicon substrate using MOCVD. This technique introduces gaseous precursors, such as gallium and nitrogen, into a reaction chamber where they form a crystalline GaN layer on the silicon wafer at high temperatures. Due to the lattice mismatch between GaN and silicon, a buffer layer is applied to reduce stress and prevent defects like cracks and dislocations. By carefully controlling temperature, pressure and gas flow, we ensure the epitaxial layer has uniform thickness, high crystal quality, and smooth surfaces. The diagram below illustrates key steps of the production process of our GaN products.



Our production process can be divided into two major processing stages, namely front-end-of-line processing and back-end-of-line processing. Set forth below are details and explanations of key steps of each processing stage:

Front-End-of-Line Processing

- *GaN-on-Si epitaxial growth*. GaN-on-Si epitaxial growth is key to our wafer production. Epitaxy is the process of depositing a thin film of one material onto a substrate of another material in a way that the crystal structure of the film seamlessly matches that of the substrate. This process is essential in the development of semiconductor devices, as it allows for the creation of high-quality films that are essential for the functioning of these devices. We use silicon substrates as the base for the epitaxial growth of GaN thin films. Our operations are supported by industry-leading MOCVD equipment and underpinned by our proprietary process technologies and know-how, allowing us to deliver epitaxial layers that are distinguished by their high quality, high precision, fast growth rates and cost-efficiency.

- *Gate electrode formation*. Following the growth of epitaxial layers, gate electrodes are formed to regulate the electron flow within the transistor, ensuring precise control of its electrical properties. Gate electrode formation is a critical step that involves several key techniques, including physical vapor deposition ("PVD"), photolithography and etching. PVD serves to deposit thin films onto GaN that can affect the gate electrode. Photolithography is the process of transferring the pattern of the gate electrode to photoresists using photomasks. The final gate electrode pattern is defined using the etching process.

- *Ohmic contact formation*. Ohmic contact formation provides the electrical connection from the external circuit to the transistor's source and drain, which is a critical process that helps to ensure the efficient operation of our GaN chips. After the photolithography and etching processes define the area and position of the ohmic contact, the semiconductor material is heated to high temperatures in a furnace tube to facilitate various reactions. Through the complex PVD process, a thin metal film of key proportions is deposited, ultimately forming low-resistance ohmic contact.

- *Field plate formation and planarization*. Field plate structure increases breakdown voltage and protects the gate electrode, which improves the electrical performance and reliability of the chips. During the process, a thin isolation film of critical thickness needs to be deposited on the epitaxial layer through chemical vapor deposition ("CVD"), followed by the deposition of a thin film for field plate applications through PVD. Through photolithography and etching, the critical dimensions and positions of the field plate are defined, ultimately forming the critical field plate design. The planarization process, typically achieved through Chemical Mechanical Polishing ("CMP"), provides an ultra-smooth and flat surface that is critical for subsequent process steps and the improvement of the overall performance of GaN chips.

- *Metal interconnect and passivation*. The metal interconnect and passivation process achieve circuit connections and protection of the device. The metal interconnects are based on semiconductor circuit design and are realized through repeated PVD, photolithography and etching. The connections are made to allow electric current to be transmitted through the circuits. After the etching process, a wet cleaning process is performed to ensure the removal of by-products and residues. In the meantime, a passivation layer is deposited on the metal surface through CVD, forming a barrier to prevent corrosion.

Back-End-of-Line Processing

- *Electrical testing*. The electrical properties of our GaN discrete chips undergo wafer acceptance testing and yield testing to ensure their performance and reliability. Leveraging our advanced laboratory analysis equipment, established analytical technology and an experienced GaN analysis team, we are able to identify and resolve the causes of electrical abnormalities that occur in the production lines in a timely manner to ensure stability of mass production.

- *Wire bonding and packaging*. Wire bonding and packaging facilitate the connection of the chip to the package using thin wires, and then encapsulating the chip in a protective casing. This process ensures the chip's physical and electrical connection to the device and functioning under different environmental conditions.

- *Quality control measures before shipment*. Upon completion of packaging, we conduct comprehensive pre-shipment tests, including final electrical testing and optical defect detection on the products, to ensure they meet customers' requirements and uphold the high quality standards of our GaN products.

Production Equipment and Machinery

Our advanced manufacturing facilities are essential for enhancing product quality and cost competitiveness. Most of our machines and equipment are highly automated, which allows us to enhance manufacturing efficiency and reduce labor costs. We design, customize and integrate a variety of advanced techniques into our production processes. Our critical production equipment is all mainstream semiconductor equipment, including MOCVD epitaxial growth equipment for GaN, thin-film deposition equipment, lithography machines that transfer intricate patterns onto wafers, etching equipment that forms circuit patterns, ion implanters that define device work areas and the CMP equipment used to smooth and polish the surface of wafers.

As of December 31, 2021, 2022, 2023 and the six months ended June 30, 2024, we had 54, 34, 13 and three equipment suppliers, respectively. The decrease in the number of equipment suppliers during the Track Record Period was primarily due to the gradual reduction in equipment procurement following the completion of our production bases' construction.

Production Bases

As of the Latest Practicable Date, we had two production bases, namely, the Suzhou production base and the Zhuhai production base. The table below sets forth details of our production bases as of June 30, 2024.

Production Bases	Location	Gross Floor Area	Primary Products
		(sq.m.)	
Suzhou production base . . .	Suzhou	162,552.49	8-inch GaN-on-Si wafers
Zhuhai production base . . .	Zhuhai	30,173.24	8-inch GaN-on-Si wafers

Set forth below are the production capacity, production volume and utilization rates of our production bases for the periods indicated.

	Year Ended December 31,									Six months ended June 30,					
	2021			2022			2023			2023			2024		
	Production Capacity	Production Volume	Utilization Rate (%)	Production Capacity	Production Volume	Utilization Rate (%)	Production Capacity	Production Volume	Utilization Rate (%)	Production Capacity	Production Volume	Utilization Rate (%)	Production Capacity	Production Volume	Utilization Rate (%)
								(pieces of wafers)							
Suzhou production base	18,000	16,563	92.0	36,000	28,726	79.8	48,000	41,297	86.0	22,000	19,516	88.7	49,000	35,194	71.8
Zhuhai production base	30,200	18,302	60.6	37,700	22,680	60.2	44,700	25,262	56.5	22,200	10,072	45.4	24,000	17,953	74.8
Total	**48,200**	**34,865**	**72.3**	**73,700**	**51,406**	**69.8**	**92,700**	**66,559**	**71.8**	**44,200**	**29,588**	**66.9**	**73,000**	**53,147**	**72.8**

Notes:

(1) The production capacity for each period is calculated based on the hourly capacity and working hours.

(2) The production volume refers to equivalent wafer output for the relevant period. Equivalent wafer output is calculated based on total moves, average moves per wafer and yield rate.

(3) The utilization rate during the year or period is calculated by dividing production volume by the production capacity for the same period.

(4) The production capacity of our Suzhou production base increased from 18,000 pieces in 2021 to 36,000 pieces in 2022 and further to 48,000 in 2023, which was in line with our production capacity planning following the establishment of Suzhou production base in 2020. The utilization rate of the Suzhou production base decreased from 92.0% in 2021 to 79.8% in 2022 primarily due to the significant increase in the production capacity in 2022 and increased to 86.0% in 2023 primarily due to the increased demand of our GaN wafer products. The utilization rate of the Suzhou production base then decreased from 88.7% in the six months ended June 30, 2023 to 71.8% in the six months ended June 30, 2024, primarily due to the significant expansion of our production capacity to 49,000 pieces in the six months ended June 30, 2024 to meet rising customer demand.

(5) The production capacity of our Zhuhai production base increased from 30,200 pieces in 2021 to 37,700 pieces in 2022, and further to 44,700 pieces in 2023, primarily due to the gradual optimization of our production process. The utilization rate of the Zhuhai production base remained relatively stable at 60.6% in 2021 and 60.2% in 2022. The utilization rate slightly decreased to 56.5% in 2023 primarily due to the enhanced production capacity at the Suzhou production base, as it gradually undertakes the production of most of our low-voltage GaN-on-Si wafers. The utilization rate of the Zhuhai production base then increased from 45.4% in the six months ended June 30, 2023 to 74.8% in the six months ended June 30, 2024, primarily due to the increased demand of our GaN wafer products.

We have implemented proactive measures, such as securing necessary road permits and maintaining a reserve of critical raw materials, to ensure uninterrupted operations during the COVID-19 pandemic. In compliance with the domestic pandemic policies and benefited from our highly automated production equipment, our production activities and supply chain were not materially affected by the COVID-19 pandemic during the Track Record Period. Our production volume sustained steady growth from 34,865 pieces in 2021 to 51,406 pieces in 2022 and further to 66,559 pieces in 2023, which also increased from 29,588 pieces in the six months ended June 30, 2023 to 53,147 pieces in the six months ended June 30, 2024. Based on the foregoing, our Directors are of the view that our operations or financial conditions were not materially and adversely affected by the COVID-19 pandemic during the Track Record Period and up to the Latest Practicable Date.

Maintenance

We conduct careful and timely maintenance of our production facilities and equipment. Each piece of our major production equipment or power machinery undergoes regular servicing and maintenance, adhering to predefined schedules. We have established and will continually update internal procedures tailored to the unique characteristics and requirements of each piece of production equipment or power machinery. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material or prolonged suspensions of operations due to equipment, machinery or other mechanical failures.

SALES AND MARKETING

During the Track Record Period, our products were primarily sold in the PRC. As we started to expand overseas, our revenue from sales to customers outside mainland of the PRC amounted to RMB58.0 million and RMB40.4 million in 2023 and the six months ended June 30, 2024, respectively, accounting for 9.8% and 10.5% of our total revenue for the respective periods.

The table below sets forth the breakdown of our revenue by geographic region, based on the locations of our customers, for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
							(unaudited)			
Mainland China	68,034	99.7	130,028	95.5	534,764	90.2	299,019	97.0	345,454	89.5
South Korea	–	–	4,638	3.4	8,360	1.4	4,080	1.3	27,603	7.2
Europe	145	0.2	122	0.1	19,251	3.2	2,106	0.7	2,504	0.6
United States	–	–	152	0.1	3,067	0.5	255	0.1	5,639	1.5
Hong Kong, China	–	–	10	0.0	514	0.1	513	0.2	4,010	1.0
Taiwan, China	36	0.1	1,200	0.9	26,434	4.5	2,014	0.7	452	0.1
Japan	–	–	34	0.0	327	0.1	126	0.0	150	0.0
Total	**68,215**	**100.0**	**136,174**	**100.0**	**592,717**	**100.0**	**308,113**	**100.0**	**385,811**	**100.0**

Sales Channels

We have an experienced and highly trained sales and marketing team, consisting of 65 personnel as of June 30, 2024, who proactively identify market opportunities and design sales strategies. Our products are sold through both direct sales and distribution. The table below sets out a breakdown of our revenue in both absolute amount and percentage of our total revenue by sales channel for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
							(unaudited)			
Direct sales	43,900	64.4	50,511	37.1	416,601	70.3	246,960	80.2	257,675	66.8
Distribution	24,315	35.6	85,663	62.9	176,116	29.7	61,153	19.8	128,136	33.2
Total	**68,215**	**100.0**	**136,174**	**100.0**	**592,717**	**100.0**	**308,113**	**100.0**	**385,811**	**100.0**

We primarily sell GaN wafers, modules and some of our discrete chips to direct sales customers, and sell the majority of GaN discrete chips and GaN ICs to distributors. The movements in revenue from direct sales and sales to distributors, as well as the proportion of such revenue to total revenue in 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, are generally in line with the movements in revenue from the respective GaN products sold through the respective channels in these respective years. In 2022, revenue from sales to distributors increased to RMB85.7 million from RMB24.3 million in 2021, which, as a percentage of total revenue, increased to 62.9% in 2022 from 35.6% in 2021, surpassing the increase in revenue from direct sales from 2021 to 2022, primarily due to the increase in sales of GaN discrete chips to distributors, driven by the increased demand for fast-charging products in the consumer electronics market. As a result, revenue from direct sales as a percentage of total revenue decreased from 64.4% in 2021 to 37.1% in 2022, as revenue from sales of GaN wafers as a percentage of our total revenue decreased due to the predominant market demand for our discrete chip products. In 2023, we achieved significant increase in revenue from both direct sales and sales to distributors. In particular, revenue from direct sales increased from RMB50.5 million in 2022 to RMB416.6 million in 2023, which, as a percentage of total revenue, increased from 37.1% in 2022 to 70.3% in 2023, surpassing the increase in revenue from sales to distributors, primarily because (i) our revenue from sales of GaN wafer increased substantially from RMB50.0 million in 2022 to RMB208.7 million in 2023 due to growing demand, especially for our low-power GaN wafers, as we gained strengthened brand recognition and expanded market share, attributable to the successful collaboration with lighthouse customers; and (ii) we began to generate revenue from sales of GaN modules in addition to the increased revenue from sales of GaN wafer. Revenue from sales to distributors increased from RMB61.2 million in six months ended June 30, 2023 to RMB128.1 million in six months ended June 30, 2024, which as a percentage of total revenue increased from 19.8% in six months ended June 30, 2023 to 33.2% in six months ended June 30, 2024, primarily due to the continued market penetration of GaN discrete chip products, and our capturing of market opportunities in application scenarios with expanded demand. In addition, demand for our discrete chip products has been rapidly increasing in overseas markets. Furthermore, since we continued with product innovation and started to generate revenue from GaN IC products in the second half of 2023, our revenue from GaN IC products in the six months ended June 30, 2024 also contributed to the revenue increase from sales to distributors.

Direct Sales

As of December 31, 2021, 2022, 2023 and June 30, 2024, we had 14, 32, 46 and 37 direct sales customers, respectively, many of whom were semiconductor companies who then fabricate wafers into chips and provide to their customers, or reputable companies in our downstream application areas. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, revenue from direct sales amounted to RMB43.9 million, RMB50.5 million, RMB416.6 million, RMB247.0 million and RMB257.7 million, respectively, representing 64.4%, 37.1%, 70.3%, 80.2% and 66.8% of the total revenue for the respective periods. In 2021, 2022, 2023 and the six months ended June 30, 2024, we engaged 12, 21, 22 and eight new direct sales customers, respectively. Revenue from these new direct sales customers amounted to RMB41.7 million, RMB6.6 million, RMB218.3 million and RMB10.1 million in 2021, 2022, 2023 and the six months ended June 30, 2024, respectively. We adopt direct sales for our GaN wafers, modules and some of our discrete chips in light of the relatively concentrated customer base for these products. We typically reach our direct sales customers through marketing activities such as exhibitions, forums and seminars. The adoption of direct sales enables us to precisely understand and respond to customer requirements, allowing us to offer tailored products and services that meet our customers' specific needs. We acquire direct sales customers primarily by capitalizing on our robust brand reputation and substantial industry influence established through long-term, comprehensive and in-depth collaboration with top-tier companies across diverse application areas, together with other marketing activities.

The salient terms of our standard direct sales agreements during the Track Record Period are set out below:

- *Duration.* The duration of the direct sales agreements with our direct sales customers is typically three years.

- *Pricing policy.* We sell our products to direct sales customers at mutually agreed price levels.

- *Payment and credit term.* The payment is due when customers confirm acceptance of our products. We generally grant a credit period to our direct sales customers of approximately 30 days to 90 days from the date of billing.

- *Logistics.* We are responsible for delivering our products to locations designated by our direct sales customers.

- *Transfer of risks*. The risks transfer to direct sales customers after they confirm receipt of our products.

- *Return arrangements.* We typically do not allow our direct sales customers to return products to us except for limited reasons, such as product design defects or quality issues.

- *Termination.* Our direct sales customers are typically entitled to terminate the agreement with three months' prior written notice.

Distribution

We generally sell our GaN discrete chips through distributorship due to their wide range of applications and the diverse industries in which our end customers operate. This approach allows us to streamline our administration and logistics, efficiently managing the large number of end customers across various industries. The distributorship also facilitates rapid establishment of regional sales networks, thereby enhancing our market penetration swiftly. The distributors are not exclusively engaged to distribute our products. As of December 31, 2021, 2022, 2023 and June 30, 2024, we had 19, 29, 36 and 37 distributors, respectively. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, revenue from our distributors amounted to RMB24.3 million, RMB85.7 million, RMB176.1 million, RMB61.2 million and RMB128.1 million, respectively, representing 35.6%, 62.9%, 29.7%, 19.8% and 33.2% of the total revenue for the respective periods. In 2021, 2022, 2023 and the six months ended June 30, 2024, we engaged 12, 14, 12 and seven new distributors, respectively. Revenue from these new distributors amounted to RMB11.2 million, RMB19.1 million, RMB21.6 million and RMB6.0 million in 2021, 2022, 2023 and the six months ended June 30, 2024, respectively. During the Track Record Period and up to the Latest Practicable Date, we have no material unresolved disputes or lawsuits with our distributors.

We select the distributors for the sales of our GaN discrete chips based on a number of criteria, including, among others, their knowledge of GaN products, experience and resources, relationships with semiconductor companies, technical capabilities and financial condition. We manage these distributors and determine whether to continue our contractual relationships with them based on their performance, and then enter into distribution agreements with them. They directly purchase products from us with no commission arrangement and are our customers, on-selling our products to companies in consumer electronics, renewable energy, automotive electronics and data center businesses. The distributors purchase GaN discrete chips from us and maintain their own inventories.

We control channel stuffing risks through our internal management policies for distributors and measures including keeping track of the information of end customers and monitoring monthly shipments of distributors. Upon placing orders, our distributors are required to record the end customer information in the CRM system, including sales information, projects and shipping addresses of end customers. We require our distributors to upload proof of product shipment to their customers via the CRM system, enabling us to track actual sales and logistics of products sold by distributors and thereby mitigating risks associated with channel stuffing. We can monitor our products' usage utilizing information and feedback provided by our distributors on regular basis and adjust our supply to prevent channel stuffing accordingly. Our CRM system also helps us to prevent cannibalization among distributors, where we can track each series of our products through the information stored on our CRM system. We prohibit any distributor from approaching our direct sales customers and end customers registered with other distributor(s) by restricting their order applications for such customers in the CRM system. We generally do not allow product returns for reasons other than product quality issues. We also generally do not buy back our products except in limited circumstances such as bankruptcies or liquidations of the distributors' businesses, or termination of distribution agreements with the distributors.

We require a comprehensive evaluation on our distributors semiannually, assessing a range of criteria including sales performance, inventory, project acquisition, technical support, key customer assistance, payment, operational efficiency and compliance status, among others. To prevent kickbacks or bribery to distributors, we formulated the Employee Business Conduct Manual to regulate employee interactions with customers and distributors, provide comprehensive training and review expense reimbursements. In addition, we incorporate anti-commercial bribery clauses in our distribution agreements, ensuring that distributors are informed of our anti-corruption policies and practices. We also require their compliance with these policies as part of our semiannual evaluation process, reinforcing our commitment to ethical business conduct throughout our distribution network. We manage our distributors in similar manner as we manage our in-house sales team, ensuring consistent governance throughout our sales operation. We set annual sales targets for our distributors and follow up on their sales performance monthly. In addition, we generally provide recommended price range as well as support on sales and marketing to our distributors. Distributors are typically required to ensure that any quotations provided to end customers strictly adhere to the price ranges stipulated by us. Should we discover any prohibited behavior by our distributors, we will impose punitive measures, or, in severe instances, terminate the distributorship.

The salient terms of our standard distribution agreements with distributors during the Track Record Period are set forth below:

- *Duration.* The duration of the distribution agreements is typically two years.

- *Payment, credit limit and term.* We determine credit limits and terms based on the creditworthiness of the distributors. In terms of payment, we generally grant a credit period to our distributors of approximately 30 days from the date of billing.

- *Pricing.* We provide a price range for our distributors' reference, and the price range is subject to market conditions.

- *Sub-distribution.* Distributors are not allowed to sub-distribute without our prior written consent. We did not consent to any engagement of sub-distributors by our distributors during the Track Record Period.

- *Warranty.* We generally provide a one-year warranty period for the products delivered to our distributors. We are liable for damages caused by quality issues during the warranty period.

- *Product returns*. Unless otherwise agreed, we do not accept product returns for non-quality reasons.

- *Prohibition on goods-fleeing*. Distributors are authorized to sell our products within a designated region.

- *Termination.* Both parties are entitled to terminate the agreement with 90 days' prior written notice.

The below table sets forth the movement of our distributors by geographic region during the Track Record Period.

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
Number of distributors at the beginning of the period				
Mainland China	8	19	22	23
Overseas	–	–	7	13
Number of new distributors for the period				
Mainland China	12	7	5	4
Overseas	–	7	7	3
Number of terminated distributors for the period				
Mainland China	1	4	4	4
Overseas	–	–	1	2
Net increase (or decrease) in number of distributors for the period				
Mainland China	11	3	1	–
Overseas	–	7	6	1
Number of distributors at the end of the period				
Mainland China	19	22	23	23
Overseas	–	7	13	14
Total	**19**	**29**	**36**	**37**

Note:

(1) Overseas mainly includes Asia and Europe.

During the Track Record Period, we strengthened our distributor network to facilitate the sales of our GaN products as our business expanded. In 2021, 2022, 2023 and the six months ended June 30, 2024, we engaged 12, 14, 12 and seven new distributors respectively. We stringently review our business relationship with distributors through periodic assessment. In 2021, 2022, 2023 and the six months ended June 30, 2024, we terminated business relationship with one, four, five and six distributors, respectively, primarily due to their unsatisfactory sales performance which failed to meet the criteria of our evaluation.

To the best of our knowledge, all of our distributors are Independent Third Parties. The distributors are not connected to any of the Company, its subsidiaries, their shareholders, directors, senior management or any of their respective associates. To our best knowledge, besides the ordinary course distribution arrangement with us, there is no other relationship between the distributors and each of our Company, our subsidiaries, our shareholders, directors or senior management or any of their respective associates. Our distributors place orders with us when and to the extent they deem appropriate. In general, our relationships with distributors have remained stable.

Marketing

We established robust brand reputation and substantial industry influence through sustained, comprehensive and in-depth collaboration with top-tier companies across diverse application areas. We adopt tailored strategies for customers in different industries and devote significant resources to business development in emerging applications. In emerging applications such as data centers and renewable energy, we collaborate across departments to ensure customers fully appreciate the advantages of GaN products. By focusing on lighthouse customers, we can navigate the early stages of GaN product penetration together with the top companies with abundant industry know-how, thus building a strong foundation for rapid expansion. As part of this collaborative strategy, for example, we supplied a leading battery manufacturer and technology company with customized power modules that significantly outperform their previous systems. See "— Our Products and Solutions — Renewable Energy and Industrial Applications — Case Study." The performance of our customized solutions bolstered customer confidence and encouraged wider adoption of our GaN products.

In addition, we have adopted a comprehensive customer strategy that covers the entire process from customer acquisition to product delivery, which has further strengthened our industry influence and reputation. We maintain close contact with customers to gain a deep understanding of their needs and the current landscape of competing products. Leveraging our thorough understanding of international market dynamics and customer needs, we are able to better position our products, engage in strategic collaborations with our customers to co-develop new products, promptly address any technical issues during production and provide satisfactory after-sales services.

We take a customer-centric marketing approach to build and expand our business relationships. We collect feedback directly from customers and partners to garner insights that help drive our business and operations forward. We formulate targeted marketing strategies, organize online and offline marketing activities such as exhibitions, forums and online technical seminars to meet our business promotion needs and enhance our brand awareness. As we continue to expand domestically and globally, we will continue to optimize our sales and marketing network to ensure that we have sufficient geographic coverage across both existing and new markets.

Customers

We provide our products to customers from various industries including consumer electronics, renewable energy and industrial applications, automotive electronics and data centers. We also provide GaN wafers to semiconductor companies who then fabricate wafers into chips and provide to their customers. In 2021, 2022, 2023 and the six months ended June 30, 2024, we had 11, 28, 35 and 26 customers who are semiconductor companies, respectively, among which, 11, 18, 14 and three were new customers engaged in the respective periods. In 2023, we provided our GaN products to approximately one hundred customers in China and overseas, primarily including Asia and Europe. In 2021, 2022, 2023 and the six months ended June 30, 2024, the conversion rate of new customers to existing customers was 75.0%, 83.3%, 71.4% and 67.6%, respectively. In 2022, 2023 and the six months ended June 30, 2024, the same customer growth averaged 78.9%, 170.2% and 13.8%, respectively. Our same customer growth rate increased to 170.2% in 2023, primarily driven by the commencement of mass production in 2022, which attracted a substantial volume of orders that subsequently converted into revenue in 2023. Our same customer growth declined in the six months ended June 30, 2024, primarily due to (i) the stabilization of mass production, which initially spurred significant sales growth but has not transitioned into a more stable phase, leading to a natural deceleration in same customer growth in the six months ended June 30, 2024; and (ii) a decrease in revenue contribution from certain major customer affected by their product launch schedules, which, in comparison with our revenue growth of 25.2% from the six months ended June 30, 2023 to the same period in 2024, indicates our reduced reliance on certain major customers, which we believe would contribute to our overall sustained business growth.

Our customers in the consumer electronics industry primarily consist of leading semiconductor module and component manufacturers. These customers primarily offer IC production and technical services, alongside microelectronic solutions tailored for a diverse array of electronic devices. Their products are then sold to major consumer electronic brands. Our GaN products are widely applied to smart devices, domestic appliances and mobile charging solutions. In 2021, 2022, 2023 and the six months ended June 30, 2024, we had 20, 20, 23 and 24 customers (including direct sales customers and distributors) in the consumer electronics industry, respectively, among which, 13, six, six and six were new customers engaged in the respective periods. Our results of operations are affected by seasonal fluctuations in demand for our products to be used in consumer electronics, as impacted by market trends of the consumer electronics industry. See "Financial Information — Key Factors Affecting Our Results of Operations — Seasonality."

Our customers in the renewable energy and industrial applications industry primarily consist of leading battery manufacturer and technology companies engaged in the development, production and sales of lithium-ion batteries and energy storage systems. Our GaN products are primarily applied to energy storage solutions and the manufacture of semiconductor equipment and automation equipment. In 2021, 2022, 2023 and the six months ended June 30, 2024, we had nil, eight, 18 and 18 customers (including direct sales customers and distributors) in the renewable energy and industrial applications industry, respectively, among which, nil, eight, 12 and four were new customers engaged in the respective periods.

Our customers in the automotive electronics industry primarily consist of Tier-1 suppliers of automotive OEMs. Our GaN products are primarily adopted by the LiDAR systems of autonomous vehicles. In 2021, 2022, 2023 and the six months ended June 30, 2024, we had two, four, five and four customers (including direct sales customers and distributors) in the automotive electronics industry, respectively, among which, nil, two, two and one were new customers engaged in the respective periods.

Our customers in the data center industry are generally engaged in data center power supplies. Our GaN products are primarily applied to power supply systems for data centers. In 2021, 2022, 2023 and the six months ended June 30, 2024, we had nil, one, one and two customers (including direct sales customers and distributors) in the data center industry, respectively, among which, nil, one, nil and one were new customers engaged in the respective periods.

Our design-wins with such customers are a huge part of our success. We intend to further strengthen existing customer relationships and pursue new relationships to expand our customer base as we continue to explore the potential of GaN products across novel application areas.

Major Customers

Revenue generated from each of our largest customer for the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024 accounted for 32.7%, 10.2%, 32.1% and 27.1% of our total revenue for the respective periods. Revenue generated from our five largest customers in each period during the Track Record Period accounted for 63.5%, 39.7%, 56.3% and 49.1% of our total revenue for the respective periods.

The following tables set forth details of our five largest customers in each year/period during the Track Record Period:

Year ended December 31, 2021

No.	Customer	Background	Products sold	Revenue	% of total revenue	Year of commencement of business relationship with us
				(RMB in thousand)		
1. .	Customer A	Founded in 2009 and registered in Anhui, Customer A primarily engages in the design, production, manufacturing and sales of high-frequency and high-efficiency green power ICs and high-power power ICs.	Wafers	22,323	32.7	2020
2. .	Customer B	Founded in 2013, registered in Zhejiang and listed on the SSE STAR Market, Customer B is mainly engaged in analog integrated circuit design.	Wafers	9,571	14.0	2021
3. .	Customer C	Founded in 2015, registered in Shanghai and listed on the SSE STAR Market, Customer C is a manufacturer of charging management and battery management solutions for consumer electronics, automotive electronics and industrial control systems.	Wafers	4,731	6.9	2021
4. .	Customer D	Founded in 2005 and registered in Shenzhen, Customer D primarily engages in the R&D of power technology and the provision of power solutions.	Discrete chips	4,265	6.3	2021
5. .	Customer E	Founded in 2012 and registered in Shenzhen, Customer E primarily engages in the design of chip application solutions for consumer electronics, industrial power supplies and domestic appliances.	Discrete chips	2,447	3.6	2020

Year ended December 31, 2022

No.	Customer	Background	Products sold	Revenue	% of total revenue	Year of commencement of business relationship with us
				(RMB in thousand)		
1. .	Customer F	Founded in 2018 and registered in Shenzhen, Customer F primarily engages in the provision of electronic solutions.	Discrete chips	13,947	10.2	2020
2. .	Customer A	Please see above.	Wafers	11,011	8.1	2020
3. .	Customer C	Please see above.	Wafers	10,842	8.0	2021
4. .	Customer B	Please see above.	Wafers	10,007	7.3	2021
5. .	Customer E	Please see above.	Discrete chips	8,322	6.1	2020

Year ended December 31, 2023

No.	Customer	Background	Products sold	Revenue	% of total revenue	Year of commencement of business relationship with us
				(RMB in thousand)		
1. .	Customer G	Founded in 2011, registered in Fujian and listed on the SZSE ChiNext Market, Customer G is a leading battery manufacturer specialized in the R&D, production and sales of EVs power battery systems and energy storage systems.	Modules	189,998	32.1	2022
2. .	Customer B	Please see above.	Wafers	39,223	6.6	2021
3. .	Customer C	Please see above.	Wafers	38,578	6.5	2021
4. .	Customer H	Founded in 1993 and registered in Taiwan, Customer H is a professional IC distributor that offers turnkey reference solutions and supports customized applications.	Discrete chips	34,594	5.8	2022
5. .	Customer I	Founded in 2004 and registered in Shanghai, Customer I primarily engages in analog and mixed-signal IC design.	Wafers	31,460	5.3	2021

Six months ended June 30, 2024

No.	Customer	Background	Products sold	Revenue	% of total revenue	Year of commencement of business relationship with us
				(RMB in thousand)		
1 .	Customer G	Please see above.	Modules	104,413	27.1	2022
2 .	Customer B	Please see above.	Wafers	24,380	6.3	2021
3 .	Customer A	Please see above.	Wafers	21,697	5.6	2020
4 .	Customer C	Please see above.	Wafers	21,318	5.5	2021
5 .	Customer J	Founded in 2021 and registered in Guangdong, Customer J primarily engages in software development and provision of information technology services.	Discrete chips	17,557	4.6	2022

As of the Latest Practicable Date, none of our Directors, their respective close associates or any of our shareholders (who owned or to the knowledge of Directors had owned more than 5% of our issued share capital) had any interest in any of our five largest customers.

Pricing

We price our products based on a variety of factors, including: (i) the costs of relevant products, which encompass production, R&D expenses and operational costs, and may vary depending on the type of products (ii) customer demand, and (iii) the competitive landscape, which takes into account our strengths and weaknesses relative to our competitors, their pricing strategies and our customers' cost sensitivity. Once we set the base prices according to these factors, we adjust the pricing on a case-by-case basis in consideration of specific requirements of our customers. We adopt a volume-based pricing structure to encourage customers to order more units at once, and thereby increase our sales volume and potentially dilute production costs. This also incentivizes customers to form long-term partnerships with us, thereby resulting in more stable revenue streams.

PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

Raw Materials and Procurement

We procure from suppliers a variety of materials necessary for the manufacturing of our GaN products, including monocrystalline silicon substrates, trimethylgallium, photoresists, cleaning fluids, sputtering targets and special gases. In order to maintain the stability of our supply chain, we started to procure more raw materials from domestic suppliers due to their cost-effectiveness.

We carefully select the most suitable raw materials suppliers for the projects according to the procurement plans. Our procurement plans are formulated based on production schedules, inventory levels, supplier lead time and product lifetime. After the procurement plans are approved, our supply chain management department will conduct a price inquiry, evaluating potential suppliers on criteria including price, quality and delivery timelines. We typically establish a reasonable price with our suppliers through a process of inquiry or competitive bidding, based on thorough market research. During the Track Record Period, we did not enter into any long-term supply agreements with our suppliers that included fixed-price arrangements. In response to the potential price increases, we primarily mitigate the impact on our raw material costs by building long-term relationships with our suppliers, maintaining close communication and conducting secondary source evaluations. We have implemented periodic reviews and internal mechanisms to monitor the price of our raw materials by considering current stock levels, future sales and market trends. We timely adjust our stock levels to maintain optimal inventory levels considering anticipated price fluctuations. During the Track Record Period and up to the Latest Practicable Date, we had not adopted any hedging policies for fluctuations in the prices of raw materials.

Suppliers

During the Track Record Period, our engaged suppliers primarily include raw material suppliers, equipment suppliers and service providers for packaging and testing services.

Silicon substrate is a major raw material of our products. We primarily procure silicon substrates from manufacturers specializing in the production of semiconductor materials, with whom we have collaborated for approximately three to seven years. We also use trimethylgallium as one of our raw materials. Trimethylgallium is essential for the production of GaN power semiconductors due to its role in the epitaxial growth process. We source trimethylgallium from suppliers specializing in high-purity metal-organic compounds and biochemical products, maintaining relationships with these suppliers for around five years.

Supplier Management

We typically engage experienced and reputable suppliers to ensure the quality of our products. Factors that may affect our selection mainly include technological expertise, infrastructure and equipment, product quality, qualifications and credentials, reputation and price. We require our raw material suppliers to obtain ISO9001 certifications in relation to quality management systems. Additionally, in our commitment to meet the IATF16949 standards for automotive-grade quality and safety management system, we consistently oversee the advancement of our suppliers' quality management systems.

We implemented stringent supplier management protocols. Prospective suppliers undergo a comprehensive evaluation before they are admitted to our list of qualified suppliers. Initially, our material parts technical committee ("MPTC") conducts a preliminary evaluation, after which the prospective suppliers are registered in the SAP system. Next, our quality control department carries out an on-site audit. If the audit is passed, we then obtain samples for detailed inspection. Only when these samples satisfy our stringent inspection standards do we formalize a cooperative partnership with the supplier.

In addition to vetting new suppliers, we conduct semi-annual evaluations of existing suppliers based on their product and service quality and cost effectiveness, and we require suppliers to promptly address any issues discovered during such evaluations. We require suppliers who fail to meet our standards to implement corrective measures.

We believe that our operation is not dependent on any particular supplier. During the Track Record Period, we maintained multiple suppliers to avoid overreliance on any of suppliers and we believe there is no significant difficulty to find suitable substitutes for our suppliers.

We typically enter into framework supply agreements with suppliers, the salient terms of which are set out below:

- *Duration*. The duration of the framework supply agreements typically spans a period of either one or three years.

- *Product specifications.* We specify the product name, manufacturer or brand, specification, price, quantity, delivery timeline and other detailed items in each purchase order we send to our suppliers.

- *Payment, credit term and delivery.* The suppliers are typically responsible for the delivery of products to our designated location specified in each purchase order. In terms of payment, we are generally granted by our suppliers a credit term of two months following the issuance of a letter of acceptance.

- *Transfer of risk.* The risk transfers to us after we complete inspection and confirm receipt of the products.

- *Quality Guarantee*. In the event of a quality issue arising during the warranty period, the supplier is obliged to either attend the site or provide a response and resolution within 24 hours upon receipt of our notification.

- *Subcontracting.* Subcontracting is not allowed without written consent from both parties.

- *Confidentiality*. The supplier shall not disclose or make public the contents of the purchase orders without our prior written consent.

- *Product return.* We have the right to reject, replace or return products for a variety of reasons, including non-conformity with product quality, product specifications or quantity with the order placed.

- *Termination.* We are entitled to terminate the purchase order when the supplier fails to perform and does not make timely corrections after receipt of our written notice.

Packaging, Testing and Assembly Service Providers

During the Track Record Period, we engaged certain packaging, testing and assembly service providers to carry out GaN modules assembly as well as packaging and testing for our GaN products. In the semiconductor industry, each task is meticulously defined from initial design to the final product, with packaging and testing representing a later phase of chip manufacturing. According to Frost & Sullivan, it is a common industry practice for IDM companies to engage third-party packaging, testing and assembly service providers to carry out packaging and testing and module assembly services according to IDM companies' own designs and specifications. Given the highly standardized nature of such services, engaging leading service providers ensures a professional and specialized division of labor, facilitates effective cost management and operational efficiency and helps extend our influence and leadership across the GaN ecosystem. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, the costs incurred by such third-party packaging, testing and assembly services amounted to RMB10.7 million, RMB65.8 million, RMB189.0 million, RMB137.7 million and RMB103.1 million respectively, which accounted for 4.3%, 12.4%, 19.8%, 25.4% and 22.0% of our total cost of sales for the respective periods. See "Risk Factors — Risks Relating to Our Industry and Business — We may have limited control over the quality, availability and costs of our packaging, testing and assembly service providers."

We carefully select service providers from a pool of reputable candidates, and qualified service providers are admitted to our list of qualified suppliers. We evaluate the potential service providers in terms of, among other aspects, qualifications, technical skills, product quality, workplace safety and delivery commitments. Once they become our qualified suppliers, we continue to evaluate their performance periodically. We require our service providers to comply with our internal policies and closely monitor their performance. In the event of any failure by service providers to meet our internal policies, we may cease to work with them or claim damages. We apply testing to ensure that the sourced products meet our product specifications, quality standards and customers' expectations. We have generally maintained long-term relationships with our service providers, and all of our service providers are independent third parties.

The salient terms of the agreements with our service providers are set forth below:

- *Duration*. The duration of the agreements typically spans a period of either one or three years.

- *Principal rights and obligations of parties involved*. We provide technical specifications and key raw materials to packaging, testing and assembly service providers who perform semiconductor packaging, testing and module assembly services in accordance with our requirements.

- *Payment, credit term and delivery*. Service providers are responsible for delivering qualifying products to our designated warehouses. In terms of payment, we are generally granted by our service providers a credit term of 30 days to 60 days.

- *Subcontracting*. Subcontracting is not allowed without our prior written authorization.

- *Quality assurance*. Products are accepted in accordance with our specifications, as well as national, local and industry standards. Should any quality issues arise during the warranty period, the service providers are responsible for replacement.

- *Termination*. We have the right to terminate the agreement if the service providers fail to remedy a breach of contract following our written notice.

Major Suppliers

Our major suppliers are suppliers of construction services, equipment and packaging, testing and assembly services. Purchases from each of our largest supplier for the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024 accounted for 17.2%, 12.3%, 21.5% and 12.3% of our total purchase amount for the respective periods. Purchases from our five largest suppliers in each period during the Track Record Period accounted for 46.4%, 38.8%, 55.6% and 45.6% of our total purchases for the respective periods.

The following tables set forth details of our top five suppliers in each year/period during the Track Record Period:

Year ended December 31, 2021

No.	Supplier	Background	Products/ services provided to us	Purchase amount	% of total purchase amount	Year of commencement of business relationship with us
				(RMB in thousand)		
1. . .	Supplier A	Founded in 1992 and registered in Beijing, Supplier A primarily engages in preliminary consultation, planning and design, general contracting and construction.	Construction	309,312	17.2	2018
2. . .	Supplier B	Founded in 1983 and headquartered in Germany, Supplier B is a manufacturer of production equipment for the semiconductor industry.	Equipment/ spare parts	293,127	16.3	2018
3. . .	Supplier C	Founded in 1991 and headquartered in Singapore, Supplier C is a manufacturer of nanomanufacturing technology solutions for the semiconductor industry.	Equipment/ spare parts	113,502	6.3	2021
4. . .	Supplier D	Registered in Shanghai in 2018, Supplier D provides comprehensive key equipment including semiconductor equipment.	Equipment	65,778	3.7	2021
5. . .	Supplier E	Founded in 2009 and registered in Shanghai, Supplier E primarily provides integrated solutions for the R&D and production of process equipment, as well as the professional planning, design, implementation, operation and maintenance of power support systems for high-tech plants.	Hook-up service, a service of connecting and integrating necessary utilities to a production facility to ensure smooth operation	52,341	2.9	2021

Year ended December 31, 2022

No.	Supplier	Background	Products/ services provided to us	Purchase amount	% of total purchase amount	Year of commencement of business relationship with us
				(RMB in thousand)		
1. . .	Supplier F	Founded in 2018 and registered in Shenzhen, Supplier F primarily engages in the R&D, manufacturing and application of advanced power electronic equipment.	GaN module assembly and testing services	102,874	12.3	2022
2. . .	Supplier A	Please see above.	Construction	94,068	11.3	2018
3. . .	Supplier G	Founded in 1985 and headquartered in Finland, Supplier G is a manufacturer of tailored, high value-added silicon wafers used in the manufacture of sensors, discrete semiconductors and analog circuits.	Substrates	49,423	5.9	2017
4. . .	Supplier H	Founded in 1991 and registered in Jiangsu, Supplier H primarily engages in power supply.	Power supply	39,918	4.8	2021
5. . .	Supplier B	Please see above.	Equipment/ spare parts	37,277	4.5	2018

Year ended December 31, 2023

No.	Supplier	Background	Products/ services provided to us	Purchase amount	% of total purchase amount	Year of commencement of business relationship with us
				(RMB in thousand)		
1. . .	Supplier A	Please see above.	Construction	134,084	21.5	2018
2. . .	Supplier F	Please see above.	GaN module assembly and testing	107,106	17.2	2022
3. . .	Supplier H	Please see above.	Power supply	41,008	6.6	2021

No.	Supplier	Background	Products/ services provided to us	Purchase amount	% of total purchase amount	Year of commencement of business relationship with us
				(RMB in thousand)		
4. . .	Supplier I	Founded in 2003, registered in Gansu and listed on the Shenzhen Stock Exchange, Supplier I primarily engages in IC packaging and testing.	Packaging service	34,678	5.6	2021
5. . .	Supplier J	Founded in 2002 and registered in Guangdong, Supplier J primarily engages in power supply.	Power supply	29,180	4.7	2018

Six months ended June 30, 2024

No.	Supplier	Background	Products/ services provided to us	Purchase amount	% of total purchase amount	Year of commencement of business relationship with us
				(RMB in thousand)		
1 .	Supplier K	Founded in 2012, registered in Zhejiang and listed on the SSE STAR Market, Supplier K primarily engages in the development, manufacturing and sales of photovoltaic inverters and power conversion equipment.	Micro inverter components	27,862	12.3	2023
2 .	Supplier H	Please see above.	Power supply	21,946	9.7	2021
3 .	Supplier I	Please see above.	Packaging service	20,706	9.1	2021
4 .	Supplier L	Founded in 2019 and registered in Shanghai, Supplier L primarily engages in the processing and sales of semiconductor silicon wafers.	Silicon substrates	19,829	8.7	2021
5 .	Supplier J	Please see above.	Power supply	13,224	5.8	2018

As of the Latest Practicable Date, none of our Directors, their respective close associates or any of our shareholders (who owned or to the knowledge of the Directors had owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers.

OVERLAPPING OF CUSTOMERS AND SUPPLIERS

During the Track Record Period, Customer G, a leading battery manufacturer specialized in the R&D, production and sales of EVs power battery systems and energy storage systems, was one of our top five customers in 2023. Our relationship with Customer G began in 2021 when we initiated discussions with them on potential opportunities for GaN applications. In 2022, we launched our GaN module products, which were recognized by Customer G for their high power density and efficiency, as well as high yield rate and stability in mass production. In 2023, our GaN modules were widely adopted in Customer G's production lines as it expanded its production capacity.

Supplier F, a subsidiary of Customer G, was one of our top five suppliers during the same period, providing testing and assembly services for our GaN modules. Our collaboration with Supplier F was initiated independently of Customer G based on our own commercial considerations, which primarily include assembly techniques, offering portfolio and ability to provide after-sales services, though the collaboration opportunity was brought to our attention through Customer G. Upon our standard evaluation and assessment, Supplier F was selected as our service providers for testing and GaN modules assembly in 2022, primarily because of its high service quality, strong cost-efficiency and satisfactory after-sales services. According to Frost & Sullivan, the quality of testing and assembly service provided by Supplier F is higher than the corresponding industry average. Supplier F was admitted to our list of qualified suppliers in 2022 and is subject to our annual evaluation on service performance, among other aspects.

Negotiations of the terms of our sales to Customer G and purchases from Supplier F were conducted on an individual basis and the sales and purchases were neither inter-connected nor inter-conditional with each other. Our Directors confirmed that all of our sales to Customer G and purchases from Supplier F were conducted in the ordinary course of business under normal commercial terms and on an arm's-length basis. Revenue from Customer G for the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024 was nil, nil, RMB190.0 million, RMB159.1 million and RMB104.4 million, respectively, accounting for nil, nil, 32.1%, 51.7% and 27.1% of our total revenue for the respective periods. The purchase amount attributable to Supplier F for the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024 was nil, RMB102.9 million, RMB107.1 million, RMB70.7 million and RMB5.7 million, respectively, accounting for nil, 12.3%, 17.2%, 23.3% and 2.5% of our total purchases for the respective periods.

LOGISTICS AND INVENTORY MANAGEMENT

Logistics

We engage qualified third-party logistics service providers for the delivery of all finished goods from our manufacturing facilities to locations specified by our customers. We set strict standards for the transportation of our products that these third-party logistics service providers are required to follow and we evaluate the third-party logistics service providers periodically on their compliance and performance to ensure smooth delivery of products to customers. To the best of our knowledge, all of these logistics service providers are Independent Third Parties.

Inventory Management

We attach great importance to our inventory health, assigning dedicated staff to provide management with regular reports on the status of inventory. We take inventory level into consideration when formulating procurement plans.

Our inventories mainly include raw materials, semi-finished products and WIP and finished goods. We have various policies in place to ensure effective inventory management, such as adopting the first-in, first-out method, maintaining a safety stock to compensate for any unexpected increase in demand or delay in supply and tracking and monitoring the flow of goods and inventory levels through our warehouse management system ("WMS"). For the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024, our inventory turnover days were 119.8, 263.0, 159.3 and 169.1 days, respectively. See "Financial Information — Discussion of Certain Key Balance Sheet Items — Inventories."

QUALITY CONTROL

We have comprehensive policies and detailed procedures in place to ensure product quality. We established a quality management system based on the stringent standards for automotive-grade quality systems, namely the IATF16949 standards, as well as our business practice. To ensure the sustained efficacy of our quality management practices and maintain a leading position among quality management systems in the industry, we regularly undergo external oversight and reviews. In addition, we established effective electrostatic discharge management systems and obtained the ANSI/ESD S20.20 certification on electrostatic discharge control program and the IEC 61340-5-1 certification for the protection of electronic devices from electrostatic phenomena, ensuring a high level of electrostatic protection during the production process. The effectiveness and adequacy of our quality management system are rigorously evaluated through annual internal audits.

Our quality control measures cover a spectrum of activities, including (i) R&D projects, (ii) management of raw material suppliers, (iii) production process, (iv) management of packaging, testing and assembly service providers, (v) reliability management, (vi) shipment inspection, and (vii) customer services.

- *Quality management in R&D.* Based on the principles of integrated product development ("IPD"), we established a robust R&D management process that includes comprehensive project tracking, real-time alerts and stringent quality control measures. We strive to align the projects with our strategic objectives at the R&D stage and ensure that the customer requirements are achieved with high quality.

- *Quality management of raw material suppliers.* In managing raw material suppliers, we implemented stringent supplier management protocols and incoming quality assurance ("IQA") procedures. These measures are designed to closely monitor the quality of materials, prevent the use of substandard raw materials in our production lines and drive continual quality enhancement among our suppliers.

- *Quality management in the production process*. We closely monitor our production process. Our quality control department put in place the in-process quality engineering ("IPQE") procedure that monitors any activities that could impact product quality, which includes machinery, processes and environmental factors. In the event of quality issues, our exception handling process enables us to conduct risk assessments and manage the disposition of suspect or non-conforming products efficiently. We ensure timely, closed-loop management for the causes of anomalies and the corresponding improvement actions.

- *Quality management of packaging, testing and assembly service providers*. We established management standards for our packaging, testing and assembly service providers to oversee their production processes, ensuring that their operations align with the process and quality requirements of our products.

- *Quality management regarding reliability*. We set stringent reliability certification standards with reference to the JEDEC standards, the AEC-Q standards and device failure models. Through a comprehensive reliability certification process, together with ongoing reliability monitoring during mass production, we strive to guarantee high quality and stable performance of our products.

- *Quality management in shipment inspections.* Prior to product delivery, we conduct thorough inspections on product appearance to ensure that the quality of shipped goods meets customer requirements. Moreover, findings from inspections are used to drive ongoing enhancements in the production process.

- *Quality management regarding customer services.* We instituted a standard customer complaint resolution process to swiftly address any quality issues reported. We adopt a tiered approach to our processing timelines, aligning with the gravity of each reported problem, thereby upholding the high product and service standards our customers expect and depend upon.

Warranty and After-Sales Services

We generally provide a one-year warranty period for our products. For products used in specialized application areas, we provide extended warranties tailored to align with industry standards and bespoke customer needs. We carry out routine after-sales satisfaction surveys to ensure prompt communication with our customers. We believe that the provision of satisfactory after-sales services is a crucial determinant of our success. It enhances the value chain of our products and fosters satisfaction among customers and end-users.

We receive customer feedback through our website, telephone, email and via our extensive network of distributors. When a complaint arises, our committed team or distributors will visit the customer's site to thoroughly understand the context and determine the cause of the problem. If there is a quality issue related to our products, our objective is to address it by making the necessary adjustments to the customer's application to ensure smooth operations.

We provide product return and exchange services that are tailored to address the requirements and concerns of the customer. We developed a standard product return procedure which is detailed in our customer return management policy. When a customer raises a quality issue with our products, our on-site technical team will promptly verify the concern. Following an internal analysis and review that confirms a product deficiency, our quality control department will inform the customer service team to initiate a return request to complete the return and exchange procedure. During the Track Record Period, we did not experience any product returns from our direct sales customers or distributors. In isolated cases, we may coordinate product exchanges for customers to accommodate their adjustments in product designs, product processes and product promotion and marketing arrangements. During the Track Record Period, the amount of such product exchanges were insignificant. We believe such arrangement would foster trusted, stable relationships with customers and sustain our long-term growth.

DATA SECURITY AND PRIVACY

In recent years, data privacy and cybersecurity have emerged as critical governance priorities for companies worldwide. This is particularly pertinent as the PRC legislature and government authorities regularly introduce new cybersecurity, data security and privacy laws and regulations. Consequently, our practices regarding the collection, use, storage, disclosure and transfer of various types of data may come under increased administrative scrutiny. See "Risk Factors — Risks Relating to Our Industry and Business — Security breaches and other disruptions could compromise our confidential and proprietary information, which could cause our business and reputation to suffer" and "Risk Factors — Risks Relating to Our Industry and Business — Any failure to obtain requisite approvals, licenses or permits applicable to our business operation may have a material and adverse impact on our business, financial condition and results of operations."

In the course of our business operations, we collect, store and process business data and transaction data. Given that we only make transactions with enterprises, our business generally does not involve the collection or processing of customers' personal information.

We develop our information security management systems in compliance with the requirements of ISO/IEC 27001 standard for information security management systems, so as to achieve our commitment to maintaining the integrity, availability and confidentiality of data.

To reinforce our data security and protection measures, we established comprehensive internal policies. These policies facilitate our data management and provide detailed requirements in relation to the classification, storage, access, transmission, encryption and disposal of data.

Moreover, we implemented a robust information backup management system, which sets forth the guiding principles, detailed procedures and mechanisms for data recovery. In addition, we formulated a manual on information security management to set out the general guidance and principles of our information security management, under which we established a series of polices and procedures, including among others, policies on system operation management, password management and corporate trade secret protection and procedures on document control and confidentiality management. These systems, policies and procedures collectively form a solid framework that safeguards our data and upholds our stringent standards for information security.

INFORMATION TECHNOLOGY SYSTEMS

IT is fundamental to our competitive edge and operational efficiency. We utilize and maintain IT systems that evolve in tandem with our business growth, ensuring they meet our varied operational demands. These systems underpin key areas such as sales, R&D, supply chain management, production and after-sales services. Our main information technology systems include the following:

- *MES system*. Our manufacturing execution system ("MES") facilitates real-time monitoring of factory personnel, equipment and materials. It helps us conduct timely specification checks, enhance production efficiency, minimize human operational errors and boost product yield.

- *SCM system*. Our supply chain management ("SCM") system facilitates the management of the entire business process in relation to packaging, testing and assembly services, including the management of material delivery, work orders and acceptance of finished products.

- *CRM system*. We utilize the customer relationship management ("CRM") system to manage our customer-centric sales process. The system facilitates our comprehensive management of a spectrum of activities from business opportunity tracking to contract administration, quotation preparation, order processing and after-sales services.

- *SAP system*. The system, applications and products ("SAP") system is designed to integrate all aspects of our business including finance, procurement, production, logistics, sales and quality control. It facilitates communication and coordination between different departments, thereby increasing efficiency and enhancing productivity.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material IT system failure or downtime that had a material adverse effect on our business operations. See "Risk Factors — Risks Relating to Our Industry and Business — Security breaches and other disruptions could compromise our confidential and proprietary information, which could cause our business and reputation to suffer."

COMPETITION

The power semiconductor industry in which we operate is highly competitive and characterized by rapid technological evolvement, fast changes in customer demands and preferences, frequent introduction of new products and services and constant emergence of new industry standards and practices. In addition, the global power semiconductor industry is marked by a high level of concentration, with the top ten companies holding a combined market share of 66.9%. GaN materials, which represent a considerable leap forward and a superior alternative to traditional silicon in the power semiconductor industry, are currently in the nascent stages of application development. The global GaN power semiconductor market has experienced a swift expansion, growing from RMB139.4 million in 2019 to RMB1,759.5 million in 2023, with a CAGR of 88.5%. Projections indicate an accelerated growth trajectory from 2024 onwards, with the market size expected to surge from RMB3,227.7 million in 2024 to RMB50,141.9 million in 2028, with a CAGR of 98.5%. In 2023, the combined market share of the top five companies reached 92.8%.

We offer a broad range of GaN solutions including wafers, discrete chips, ICs and modules. Leveraging our comprehensive expertise in GaN technologies, we design, develop and manufacture high-performance and reliable GaN discrete chips for various applications across low-, medium- and high-voltage ranges in different packaging options, and our product R&D covers 15V to 1,200V. We compete with both solution providers of GaN power semiconductors and market participants offering solutions based on alternative semiconductor materials. The competition with fabless companies challenges our capital investment and technological prowess while simultaneously accentuating our strengths as an IDM, such as design and manufacturing integration, assured production capacity and supply chain stability, economies of scale in production costs and consistent enhancement of processes and technologies. Meanwhile, driven by the growing demand for high-energy efficiency materials, lower solution costs and supportive policies, GaN materials are poised for a surge in downstream applications.

We ranked first among all GaN power semiconductor companies globally in 2023 in terms of revenue, with a market share of 33.7%. See "Industry Overview." Leveraging the IDM model that offers coordination and synergy, our advanced technologies and industrial-scale commercialization capabilities, we believe we are well prepared to excel in industry competition and remain at the forefront of the GaN power semiconductor industry. However, we operate in a highly competitive industry. Failure to compete effectively could adversely affect our market share, growth and profitability. See "Risk Factors — The power semiconductor industry is highly competitive. If we are not able to compete successfully, our business, results of operations and future prospects will be harmed."

EMPLOYEES

As of June 30, 2024, we had a total of 1,101 employees and the majority of our employees were based in mainland China. The following table sets forth the number of our full-time employees by function as of June 30, 2024:

	As of June 30, 2024	
Employee function	**Number of employees**	**Percentage of total employees**
		%
Supply and manufacturing	546	49.6
Research and development	304	27.6
General and administrative	186	16.9
Sales and marketing	65	5.9
Total	**1,101**	**100.0**

To streamline human resource management, we established a comprehensive set of internal management measures, outlining the procedures and criteria for recruitment, training, internal referrals, among others.

We use various recruitment methods, including campus recruitment, online recruitment, other external recruitment channels as well as internal referrals and transfers. In addition to salaries and benefits, we generally provide performance-based bonuses for our full-time employees. We have established a comprehensive system for employee training and development, including general trainings covering corporate culture, employee rights and responsibilities, workplace safety, data security and other logistics aspects, as well as specific trainings that improve employee knowledge and expertise in certain important areas related to our business. We are committed to making continual efforts to provide an engaging working environment for our employees.

We enter into standard labor contracts and confidentiality agreements with our full-time employees, and we enter into noncompetition agreements with our key management and professionals.

As required under PRC laws and regulations, we participate in various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury, maternity and unemployment benefit plans, under which we make contributions at specific percentages of the salaries of our employees. As advised by our PRC Legal Advisor, we were in compliance with applicable laws and regulations related to social insurance and housing provident funds in all material aspects during the Track Record Period.

We believe we maintain a good working relationship with our employees, and we have not experienced any material labor dispute or any difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date.

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. As of the Latest Practicable Date, we believe that our insurance coverage is in line with the industry practice and adequate to cover our key assets, facilities and liabilities, including but not limited to property all risks insurance, employer liability insurance, etc. Our Directors consider our insurance policy as a whole to be in line with the general market practice and that it complies with the relevant rules and regulations in China. See "Risk Factors — Risks Relating to Our Industry and Business — 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."

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We place significant emphasis on environmental, social and governance ("ESG"). We are dedicated to fostering a healthy and safe working environment for all employees by enhancing our internal governance and the management of environmental and occupational health and safety measures. In the meantime, in line with our commitment to green development, we are also focused on upgrading our equipment, facilities and production processes to increase energy efficiency and minimize waste emissions. Our management systems were certified in accordance with the standards required under the ISO9001 quality management system, the ISO45001 occupational health and safety management system and the ISO14001 environmental management system. We remain dedicated to compliance with laws and regulations, and in accordance with the requirements of Appendix C2 to the Listing Rules, we will issue an annual ESG report following our Listing.

ESG Governance

We attach great importance to ESG governance and have established a committee specifically tasked with the implementation of environmental, social and governance-related measures. We adopted the Corporate Social Responsibility Management Manual, implemented comprehensive management policies covering human labor rights, business ethics, environmental protection and health and safety, and established a system that encompasses laws and regulations, risk identification, evaluation and control, as well as target indicators and plans. We also formulated the ESG Management Measures to establish an ESG governance structure. The Board of Directors is responsible for ESG decision-making, governance and supervision. This includes, among others, the assessment, management and control of ESG risks, the review of ESG objectives, evaluation of the implementation of ESG objectives, the examination of the ESG management systems and reports, and the provision of oversight and guidance on ESG matters.

We are committed to enhancing the ESG awareness among all employees, including Directors, Supervisors and senior management. Through social responsibility training, we promoted and provided guidance on ESG-related knowledge to all employees in the PRC. Meanwhile, our Directors, Supervisors and senior management participated in training on the rules and responsibilities of listed companies in Hong Kong. They are well-informed about the Stock Exchange's expectations for directors to possess the necessary skills and abilities to understand the impact of ESG risks and opportunities and to oversee strategies formulated to address them. To ensure compliance with the ESG requirements of the Stock Exchange, the Board will supervise the preparation of our ESG reports and conduct a thorough review of these reports.

To ensure that our ESG goals are communicated effectively and efficiently and that there are sufficient mechanisms to measure and track ESG metrics with a commitment to transparency, we have developed a set of ESG strategies. This strategy is detailed in the ESG Management Measures, which aims to establish an effective ESG strategy and management mechanism. We have established procedures such as the "Objectives and Achievement Planning Management Procedure" to manage departmental goals. These procedures include formulating plans that clearly define the measures to be taken, responsible personnel, timelines and the metrics for evaluating goal achievement, as well as inspections conducted from time to time to promptly correct any issues identified and report on the implementation status of the plans. In addition, to better implement relevant ESG strategies and management mechanisms, we plan to conduct training sessions. These sessions will enhance the understanding and capability of our employees regarding ESG practices, ensuring that our strategy is effectively embedded across the organization. We are committed to transparency in our ESG performance. Our ESG goals and metrics will be disclosed in the annual ESG reports, providing stakeholders with information on our progress and performance.

ESG Risk Identification, Assessment and Management and Opportunities

We place a high priority on developing our risk management system and have formulated the Risk Management System to identify, analyze and assess the risks in our operations, including those related to ESG. Risks are ranked based on the likelihood of occurrence and the extent of their impact. We also ensure that the Board, the decision-making body for the Company's risk management, remains well-informed of the major risks faced by the Company and the current status of risk management, enabling it to make effective risk control decisions and to consider and approve the risk assessment of major decisions and solutions to major risks, all while maintaining effective control over various operations and matters within an acceptable level of risk tolerance. In addition, the Company plans to regularly prepare risk management reports that encompass ESG risks and submit them to the Board for approval.

We conducted an assessment of the actual and potential environmental, climate-related and social impact on our business and identified the following risks, opportunities and their impacts:

Environmental Risks

Natural disasters, epidemics, or other unforeseen events pose risks to our operations. These events could disrupt production and supply chains, leading to potential financial losses and operational downtime. See "Risk Factors — Risks Relating to Our Industry and Business — We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our operations." Water resources are crucial for the integrated circuit manufacturing industry, and any shortages could severely hinder our production capabilities. Additionally, power shortages present a challenge, as they can halt manufacturing processes and delay deliveries. Stricter waste disposal requirements increase the likelihood of environmental pollution and regulatory violations, which could result in hefty fines and reputational damage.

Climate-Related Risks and Opportunities

Physical Risks. Our operations are exposed to physical risks from extreme weather events such as typhoons and heavy rains. These events can cause power outages, flooding, and other disruptions, particularly affecting our coastal factories. Such incidents could lead to safety issues, forced suspension of research and production activities, and increased operating costs. The impact on our production capabilities could be significant, potentially causing delays and financial losses.

Transition Risks. The transition risks we face arise from the increasing attention on our ESG performance from regulators, investors and customers. The continuous introduction of ESG-related regulations is raising the standards for corporate practices and disclosures regarding emissions, resource utilization, and community relations. Investors are placing greater emphasis on ESG principles, integrating corporate ESG performance into their investment decisions. Concurrently, customers are becoming more environmentally conscious, showing a preference for products designed and manufactured with green and sustainable elements. See "Risk Factors — Risks Relating to Our Business and Industry in the Principal Place of Our Business — Any failure to fully comply with present or future environmental, safety and occupational health laws and regulations in the PRC may have a material adverse effect on our business, financial condition and results of operations."

Climate-related Opportunities. Potential ESG-related policy changes and social trends, such as investors considering corporate ESG performance in their investment decisions and customers preferring products with green elements in design and production, also present opportunities for us. Our focus on the R&D of green and low-carbon technologies positions us to capitalize on these trends.

Social Risks

Compliance with PRC laws and regulations related to environmental, safety, and occupational health matters presents social risks. Maintaining strict compliance is essential to avoid legal issues and ensure the safety and well-being of our employees and communities. Failure to fully adhere to these regulations can lead to substantial penalties and adversely affect our business, financial condition, and operating results. See "Risk Factors — Risks Relating to Our Industry and Business — Any failure to fully comply with present or future environmental, safety and occupational health laws and regulations in the PRC may have a material adverse effect on our business, financial condition and results of operations."

Goals and Measures

To mitigate the identified risks, we have established quantitative targets and implemented various measures aimed at reducing the environmental, social, and climate-related impacts on our business. Our quantitative targets for 2024 include achieving zero major safety incidents as defined by regulations, zero environmental incidents, a 10% reduction in electricity consumption per million revenue compared to 2023, a 13% reduction in water consumption per million revenue compared to 2023, and a 15% reduction in natural gas consumption per million revenue compared to 2023.

To support these goals, we have purchased property all risks insurance annually from 2021 to 2023, and in 2024, we added public liability insurance and business interruption insurance to cover potential losses from natural disasters or accidents. We monitor climate change trends and weather forecasts, taking corresponding preventive measures and establishing emergency mechanisms such as the "Emergency Plan for Environmental Incidents" and the "Typhoon and Flood Emergency Plan." Additionally, we have production bases in Zhuhai, Guangdong, and Suzhou, Jiangsu, to mitigate the impact of climate-related physical risks on our Company. We have gathered relevant industry standards, government policies, laws, and regulations that significantly impact us in areas such as environmental compliance, energy saving, resource utilization, employment compliance, and occupational health and safety. We have established procedures such as the Compliance Obligations Acquisition and Application Control Procedure and collaborated with third parties to monitor changes in laws and regulations, assess their applicability, and ensure our adherence to the relevant requirements. We have incorporated environmental criteria into our supplier selection process to ensure alignment with our policy on energy saving, emission reduction, clean production, and green environmental protection, effectively responding to stakeholders' concerns. We also provide occupational health and safety training and education to employees, enhance their awareness, post resource-saving signs, advocate for green operations, and raise employees' environmental protection awareness. Potential changes in ESG-related social trends and political policies are driving us to prioritize the development and exploration of green and low-carbon technologies. Our products are already being utilized in photovoltaic and energy storage systems, highlighting our commitment to sustainability. See "Business — Our Products and Solutions — Renewable Energy and Industrial Applications — Key Products."

During the Track Record Period and up to the Latest Practicable Date, we were not subject to any fines or other penalties for non-compliance with relevant regulations on environmental, social and governance.

Environmental Protection

Our business operations comply with the Law of the People's Republic of China on the Prevention and Control of Air Pollution, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, the Law of the People's Republic of China on Energy Conservation and various present laws and regulations on environmental protection promulgated by the government of the PRC which have material effects on our operations.

We adhere to environmental policies that emphasize earth care, energy saving, consumption reduction, clean production and green environmental protection. We comply with laws and regulations and are committed to continual improvement, with the aim of minimizing the negative impact of our operating activities on the environment and ensuring that our environmental protection efforts are legal and compliant. We adopted the Environmental Health and Safety Management Manual as the foundational document for our environmental and occupational health and safety management, guiding our internal environmental management practices and signifying our commitment to external stakeholders. We also formulated a suite of internal environmental protection management guidelines, including the Control Procedure for Environmental Operation, the Control Procedures for Identification and Assessment of Environmental Factors, the Management Procedures for Environment Monitoring and Measurement and the Planning and Management Procedures for the Realization of Environmental and Occupational Health and Safety Objectives. Inno Zhuhai and Inno Suzhou, our subsidiaries, obtained the ISO14001 environmental management system certification.

Unless otherwise specified, the scope of our report on environmental protection performance indicators covers the Company and its subsidiaries, Inno Zhuhai and Inno Suzhou.

We pay close attention to resource consumption, greenhouse gas emissions and waste disposal in our operations, and we strive to optimize our routine practices to manage the environmental and climate-related risks arising from our business and production activities.

- *Resource consumption.* We primarily utilize resources such as electricity, water and natural gas in our daily operations. We actively promote energy saving and consumption reduction to reduce resource usage. The following table sets forth a breakdown of the consumption of electricity, water, natural gas, packaging material used for finished goods and plastic packaging material during the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2021	**2022**	**2023**	**2024**
Electricity consumption *(million kWh)*	89.72	103.76	106.81	54.21
Electricity consumption intensity *(million kWh/million revenue)*	1.32	0.76	0.18	0.14
Water consumption *('000 tonnes)*	737.07	849.50	820.11	384.05
Water consumption intensity *('000 tonnes/million revenue)*	10.81	6.24	1.38	1.00
Natural gas consumption[1] *('000 m^3)*	768.01	1,106.78	333.68	129.18
Natural gas consumption intensity *('000 m^3/million revenue)*	11.26	8.13	0.56	0.33
Packaging material used *(tonnes)*	5.68	8.41	14.78	5.04
Intensity of packaging material use *(tonnes/million revenue)*	0.08	0.06	0.02	0.01
Plastic usage *(tons)*[2]	3.17	3.69	4.67	1.06
Plastic usage density *(tons/million revenue)*	0.05	0.03	0.01	0.003

Notes:

1. The decrease in natural gas consumption in 2023 was due to the energy-saving measures adopted by Inno Suzhou, which mainly includes: (i) adjustment to the method of temperature and humidity control by MAU; and (ii) adjustment to the heat consumption without affecting the ammonia nitrogen wastewater discharge indicator.

2. We adhere to the principle of "clean production, green environmental protection" and have implemented various measures to control the use of plastic packaging materials. For our plastic packaging material suppliers, we assess their compliance with environmental requirements such as Hazardous Substance Free ("HSF") and prioritize choosing green and eco-friendly suppliers. Regarding the use of existing packaging materials, we have streamlined packaging to minimize usage while ensuring product quality. Since 2021, we have optimized the design of our packaging materials to reduce the proportion of plastic used. Our efforts have yielded positive results. Despite the period-over-period expansion of our business and continual revenue growth, the intensity of plastic packaging material use recorded a period-over-period decrease over the Track Record Period. We are also planning to further reduce our use of plastic packaging materials by encouraging suppliers to develop environmentally friendly alternatives that are biodegradable. In addition, we are exploring ways to optimize the structure of our packaging materials to further reduce the proportion of plastic packaging materials, aiming to push our packaging materials towards more sustainable options, reinforcing our commitment to environmental protection and sustainability.

- *Greenhouse gas emissions.* Our Scope 1 and Scope 2 greenhouse gas ("GHG") emissions during our daily operations mainly result from electricity consumption and natural gas usage. We plan to include the indirect emissions generated by employee travel (Scope 3) in our 2025 ESG report and subsequent annual ESG reports. The following table below sets forth a breakdown of our Scope 1 and Scope 2 emissions for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2021	**2022**	**2023**	**2024**
Scope 1 GHG emissions[1] *(tonnes of CO_2 equivalent)*	1,662.20	2,395.43	722.20	279.59
Scope 2 GHG emissions *(tonnes of CO_2 equivalent)*	65,978.50	77,205.79	79,402.71	40,444.78
Total[2] *(tonnes of CO_2 equivalent)*	67,640.70	79,601.22	80,124.90	40,724.37
GHG emissions intensity *(tonnes of CO_2 equivalent/million revenue)*	991.58	584.55	135.18	105.56

Notes:

1. GHG emissions from natural gas and electricity consumption are calculated according to the GHG Protocol Tool for Energy Consumption in China (Chinese) published by GREEN HOUSE GAS PROTOCOL. GHG from gasoline, diesel and gas consumption were excluded because they account for only a small proportion.

2. The sum may not equal to the total amount due to rounding.

- *Waste disposal.* The wastes generated in our daily operations include production waste, industrial wastewater and exhaust gas. We define hazardous waste in accordance with the National Catalog of Hazardous Wastes and engage specialized agencies to handle hazardous wastes. To ensure that our disposals are compliant with laws and regulations, we engaged third-party testing agencies to conduct evaluation. The following table sets forth a breakdown of the wastes generated during the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2021	**2022**	**2023**	**2024**
Hazardous waste produced *(tonnes)*	438.69	513.66	383.22	246.28
Hazardous waste intensity *(tonnes/million revenue)*	6.43	3.77	0.65	0.64
Non-hazardous waste produced[1] *(tonnes)*	341.23	473.48	536.00	299.45
Non-hazardous waste intensity *(tonnes/million revenue)*	5.00	3.48	0.90	0.78
Industrial wastewater discharge *('000 tonnes)*	360.10	413.66	422.05	221.73

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
Industrial wastewater intensity *('000 tonnes/million revenue)*	5.28	3.04	0.71	0.57
Exhaust gas emissions *(tonnes)*	1.06	9.61	15.32	4.18
Exhaust gas emissions intensity *(tonnes/million revenue)*	0.02	0.07	0.03	0.01

Note:

1. Domestic waste is excluded because it is not weighed in actual disposal.

Metrics and Targets

We employ a set of metrics, targets and measures to assess and manage the environmental risks impacting our business. These efforts are aimed at reducing the consumption of electricity, water, and natural gas, thereby mitigating the environmental footprint of our operations.

Metric	Target	Timeline	Measures
Electricity Consumption and Density	We aim to reduce electricity consumption per million revenue by 10% compared to 2023 levels.	By December 31, 2024	To achieve this target, we have initiated several energy-saving projects, including the reduction of speed in Fan Filter Units ("FFU"), improvements in air-cooled chillers, and the implementation of energy-saving lighting protocols. Additionally, we utilize SAP, BPM, and PCCS systems for intelligent online material management to enhance warehouse operations, thereby reducing operational time and increasing efficiency. Operational procedures are optimized to lower energy consumption, and measures such as maintaining optimal air conditioning temperatures, rational use of lifts, and promoting the use of energy-efficient appliances are enforced.

Metric	Target	Timeline	Measures
Water Consumption and Density .	We aim to reduce water consumption per million revenue by 13% compared to 2023 levels.	By December 31, 2024	Measures to achieve this target include the implementation of water-saving projects and the use of storage systems to recycle and reuse water. A dedicated wastewater recycling system has been established to treat water from acid and alkali pools, which is then reused in cooling towers. Additionally, water valves in less frequented public areas are turned off, and water-saving signs are posted to encourage reduced water usage.
Natural Gas Usage and Density.	We aim to reduce natural gas usage per million revenue by 15% compared to 2023 levels.	By December 31, 2024	To meet this target, we have adjusted the temperature and humidity control methods of Make-up Air Units ("MAU") to reduce natural gas consumption. We also optimize heat usage without affecting ammonia nitrogen wastewater discharge standards and enhance equipment maintenance to improve natural gas efficiency and prevent gas leaks.

Social Responsibility

Employment

Human resources are particularly important to achieve the long-term sustainable development of the Company. We uphold the principle of valuing moral character as the foremost quality, alongside competence and integrity. We are committed to creating a diverse, equal, personality-respecting, positive and self-transcending work environment and development platform for our employees.

As of June 30, 2024, our workforce comprised 1,101 dedicated employees. The following table sets forth the number of employees by gender, age group and education level as of June 30, 2024:

Indicator	Number of employees	Percentage of total number of employees
By gender		
Male	774	70.3%
Female	327	29.7%
Total	1,101	100.0%
By age group		
Below 30	457	41.5%
30-40	489	44.4%
40-50	136	12.4%
50 and above	19	1.7%
Total	1,101	100.0%
By education level		
Master's degree and above	238	21.6%
Bachelor's degree and below	863	78.4%
Total	1,101	100.0%

For further details on employment, see "— Employees".

Labor Standards

We strictly comply with the Labor Law of the PRC, the Labor Contract Law of the PRC and the Provisions on Prohibition of the Use of Child Labor and other pertinent laws and regulations. We established comprehensive policies, including the Recruitment Management Practice Standards, Employee Management Practice Standards, the Corporate Social Responsibility Management Manual and the Employee Business Conduct Manual, to guarantee that our employment practices are both lawful and compliant.

We are committed to a human labor rights policy that embodies respect for human rights, humane treatment, opposes the use of child labor, refuses to tolerate harassment and upholds the principles of freedom of association and open communication. We prohibit discrimination in recruitment and employment, such as nationality, race, gender, religious beliefs, etc., and prohibit forced labor, labor trafficking and the use of child labor. During the Track Record Period and up to the Latest Practicable Date, there were no incidents in violation of the Company's policies or relevant laws and regulations pertaining to child labor, forced labor, labor trafficking or employee discrimination.

Development and training

Recognizing that the cultivation and expression of our employees' personal values are integral to the our overall value, we provide a robust training system and development channels for our employees.

We launched and optimized the rank and position system to present a complete and clear career development path for employees through making continual improvement to the five position series, including the management series, the engineering R&D series, the professional series, the marketing and sales series and the operation and affairs series.

To ensure the sustainable and dynamic growth of our employees and enhance the comprehensive competitiveness of employees both internally and externally, we formulated a series of policies such as the Training Management System and the External Training Management Regulations. We established a targeted and diversified talent training system that aligns with the varying development needs of employees in different business scenarios and career stages. We offer a wide range of learning resources through various training methods and platforms, providing employees with expansive and in-depth learning opportunities. Our multi-dimensional and multi-tiered courses span the entire career development cycle of employees, including induction training for new employees, general and specialized knowledge and skills training for different levels of positions, as well as leadership and teamwork training for management personnel.

Occupational Health and Safety

We are committed to providing and maintaining a healthy and safe workplace for our employees. Both Inno Zhuhai and Inno Suzhou obtained the ISO45001 Occupational Health and Safety Management System certification, minimizing occupational health and safety risks and protecting the well-being of not only our employees but also the wider community.

To mitigate the risks in the workplace that may endanger the health of employees or damage the property of the Company, we formulated comprehensive internal policies and measures on environmental and occupational health and safety in accordance with the ISO45001 Occupational Health and Safety Management System. These include, but are not limited to, the Environmental Health and Safety Management Manual, the EHS Potential Hazard Management Measures, the Occupational Disease Prevention and Control Management Procedures and various types of procedural documents and management measures that meticulously outline our operating standards, emergency response protocols, safety management of hazardous chemicals and pollution prevention and control strategies. In addition, we instituted detailed fire maintenance procedures and guidelines for handling abnormalities, along with a series of specific operating instructions and job descriptions. These resources are designed to assist our employees in standardizing their daily activities.

We deliver a series of EHS training to our employees in accordance with our internal policies to ensure adherence to relevant laws and regulations. The training is conducted using a combination of online and offline methods to provide thorough and accessible instruction. During the Track Record Period and up to the Latest Practicable Date, we did not experience any work-related fatalities or material work-related injuries or incur penalties arising from any material non-compliance with work-related safety laws and regulations. During the Track Record Period and up to the Latest Practicable Date, our rate of material workplace injuries was 0.0%.

Supply Chain Management

We attach great importance to supply chain management and formulated the Procurement Control Procedures to standardize supplier management. These procedures stringently govern the entry criteria for suppliers and conduct regular assessments and evaluations of supplier qualifications to ensure compliance with our environmental and social responsibility requirements.

To ensure our suppliers uphold environmental and social responsibility, we implemented the following measures:

We instituted a robust supplier access evaluation mechanism, which includes an investigation and written confirmation of the basic qualifications of suppliers prior to their engagement. This process involves collaboration among quality, EHS, procurement and other relevant departments for evaluation. Suppliers who are unable to meet our requirements will not be admitted. Those who meet the basic qualification criteria are then subject to on-site audits as stipulated by our Supplier Audit Operation Standards. These audits assess the suppliers' quality system, production process management and hazardous substance management. In addition, we place a high priority on responsible procurement. We require all suppliers to sign undertakings not to use conflict minerals and a declaration of compliance with international regulations on hazardous substances.

We conduct appraisal and evaluation on suppliers in accordance with the Operation Standards for Supplier Performance Evaluation and the Management Standards for Evaluation of New Suppliers for Raw Materials, and conduct a QCDSE (quality, cost, delivery, service and environment) scoring process, which encompasses a range of indicators including quality, cost efficiency, delivery and service performance, as well as safety and environmental protection. This scoring system is designed to encourage and facilitate the ongoing enhancement of our suppliers' operations and practices.

Moreover, we pay attention to the environmental protection and green characteristics of the procured materials. We implemented a number of measures, including, but not limited to, prioritizing the procurement of green and energy-efficient products, reasonably planning the storage and transportation conditions of materials, and implementing recycling programs for packaging materials, all of which contribute to reducing our environmental footprint.

For details on supply chain management, please see "— Procurement and Supply Chain Management".

Product Liability

We established a robust quality management system based on market demand and leveraging our advanced quality management experience in the semiconductor industry. Both Inno Zhuhai and Inno Suzhou obtained certifications from third-party institutions, including ISO9001 Quality Management System, IATF16949 Automobile Industry Quality Management System, ANSI/ESD S20.20 and IEC 61340-5-1 Electrostatic Protection Management System.

To guarantee product quality, we established comprehensive quality control and inspection specifications that span from raw materials, production process to delivery. These include, but are not limited to, the Raw Materials Incoming Inspection Procedures, the Statistical Process Control Specifications and the Pre-shipment Wafer Appearance Inspection Standards, ensuring that every stage of production adheres to the set quality standards and fulfills customer expectations. In addition, we developed and launched online the corresponding digital intelligence systems, including the CCB system for changes in management and the SPC system for statistical process control, to improve the quality and efficiency of our quality management.

We are committed to protecting the security of the data generated during or in connection with our business operations, including our business and transactions with our customers and have formulated relevant policies for the implementation of measures on data security and to ensure the security of the data in relation to our business and transactions with our customers. Moreover, we take technical and organizational management measures in order to comply with applicable laws and regulations in the jurisdictions in which we operate, and we conduct our sales and marketing activities in a standardized manner.

For details on product liability, please see "— Quality Control", "— Warranty and After-sales Services", "— Data Security and Privacy" and "— Marketing."

Anti-corruption

We attach great importance to business ethics and integrity, and have formulated a series of policies such as the Anti-corruption Management Manual and the Employee Business Conduct Manual. To prevent and detect fraud, we established internal control mechanisms complemented by accessible reporting and complaint channels. These channels, which include telephone hotlines, emails and offline options, are open to employees at all levels and any external parties in society who have direct or indirect economic relations with the Company. All submissions are investigated in accordance with an approved investigation plan. Upon completion of an investigation, findings are submitted to the relevant management and are documented in a formal report. The internal audit department will fully protect the confidentiality of the whistle-blowers, and the information of all whistle-blowers will be kept strictly confidential.

Furthermore, we require our suppliers to enter into integrity agreements and to promise in writing to comply with the requirements of ethical conduct stipulated in the agreement. For example, suppliers shall conduct their business through proper channels and refrain from offering gifts, securities or valuables to our employees with the intent of gaining improper benefits. Should a supplier be found in violation of these terms, we are entitled to report the misconduct to the relevant authorities or to terminate the supply agreements.

As of the Latest Practicable Date, we were not involved in any legal proceedings in relation to corruption, bribery or fraud.

Community involvement

We place great importance on social responsibility and take an active role in engaging with public welfare initiatives. For example, during the COVID-19 pandemic, we donated anti-epidemic supplies and support to the Fenhu High-tech Zone COVID-19 Epidemic Prevention and Control Command to support local communities. In May 2022, we participated in the "Society and Enterprise Co-construction" initiative held by the Yongfeng Community of Tangjiawan to support garbage sorting activities. and won the honorary title of the "Most Caring Unit", contributing to the joint construction of a vibrant new community. In September 2022, we participated in the campaign of "Children's Reading World — Sending Love through Books", a charitable book donation activity organized by the community's reading corner, to support the development of children's reading in the community. In May 2023, we engaged in the "Rejuvenating the Ancient, Green and Beautiful Tangjiawan (古鎮添新顏,綠美唐家灣)" initiative, actively participating in the voluntary tree-planting endeavor to enhance the verdant landscape of Tangjiawan, Zhuhai.

BUSINESS SUSTAINABILITY

GaN, as a new generation of material for power semiconductors, with revolutionary material characteristics, is expected to lead a new wave of global energy revolution. In 2023, the market size of the global power semiconductor market was RMB335.7 billion, and it is expected to increase from RMB368.0 billion in 2024 to RMB496.8 billion in 2028, with a CAGR of 7.8%. With its characteristics of high frequency, high power density and low energy consumption, GaN is set to accelerate its market penetration. The GaN power semiconductors accounted for 0.5% of the global power semiconductor market in 2023, and it is expected to constitute 10.1% of the market by 2028. The global market size of GaN power semiconductor market has experienced a significant growth due to the strengthening downstream demand and increasing needs for power supplies. GaN power semiconductors have undergone several developmental stages, including the early development period, the development period, the commercialization period and the boom period, which started from 2023. The global GaN power semiconductor market increased from RMB139.4 million in 2019 to RMB1,759.5 million 2023 with a CAGR of 88.5%, and is expected to further increase with an accelerating CAGR of 98.5% from RMB3,227.7 million in 2024 to RMB50,141.9 million in 2028. Such market expansion is supported by the increase in the penetration rate of GaN power semiconductors in the overall power semiconductor market.

Since our inception in 2017, we have been dedicated to building our mass production capabilities and the investment in the R&D of our core technology as a foundation to capture the opportunities in the booming GaN power semiconductor industry. We commenced mass production in April 2022. As a result, from 2021 to 2023, we started to benefit from economies of scale and experienced a vast increase in revenue with the expansion of our production capacity and product offerings, as well as the maturity of our core technologies. Our revenue increased from RMB68.2 million in 2021 to RMB592.7 million in 2023, with a CAGR of 194.8%. Our revenue increased from RMB308.1 million in the six months ended June 30, 2023 to RMB385.8 million in six months ended June 30, 2024. The increase in our revenue well-represents our growing market position, the expansion of our customers across various downstream applications and the increase in sales to our existing customers.

Analysis on Historical Losses

Notwithstanding the above significant increase in our revenue, we incurred loss for the year of RMB3,399.3 million, RMB2,205.5 million and RMB1,101.9 million in 2021, 2022, and 2023 and loss for the period of RMB579.7 million and RMB488.0 million in the six months ended June 30, 2023 and 2024, respectively. In the semiconductor industry, companies that adopt the IDM model typically experience a common industry cycle, which involves incurring significant upfront capital expenditures and R&D expenses, along with their increase in production capacities. Additionally, these companies undergo a design-in and design-win process prior to achieving economies of scale. Consequently, they inevitably face certain amount of upfront losses. Specifically, our operational losses during the Track Record Period were primarily due to (i) the significant depreciation of production equipment prior to the realization of economies of scale; (ii) the significant amount of R&D expenses recognized during the Track Record Period; and (iii) the increasing selling and marketing expenses during the Track Record Period.

We also recorded finance costs of RMB2,392.1 million, RMB1,029.6 million, RMB118.9 million, RMB62.8 million and RMB44.1 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. The finance costs decreased from 2021 to 2022 were primarily due to the changes in the carrying amount of liabilities recognized for financial instruments issued to investors along with the valuation boost throughout different rounds of equity financing. Our finance costs related to changes in the carrying amount of liabilities recognized for financial instruments issued to investors amounted to RMB2,298.9 million, RMB898.0 million, nil, nil and nil in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. Our adjusted net loss (non-HKFRS measure), which was adjusted by adding back (i) changes in the carrying amount of liabilities recognized for financial instruments issued to investors, (ii) equity-settled share-based payment expenses, and (iii) listing expenses, amounted to RMB1,080.8 million, RMB1,276.9 million, RMB1,015.6 million, RMB549.0 million and RMB377.8 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively.

- *Gross losses incurred during the Track Record Period*: our gross losses increased from RMB181.5 million in 2021 to RMB394.1 million in 2022, decreased slightly to RMB362.1 million in 2023 and decreased from RMB234.6 million in the six months ended June 30, 2023 to RMB83.2 million in the six months ended June 30,

2024. The enlarged gross loss in 2022 was primarily due to the commencement of mass production of our products in April 2022, before realizing economies of scale. Notably, with the continual expansion of our production capacity and the improvement on production capacity utilization rate, the gross loss margin realized significant improvement from 289.4% in 2022 to 61.1% in 2023 and further to 21.6% in the six months ended June 30, 2024.

- *Increase in selling and marketing expenses during the Track Record Period*: our selling and marketing expenses increased from RMB28.4 million in 2021 to RMB69.3 million in 2022, and further to RMB90.1 million in 2023, primarily due to the increase in the number of employees and the related employee expenses as a result of our business expansion. Our selling and marketing expenses increased from RMB44.8 million in the six months ended June 30, 2023 to RMB50.7 million in the six months ended June 30, 2024, primarily due to an increase in employee expenses, which was primarily due to the share-based payment expenses related to the RSU Scheme, and travelling and promotion expenses, as we actively attended trade shows to expand the market.

- *Massive R&D expenses during the Track Record Period*: we incurred a significant amount of R&D expenses during the Track Record Period, amounting to RMB661.7 million in 2021, RMB581.1 million in 2022, RMB348.7 million in 2023, RMB167.9 million in the six months ended June 30, 2023 and RMB145.5 million in the six months ended June 30, 2024. The significant amount of R&D expenses was primarily a result of the substantial resources we allocated in developing our proprietary technologies, including 8-inch GaN-on-Si wafer production and design technologies, to facilitate ongoing product iteration and improvement in product efficiency.

Path to Profitability

We expect to improve our financial performance and achieve profitability in the near future through continual revenue growth, growing economies of scale and improving operating efficiency.

Achieving Sustained Growth in Revenue

We seek to drive continual overall revenue growth through the following measures:

- Increasing the penetration rate of GaN power semiconductors among the various downstream applications while reinforcing our robust positioning in the consumer electronics market. The EVs and the data center industries are poised for significant growth in the near future. Given the high power density and efficiency of GaN power semiconductors, we anticipate a surge in demand within these two key industries, with a CAGR of 216.4% in the EVs industry and 81.0% in the data center industry, both from 2024 to 2028. Furthermore, the demand for GaN power semiconductors in other industries is expected to continue to grow, such as consumer electronics and renewable energy, with a CAGR of 71.1% and 69.1% from 2024 to 2028, respectively. The projected CAGR and demand growth for GaN power semiconductors in downstream industries are driven by the need for more efficient and compact power solutions, tailored to each industry's characteristics. In EVs, the demand for longer driving ranges and increased battery capacities leads to higher adoption rates and increased value of GaN power semiconductors per vehicle. The data center industry's growing power demand and need for efficiency and compactness is expected to boost GaN power semiconductor applications. Innovative product offerings in various scenarios, especially fast chargers and adapters, indicate substantial growth potential in consumer electronics will lead to increasing GaN penetration rate and higher value per device. In renewable energy and industrial applications, the global rise in energy storage adoption, the proliferation of 5G base stations and high power consumption drive demand for GaN power semiconductors. According to Frost & Sullivan, GaN has been adopted and favored by industry-leading companies as a superior alternative to silicon devices across the downstream applications. For instance, three globally leading smartphone manufacturers have launched GaN fast-charging products, a major multinational automotive OEM and an electrical equipment manufacturer have incorporated GaN into their charging systems so as to enhance charging efficiency. Notably, our flagship V-GaN chip was integrated into the battery management systems of smartphones from a leading manufacturer, marking a milestone in the expanded application of GaN. In response to the strong demand of GaN power semiconductors from the downstream applications, we intend to acquire more customers in the EVs industry, the data center industry and beyond, as well as increasing the penetration rate of our products, thereby achieving a substantial increase in our revenue in the coming years.

To increase the penetration rate of GaN power semiconductors in various downstream applications, we plan to (i) strengthen our cooperation with existing customers while actively acquiring new customers across various application areas to support our continued revenue growth, and (ii) increase our production capacity, proactively planning and expanding to seize market opportunities in downstream sectors. We place great emphasis on developing and maintaining long-term relationships with major customers, which are rooted in our established technology leadership and proven commercialization capabilities. Our 8-inch GaN-on-Si wafer technologies, full voltage spectrum product portfolio, unique GaN packaging technologies and robust reliability enable us to promptly and effectively respond to the highly customized needs of major customers. We established an efficient communication mechanism with our major customers, which allows us to promptly address their technical problems while helping them stay informed about our new products, recognize the advantages of our offerings and expand the application of our products. Our industrial-scale commercialization assists them in rapidly bringing innovative products to market. In addition, our approach of early engagement in the product introduction phase allows us to closely collaborate with our customers and gain deeper mutual understanding. These combined efforts ultimately lead to long-term sustainable customer relationships and enhanced customer loyalty. In 2021, 2022, 2023 and the six months ended June 30, 2024, we engaged 12, 21, 22 and eight new direct sales customers, respectively. Based on the strong market demand, the increase in the number of customers during the Track Record Period and our on-going negotiations with potential customers, we anticipate acquiring approximately over 30 more direct sales customers between the second half of 2024 and the end of 2026. We actively participate in design-ins and secure design-wins as part of our customer acquisition process. In 2021, 2022, 2023 and the six months ended June 30, 2024, we secured six, 230, 244 and 244 design-wins, respectively, illustrating our strong ability to offer tailored products to the customers and forming a solid foundation for sustained revenue growth. As of the Latest Practicable Date, 66.7%, 48.3%, 41.9%, and 40.1% of the design-ins in 2021, 2022, 2023 and the six months ended June 30, 2024, were subsequently converted to design-wins, respectively. The change in the conversion rate was primarily due to (i) the substantial increase in the number of design-ins we participated in since we commenced mass production, and (ii) the longer time required for the conversion process from design-ins to design-wins, based on customers' product launch schedules. We expect to secure approximately 185 new design-wins between the second half of 2024 and the end of 2026, taking into account the cooperations with existing customers, the growth in the number of design-wins over the Track Record Period and our ongoing engagement with potential customers. As of the Latest Practicable Date, we had a backlog of unfulfilled orders totaling approximately RMB291.4 million, among which, approximately RMB196.4 million of the unfulfilled order is expected to be fulfilled by 2024, and approximately RMB95.0 million of the unfulfilled order is expected to be fulfilled by 2025. We generally formulate production schedules based on confirmed orders and production requests from our customers, considering various factors such as our inventory levels, production capacity and supplier lead time. Therefore, production of the products in the unfulfilled orders is planned to be carried out in the ordinary course of business in 2024 and 2025.

We plan to increase our production capacity from 12,500 wafers per month as of June 30, 2024 to 70,000 wafers per month over the next five years. This expansion is in response to the significant growth in GaN downstream application markets and the increasing penetration of GaN products, which are expected to account for 10.1% of the global power semiconductor market by 2028, up from 0.5% in 2023, according to Frost & Sullivan. According to the same source, the GaN power semiconductor market is expected to grow at a CAGR of 98.5% from 2024 to 2028, driven by increasing demand in sectors such as consumer electronics, EVs, renewable energy, industrial applications and data centers. Specifically, the GaN power semiconductor market for consumer electronics and EVs is projected to reach RMB21,133.3 million and RMB24,636.5 million, respectively, by 2028. The market for renewable energy and industrial applications is forecasted to grow to RMB1,577.0 million, while the demand in data centers is expected to rise to

RMB1,462.0 million by 2028. This reflects the growing need for high-efficiency and compact power solutions in these sectors. Despite the rapid expansion of our production capacity during the Track Record Period, the utilization rate of our production bases continued to improve since we commenced mass production in 2022, reaching 72.8% in the six months ended June 30, 2024. See "— Production — Production Bases." With our 33.7% market share in the global GaN power semiconductor industry as of 2023, and based on increasing design-win projects and customer acquisitions, we anticipate that utilization will gradually rise to 85% to 90% over the next two years. Considering the robust market expansion and increasing adoption of GaN products, we expect that demand from new and existing customers will require an increase in production capacity to 70,000 wafers per month by 2028. To promptly seize downstream market opportunities, we believe it is crucial to reserve capacity in advance. We project that the utilization rate of our expanded production capacity will exceed 90% as we continue to capture opportunities in high-growth sectors, ensuring our ability to meet the market's rising demand for GaN power semiconductors.

We expect to incur additional capital expenditure to cater for the increase in production capacity. As of June 30, 2024, we had capital commitments related to property, plant and equipment of RMB52.5 million. We also plan to used net proceeds from the Global Offering to purchase and upgrade equipment and machinery for the expansion of production lines at our production bases. See "Future Plans and Use of Proceeds — Use of Proceeds."

- Continually enhancing our technologies to develop a broader array of products in terms of type, including GaN discrete chips and ICs, wafers and modules. With the expansion of our product offerings to include GaN modules, we developed the All-GaN modules for battery forming and grading equipment power supplies, marking a significant advancement for us from providing single chips to complete power conversion solutions. This not only significantly improved our customers' manufacturing processes and boosted their production efficiency but also strengthened customer confidence and promoted broader adoption of our GaN products. We achieved 32.1% of our total revenue from GaN modules immediately upon their launch in 2023.

  Furthermore, a core strategy of our development is to offer products that cover the full spectrum of voltage ranges, enabling us to provide tailored solutions for a variety of downstream applications. Based on the product design process and progress made during the Track Record Period, we are committed to the development and optimization of our full voltage spectrum technology platform. For example, in 2022, we launched our flagship V-GaN chips that streamline OVP circuits by replacing two silicon MOSFETs with one V-GaN chip. As the world's first GaN chip integrated into smartphones, this V-GaN chip has successfully expanded the application of GaN from fast-charging products to a broader range of consumer electronics applications. Fueled by this breakthrough, revenue from our

GaN discrete chips and GaN ICs saw significant growth, with a growth rate of 123.0% from 2022 to 2023 and 141.6% from the six months ended June 30, 2023 to the six months ended June 30, 2024. We plan to continually upgrade our 40V, 100V and 150V low-voltage products, as well as our 700V high-voltage products. By 2025, we aim to develop 15V-120V low-voltage products, 700V-900V and 900V-1200V high-voltage products on the current technology platform, and further enhance them in 2026. The continual iteration of our products enables us to offer more competitive products with better performance to our customers. The diversification and enhancement of our product offerings would also allow us to meet the diverse needs of our customers, thereby increasing the penetration rate of GaN power semiconductors among the various downstream applications, driving order volume and contributing to sustained revenue growth. The global GaN power semiconductor market is expected to surge at a CAGR of 98.5%, from RMB3,227.7 million in 2024 to RMB50,141.9 million in 2028, and is expected to constitute 10.1% of the global power semiconductor market by 2028.

Since commencing mass production in 2022, we have actively improved our production processes and efficiency through advanced technologies. These improvements have enhanced our yield rates, reduced our production costs, and optimized our internal resource allocation. Benefiting from these advancements, our product sales increased significantly during the Track Record Period. For example, we have sold an aggregate of over 185 million GaN discrete chips and ICs during the Track Record Period, prominently validating our revenue growth momentum.

- Enhancing our marketing activities and marketing efficiency. By continually investing resources in marketing activities, we aim to broaden the recognition of our brand across diverse downstream industries and various geographical markets, thereby diversifying our revenue streams. We plan to set up regional sales teams in key geographical areas, both in China and overseas.

Narrowed Gross Loss Margin

As our business and revenue grow, we expect to benefit from economies of scale, thereby leading to significant improvements in gross profit and gross margin. With the increase in product shipment and the growing economies of scale, depreciation, which is an important contribution of our cost of sales as a fixed cost, is expected to be greatly diluted in terms of cost per product shipped. The depreciation and amortization allocated to cost of sales as a percentage of revenue decreased drastically from 121.2% in 2022 to 46.7% in 2023, and from 47.4% in the six months ended June 30, 2023 to 31.4% in the six months ended June 30, 2024, as we started to benefit from economies of scale, and we expect this trend to continue. We also expect our running costs, primarily comprising packaging and testing, material and utilities, each as a percentage of revenue continues to be further optimized. Therefore, we expect our gross margin to improve significantly and realize positive gross profit in the near future.

Improving Operating Efficiency

In terms of operating expenses, we intend to efficiently manage our expenses as a percentage of our total revenues and expect margin improvements from economies of scale and enhanced operating efficiency.

- Specifically, selling and marketing expenses as a percentage of revenue decreased significantly from 50.9% in 2022 to 15.2% in 2023, and from 14.6% in the six months ended June 30, 2023 to 13.1% in the six months ended June 30, 2024. We expect to experience continual improvement of marketing efficiency, benefiting from our established brand name, solid industry reputation and diverse product offerings. In particular, the recognition of GaN products and our brand name in downstream applications will help reduce our promotion expenses and the expenses associated with new customer acquisition. At the customer level, sales to customers with large purchasing needs are expected to account for an increasing proportion of our total sales, and the growing number of distributors will effectively drive up our sales while reducing selling and marketing expenses as a percentage of revenue. Additionally, benefiting from the expansion of downstream applications for GaN products, our well-trained and stable sales and marketing team will bring us more sales while facilitating a decrease in employee expenses as a percentage of revenue.

- Our R&D efficiency improved significantly during the Track Record Period, as shown by the decrease in engineering test expenses as a percentage of both revenue and R&D expenses. Engineering test expenses as a percentage of revenue decreased from 724.0% in 2021 to 266.1% in 2022, further to 15.8% in 2023, and from 14.4% in the six months ended June 30, 2023 to 5.7% in the six months ended June 30, 2024. As a percentage of R&D expenses, engineering test expenses decreased from 74.6% in 2021 to 62.4% in 2022, further to 26.8% in 2023, and from 26.4% in the six months ended June 30, 2023 to 15.5% in the six months ended June 30, 2024. As our technologies mature and the yield rate of our product offering continues to improve, we expect a higher R&D efficiency with a decrease in the engineering test expenses. During the Track Record Period, the R&D expenses as a percentage of revenue improved significantly from 970.0% in 2021 to 426.7% in 2022, to 58.8% in 2023, and from 54.5% in the six months ended June 30, 2023 to 37.7% in the six months ended June 30, 2024. We expect these trends to continue, as (i) we strive to optimize and standardize our R&D process and methods to improve R&D efficiency, which includes developing a platform to facilitate rapid production of our full-voltage product portfolio and implementing wafer-level testing to shorten development cycles and costs, and (ii) our R&D team was well-established and will remain relatively stable in the near future, leading to a decrease in employee expenses as a percentage of revenue.

- Furthermore, we expect more effective management of our administrative expenses through the optimization of our team structure and enhanced efficiency within our management team.

We thus expect to achieve a better operating efficiency with our control over the operating expenses.

Improving Cash Flow Performance

Our net cash used in operating activities experienced significant improvements, decreasing from RMB936.3 million in 2022 to RMB593.6 million in 2023, and from RMB240.9 million in the six months ended June 30, 2023 to RMB155.5 million in the six months ended June 30, 2024. Our approach to working capital management has led to significant improvements in operating cash flow at the net profit level. Depreciation and amortization as well as other fixed costs, including engineering and maintenance expenses and manufacturing labor costs as a percentage of revenue, decreased during the Track Record Period, improving our gross margin and operating efficiency. Specifically, depreciation and amortization allocated to cost of sales as a percentage of revenue decreased from 121.2% in 2022 to 46.7% in 2023, and from 47.4% in the six months ended June 30, 2023 to 31.4% in the six months ended June 30, 2024. Engineering and maintenance expenses allocated to cost of sales as a percentage of revenue decreased from 123.2% in 2021 to 99.4% in 2022, which further decreased to 48.4% in 2023. It also decreased from 48.7% in the six months ended June 30, 2023 to 28.1% in the six months ended June 30, 2024. Manufacturing labor costs allocated to cost of sales as a percentage of revenue decreased from 13.2% in 2021 to 11.1% in 2022, further to 4.7% in 2023, and from 5.4% in the six months ended June 30, 2023 to 2.3% in the six months ended June 30, 2024.

We implement proactive measures to control our cost of sales. For instance, based on comprehensive market research and inquiries, we select suppliers who can ensure quality and offer more competitive prices through bidding processes. Additionally, we continuously evaluate and test secondary and tertiary suppliers for the same raw materials, striving to reduce procurement costs. As we adopted measures to enhance cost efficiency and achieve economies of scale, the total of material costs, utilities costs and packaging and testing costs among cost of sales as a percentage of revenue decreased consistently since 2022, from 96.7% in 2022 to 53.8% in 2023, and from 67.8% in the six months ended June 30, 2023 to 42.7% in the six months ended June 30, 2024.

In addition to benefiting from economies of scale, we seek to develop more cost-effective alternative materials while ensuring product quality and optimize production processes to reduce material consumption, thereby continuously lowering material costs as a percentage of revenue. For example, in our production process, we optimized the cleaning procedure by using cost-effective inorganic acids instead of organic acids, achieving consistent cleaning results. By refining the photolithography coating process, we significantly reduced the consumption of photoresist. We actively promote energy saving and optimize the operational systems within our production facilities to reduce energy consumption. We also enhanced water recovery efficiency through the implementation of water storage systems and wastewater recycling systems. In terms of packaging and testing costs, we introduced cost-effective packaging materials, such as lead frames, molding compounds, silver paste and copper wire. Through technological improvements, we enhance yield rates, thereby reducing testing requirements. Additionally, we establish deep strategic partnerships with suppliers and adopt competitive bidding to reduce the procurement costs of packaging and testing services.

In addition, improvements in trade receivable turnover days and trade payable turnover days further highlight our effective management strategies. Specifically, our trade receivables turnover days decreased from 201.4 days in 2021 to 134.7 days in 2022, which further shortened to 132.5 days in 2023, and remained relatively stable at 133.2 days in the six months ended June 30, 2024. Our trade payable turnover days decreased from 111.9 days in 2021 to 71.1 days in 2022, and then to 34.2 days in 2023 and remained stable at 34.2 days in the six months ended June 30, 2024. With our expecting business scale, growing economies of scale, improving operating efficiency and more effective management of our working capital, we expect a further improvement in our operating cash flow, leading to net operating cash inflow in the near future.

In 2023, we achieved net cash generated from investing activities amounting to RMB338.2 million, a notable improvement compared to net cash used in investing activities of RMB2,114.9 million and RMB93.8 million in 2021 and 2022, respectively. These previous outflows were largely due to significant capital expenditures incurred from the purchase of production equipment. In the six months ended June 30, 2024, our net cash used in investing activities was RMB308.6 million. This was primarily due to a shift from equipment procurement to investments in negotiable certificates of deposit and increased purchases of wealth management products, mainly structured deposits, to optimize the use of our funds. Going forward, with our core production facilities now established, we plan to expand our production capacity prudently and efficiently, ensuring a well-managed investing cash flow.

In summary, the loss for the period incurred during the Track Record Period reflect our strategic focus on growth, technological enhancement and the expansion of our product portfolio, all of which pave the way for long-term profitability. As our technologies mature and our product offering continues to expand, we are poised to meet the diverse needs of our downstream customers and drive further revenue growth. Moreover, with the growing economies of scale, rigorous cost control measures and ongoing improvements in operating efficiency, we anticipate significant improvements in margins that will underpin our long-term sustained profitability while we expect to incur gross loss and net loss in 2024.

Based on the foregoing and considering that our financial resources, demand from our customers in the foreseeable future, proactive expansion plan and the industry growth rate of various down-stream applications, our Directors are of the view that our Group has a sustainable business. Based on the due diligence conducted by the Joint Sponsors, nothing material has come to the Joint Sponsors' attention that would cause them to cast doubt on the Directors' view on the sustainability of our Group. The foregoing forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements are subject to risks, uncertainties and other factors, some of which are beyond our control, which may cause the actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. For related risks, see "Forward-looking Statements" section in this Prospectus.

PROPERTIES

Owned Properties

We own and occupy certain land parcels and buildings in the PRC for our business operations. These owned properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. As of the Latest Practicable Date, we owned two land parcels with a total site area of 174,361.0 sq.m. and 11 properties with a total gross floor area of 157,447.57 sq.m. in the PRC. These properties are primarily used as our production facilities, warehouses and offices to support our business operations.

Except for the property interests described in the valuation report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, our Group has no other owned single property interest that forms part of our non-property activities that has a carrying amount of 15% or more of total assets pursuant to Rule 5.01B(2)(b) of the Listing Rules. For details, please refer to the valuation report in Appendix III to this prospectus. See "Risk Factors — Risks Relating to Our Industry and Business — Our property valuation is based on certain assumptions which, by their nature, are subjective and uncertain and may materially differ from actual results."

Our PRC Legal Advisor confirmed that, as of the Latest Practicable Date, we had obtained the real property title certificates and other relevant land use rights certificates of the above two land parcels and five properties.

Leased Properties

As of the Latest Practicable Date, we leased seven properties with an aggregate gross floor area of approximately 5,379.7 sq.m. in the PRC for use as our offices and employee dormitories.

We have taken proactive steps to register these lease agreements. As of the Latest Practicable Date, we completed the registration of three lease agreements for the above leased properties. As the registration of a lease agreement requires the cooperation between the lessor and lessee, and lessors are typically unwilling to undertake the administrative burden, we were not able to complete the registration of the remaining lease agreements. As of the Latest Practicable Date, we were in active communication with our lessors and will take all practicable and reasonable steps to ensure that these lease agreements are registered. Pursuant to the applicable laws and regulations in China, property lease agreements for leased properties must be registered with the relevant real estate administration bureaus in China. As advised by our PRC Legal Advisor, the lack of registration does not affect the validity and enforceability of the lease agreements, but we may be subject to fines from RMB1,000 to RMB10,000 for each such lease agreement for failure to register. Our PRC Legal Advisor advises that, if the lease registration can be completed in accordance with relevant laws and regulations within a reasonable time from the date of application or the prescribed time limit ordered by the competent governmental authorities, the risk of governmental authorities imposing a material penalty on us with respect to these leased properties is remote.

EXPORT CONTROL IMPLICATIONS

U.S. Export Control Implications

Under the United States Export Administration Regulations ("EAR"), a license from the U.S. Department of Commerce, Bureau of Industry and Security ("BIS") is required for the export, re-export or in-country transfer of any items (including commodities, software, and technology) subject to the EAR. Items subject to the EAR include not just U.S.-made items or items physically made in the U.S., but also certain foreign-made commodities, software and technology. As advised by our Export Control Consultant, the following U.S. export control restrictions are not likely to have any material adverse effect on our business operations and financial conditions, for the reasons set forth below.

Supercomputer and Semiconductor Manufacturing End Use Restrictions

As advised by our Export Control Consultant, the Supercomputer and Semiconductor Manufacturing End Use restrictions (as defined below) are the primary measures imposed by the U.S. to deny China access to certain semiconductor and advanced computing technology and to inhibit China's ability to manufacture those items domestically in order to protect U.S. national security and foreign policy interests. Effective from October 2022, the new Section 744.23 of the EAR, known as the "Supercomputer and Semiconductor Manufacturing End Use restrictions," imposes license requirements where an exporter, reexporter or transferor knows or has reason to know that certain items subject to the EAR are intended for a "supercomputer" end-use or are intended for semiconductor manufacturing end-uses, on a staggered basis.

As advised by our Export Control Consultant, (i) given the nature of the items we procured and the products we produce, the intended end-use of our products, and our strict compliance with the U.S. Export Controls, the Supercomputer And Semiconductor Manufacturing End Use restrictions do not likely to have a material impact on our business operation and financial positions, or result in any violations of the EAR by our Company; (ii) the activities of Dr. Luo and Mr. Son are unlikely to implicate the Supercomputer and Semiconductor Manufacturing End Use restrictions or U.S. export controls on deemed export; and (iii) other than certain items classified 3B001.A ("3B001.A items") that we were authorized to procure described hereinbelow, we did not procure any items subject to the EAR that would require a license for the relevant supplier to sell to our Group during the Track Record Period. For the 3B001.A items that we procured from one supplier in Germany during the Track Record Period which are controlled by relevant export control restrictions, the relevant supplier was required to obtain export licenses from the competent agency to export to our Group any items controlled for national security and regional stability reasons. The relevant supplier has obtained relevant licenses from the Federal Office for Economic Affairs and Export Control ("BAFA"), as the central licensing authority responsible for the administrative implementation of the German Federal Government's export control policy, to conduct such exports in compliant with requirements under the EAR. During the Track Record Period, we have procured 1,349, 301, 579 and 216 3B001.A items, respectively, primarily including epitaxial equipment which we paid in 2021 totaling approximately RMB221.8 million, and components used in epitaxial equipment. The purchase amount of such 3B001.A items was approximately RMB245.7 million, RMB4.4 million, RMB0.7 million and RMB0.2

million in 2021, 2022, 2023 and the six months ended June 30, 2024, respectively, accounting for 13.7%, 0.5%, 0.1% and 0.1% of our total purchases in the respective periods. In particular, the procurements of equipment, primarily undertaken during the mass production and capacity ramp-up phases, are not part of our regular purchasing activities and are not expected to have any material impact on our ongoing business operations. We are able to source alternatives at comparable prices if the Germany supplier fails to obtain the export licenses for the supply of aforementioned items to us.

Outbound Investment Program

As advised by our Export Control Consultant, the Provisions Pertaining to U.S. Investments in Certain National Security Technologies and Products in Countries of Concern (the “Final Rule”), which will become effective in January 2025, is the primary restriction to impact new investments by U.S. persons in specified sectors (including semiconductors and microelectronics) in “countries of concern,” anticipated to include the PRC, Hong Kong and Macau.

On August 9, 2023, the Biden Administration issued the Executive Order on Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern (“Reverse CFIUS EO”) granting the U.S. government the authority to establish and enforce an outbound investment screening regime (“Outbound Investment Program”). The Outbound Investment Program, pursuant to forthcoming implementing regulations, will (i) require U.S. persons to notify the Department of the Treasury of certain transactions and (ii) prohibit U.S. persons from engaging in other transactions, in both cases related to certain Chinese parties that are engaged in subsets of three advanced technology sectors: (a) semiconductors and microelectronics; (b) quantum information technologies and (c) certain artificial intelligence (“AI”) systems. Alongside the Reverse CFIUS EO, the U.S. Department of the Treasury issued an Advance Notice of Proposed Rulemaking (“ANPRM”), which details the intended scope of the outbound investment program and solicits input from the public in order to engage stakeholder participation in the rulemaking process. On October 28, 2024, the Department of the Treasury issued the Final Rule to implement the President’s Order of August 9, 2023.

As advised by our Export Control Consultant, considering that the U.S. Department of the Treasury does not propose to apply the Final Rule retroactively, existing investments made by U.S. persons in our Company (including investment by Dr. Luo) or investments made before the implementation of the forthcoming regulations are not expected to be affected. Moreover, as the Final Rule targets U.S. persons “investing” in specified sectors, it will not affect Dr. Luo and Mr. Son’s positions as key management personnel in our Company. Following the completion of the Global Offering, upon effectiveness of the Final Rule, it is expected that U.S. persons will be able to invest in our H Shares based on the publicly traded securities exception under the Final Rule as long as the investment made do not afford a U.S. person certain rights that are not standard minority shareholder protections. However, the Final Rule nonetheless may increase the compliance burden of U.S. investors and affect investor sentiment. See “Risk Factors — Risks Relating to Our Industry and Business — Our business, financial condition and results of operations may be materially and adversely affected by international policies and international export controls and economic sanctions.”

PRC Export Control Implications

Effective July 3, 2023, the Ministry of Commerce and the General Administration of Customs of the PRC issued the "Announcement of the Ministry of Commerce and the General Administration of Customs on Export Control of Gallium and Germanium-Related Items" (the "Announcement No. 23"), which lists certain gallium and germanium-related items subject to export control. On December 3, 2024, the Ministry of Commerce issued the "Announcement on Strengthening Export Control of Relevant Dual-Use Items to the United States" (the "Announcement No. 46"), which strengthens the control over export of dual-use items (including gallium relevant dual-use items) to the United States. See "Regulatory Overview — Regulations on Product Quality and Import and Export Trade." As advised by our PRC Legal Advisor, as of the Latest Practicable Date, considering that (i) we primarily procured trimethylgallium for production, as gallium is not a direct raw material used in our production, and manufactured GaN product is not expressly set out in Announcement No.23 or Announcement No. 46, and (ii) our main business does not include the export of any items listed in the Announcement No. 23, nor does it include any export of dual-use items to the United States listed in the Announcement No. 46, Announcement No. 23 and Announcement No. 46 are not expected to have material adverse impact on our business, financial condition and results of operations.

Internal Control Measures

To ensure compliance with export control regulations and avoid any risks related to export violations, we have established comprehensive internal control measures in line with international and domestic legal requirements:

- *Policy Framework*: We have implemented an Export Control Compliance Policy Statement (《出口管制合規政策聲明》) that mandates compliance with the export control laws and regulations of China, the United States, and other applicable jurisdictions by all employees and management personnel. In addition, we have formulated an Export Compliance Manual (《出口合規手冊》) and a Standard Operating Procedures for Export Control (《出口管制標準操作手冊》), which set forth detailed operational procedures for export compliance reviews, product classification applications, minimum percentage calculations, export license application processes, and non-compliance reporting procedures.

- *Organizational Structure*: We have set up an Export Compliance Committee composed of department heads from Legal, Audit, Sales and Marketing, Supply Chain, R&D, HR, and IT. This committee convenes quarterly to discuss export compliance matters. The Export Compliance Manager is responsible for enhancing compliance strategies, providing comprehensive and up-to-date training, and reporting regularly to senior management on the effectiveness of these measures.

- *Internal Operations*: To ensure strict adherence to legal requirements, we have established detection, identification, prevention, and correction mechanisms at critical points in our business processes. These mechanisms are integrated into the control of products, supply materials, capital equipment, technology, and personnel. Furthermore, we proactively classify self-developed products through BIS and mitigate export control risks in advance. Projects identified as carrying export control compliance risks are assessed under the Export Compliance Proposal Management Measures (《出口合規提案管理辦法》), and proposals are submitted via an Export Compliance Proposal Form to the Export Compliance Committee, which determines whether a license or other specific decision is required for the collaboration.

- *External Collaboration*: We conduct thorough due diligence on the materials, equipment, and technology provided by suppliers. Suppliers are required to complete a "U.S. Export Control Compliance Survey" and provide relevant product information, including ECCN classifications. Similarly, for products sold to customers, we require them to sign a U.S. Export Control Compliance Commitment Letter.

By implementing these robust internal control measures, we aim to ensure full compliance with export control regulations, safeguard our business operations, and mitigate any potential legal risks.

LICENSES, APPROVALS AND PERMITS

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

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

In the course of general business operations, we may be involved in contract disputes, litigation or other legal procedures, including claims of alleged infringement of intellectual property rights and share transfer disputes. During the Track Record Period and up to the Latest Practicable Date, we were subject to several litigation matters against us, including litigation from two competitors concerning potential intellectual property infringement by certain of our products (together, the "IP Legal Proceedings") and litigation against us, Dr. Luo, Dr. Wu Jingang ("Dr. Wu", our executive Director and chief executive officer), and Mr. Zhong Shan ("Mr. Zhong", our executive Director and chief financial officer), the details of which are set forth below. Such proceedings or claims, regardless of merit, may prevent, limit, or interfere with our production, use, development, sales, or marketing, and could therefore disturb our daily operations and distract our management. See "Risk Factors — Risks Relating to Our Industry and Business — Our business depends on our ability to protect our intellectual property rights, and we may be subject to intellectual property infringement and other claims by third parties in the PRC or other jurisdictions, which, if successful, could cause us to pay significant damages and incur other costs." and "Risk Factors — Risks Relating to Our Industry and Business — We are subject to risks relating to litigations and disputes with employees, competitors, business partners or other parties, which could adversely affect our business, financial condition, results of operations and prospects."

EPC Cases

EPC ITC Case

Background

In May 2023, Efficient Power Conversion Corporation ("EPC") initially alleged infringement of four patents, namely, U.S. Patent No. 8,350,294 (the "'294 patent"); U.S. Patent No. 8,404,508 (the "'508 patent"); U.S. Patent No. 9,748,347 (the "'347 patent"); and U.S. Patent No. 10,312,335 (the "'335 patent") at the United States International Trade Commission ("ITC"). These patents are related to packaging for certain GaN HEMT devices and methods of making the same.

Current Status

During the ITC investigation, EPC withdrew the claims on the '347 and '335 patents, but continued to assert three claims of the '294 patent and one claim of the '508 patent. On November 7, 2024, the ITC issued its final determination (the "Final Determination"). Pursuant to which, we obtained a favorable ruling as to the '508 patent, where the Final Determination found that there was no violation by us. As to the '294 patent, the Final Determination found that (i) one claim is invalid, so there is no violation by us with respect thereto; and (ii) there was violation by us with respect to the other two claims because they are allegedly valid and infringed.

Based on the Final Determination regarding the '294 patent, the ITC has issued (i) a limited exclusion order, prohibiting the importation of our infringing products into the U.S.; and (ii) cease-and-desist orders, prohibiting sales of our infringing products within the U.S. after importation (the limited exclusion order and the cease-and-desist orders, together, as the "Remedial Orders"). The ITC's Final Determination is subject to a 60-day presidential review period which ends on January 6, 2025, during which current president may indicate disapproval of the exclusion order. If the 60-day period lapses without presidential action, the ITC's determination becomes final.

However, as we disagree with the ITC's Final Determination regarding the two claims of the '294 patent where violations were found, we plan to appeal to the U.S. Court of Appeals for the Federal Circuit. The deadline for filing the appeal is March 7, 2025. Meanwhile, we have filed petitions for inter partes review ("IPRs") with the United States Patent and Trademark Office ("USPTO") to challenge the validity of all four of the originally asserted patents by EPC, namely, the ’294, ’508, ’347 and ’335 patents. Although EPC withdrew its infringement claims on the ’347 and ’335 patents at the ITC, we continue to challenge at the USPTO the validity of all originally asserted patents, including the ’347 and ’335 patents. The IPRs have been instituted by the USPTO. In the USPTO’s decisions on instituting all four IPRs, it concluded that “there is a reasonable likelihood that Petitioner [InnoScience] would prevail with respect to at least one of the claims challenged in the Petition.” As advised by our IP litigation counsel, if we secure final determinations from the USPTO in the IPR proceedings that invalidate the ’294 patent, the ITC could stay the Remedial Orders, even if issued. We expect to receive the USPTO’s final determinations on the four IPRs by March 2025.

Analysis of Potential Impact

As advised by our IP litigation counsel, in the unlikely event that the USPTO issues an adverse decision in the IPRs invalidating the challenged patent claims brought by us, we have several options to maintain our position, including filing for rehearing with the Patent Trial and Appeal Board, appealing in court, and filing for ex parte re-examination with the USPTO.

In the unlikely event that the USPTO issues an adverse decision in the IPRs invalidating the challenged patent claims brought by us, and the U.S. Court of Appeals for the Federal Circuit also rules adversely, finding violation by us regarding the two claims of the ’294 patent, we will implement the design-around solution that has been in place to mitigate or avoid any negative impact.

We are actively implementing our design around solution which deploys approaches other than the compensated GaN layer to achieve the same level of product performance, mitigating the potential effects brought by the Final Determination. We have conducted extensive testing on the prototype products generated from the solution, the result of which has proved that the core indicators such as conductivity have met the expected benchmarks of the original products. Concurrently, we are optimizing our manufacturing process to align with the requirements of the design around solutions and have initiated third-party verification testing for these prototype products. Mass production of the design-around products is anticipated to commence in January 2025.

On the grounds that (i) we have already had a design-around solution in place to address the Remedial Orders. The solution, which is expected to take approximately two months to fully deploy at an estimated cost of RMB500 thousand, is expected to mitigate any potential disruption brought about by the Remedial Orders without materially impacting our operations or financial condition; (ii) as advised by our IP litigation counsel and PRC Legal Advisor, the ITC’s Final Determination does not have any extra-territorial effect outside the U.S. and therefore does not impact our operations in the PRC or any other non-U.S. jurisdictions; (iii) the ITC’s Final Determination has no binding effect on the USPTO or the U.S. District Court for the Central District of California, and in particular, the USPTO will independently review the patents’ validity without regard to the ITC's findings; and (iv) as advised by our IP litigation counsel, the Remedial Orders addressed to us would not affect the ability of third-party customers to import downstream products that incorporate our products into the U.S. as no third party was named in the investigation, thus mitigating the impacts on the sales of our products to customers, our Directors are of view that the ITC's Final Determination does not have any material adverse impact on our business, financial condition and results of operations.

EPC California Case

Background

In May 2023, EPC asserted the same four patents as those initially asserted in the ITC case in the U.S. District Court for the Central District of California. As such, the legal proceeding involved the same set of products as involved in the EPC ITC case.

Current Status

As of the Latest Practicable Date, the California case was stayed pending the resolution of the ITC case (which includes exhaustion of all appeals). Once the ITC case concludes, both parties are required to notify the district court, and the district court can lift the stay. Upon reactivation of the case, we will vigorously defend our non-infringement and invalidity positions.

EPC has asked the district court to issue a permanent injunction and award monetary damages. However, developments regarding potential monetary amounts of damages for the EPC California case had not occurred as of the Latest Practicable Date.

Analysis of Potential Results

As advised by our IP litigation counsel, the ITC's Final Determination should have no impact on the EPC California case, on the grounds that (i) the California court is not bound by the ITC's decision and will make its own independent finding. Should the USPTO invalid the '294 patent in response to the Company's IPR filings by March 2025, the ITC may stay its Remedial Orders, effectively removing EPC's valid patent basis for pursuing the California case; (ii) we have cited prior art that discloses the claim term "compensated GaN layer" in the '294 patent under the Office of Unfair Import Investigations' ("OUII") construction[1], which would render the patent invalid due to obviousness; and (iii) our products do not include the "compensated GaN layer" under OUII's construction, supporting our position of non-infringement.

(1) The ITC's Final Determination regarding the validity of two claims of the '294 patent is based on its adopted OUII's construction of the claim term "compensated GaN layer."

In the unlikely event that the USPTO issues an adverse decision in the IPRs invalidating the challenged patent claims brought by us, and an adverse ruling is issued by the U.S. District Court for the Central District of California, granting injunctive relief and awarding monetary damages, we have already had a design-around solution in place for the ’294 patent to mitigate or avoid any negative impact. Moreover, our IP litigation counsel is of the view that our potential exposure to economic outflow due to any injunction or damages award is likely remote, because we are more likely than not to prevail in this case and our volume, revenue and profits of sales in the U.S. for the accused products during the Track Record Period were small (contributing to less than 1% of our total revenue during each period of the Track Record Period).

Infineon Cases

Infineon California Case

Background

In March 2024, Infineon Technologies Austria AG (“Infineon”) filed a complaint with the U.S. District Court for the Northern District of California (“NDCA”) asserting certain of our packaged GaN transistors infringe a single U.S. patent, namely, the U.S. Patent No. 9,899,481 (the “’481 patent”). We petitioned the USPTO for IPR of the validity of the ’481 patent and requested that the USPTO invalidate all claims of the ’481 patent.

On July 23, 2024, Infineon filed an amended complaint in the NDCA, adding three additional patents to the case, namely, U.S. Patent No. 8,686,562 (the “’562 patent”), 9,070,755 (the “’755 patent”), and 8,264,003 (the “’003 patent”). The asserted patents are related to the packaging for certain packaged devices and gate driver circuits. We firmly deny each of Infineon’s newest allegations of patent infringement.

Current Status

On August 30, 2024, the presiding district court judge issued an order staying all proceedings in the Infineon California case, due to the pending Infineon ITC case (see below). Before the stay, no substantial activities had yet occurred in the Infineon California case. As the Infineon California case remains in its early stage and was stayed as of the Latest Practicable Date, no developments regarding potential monetary amounts of damages for the Infineon California case have occurred as of the same date.

Analysis of Potential Results

Our IP litigation counsel is of the view that we are more likely than not to prevail in this case because (i) it is hard for Infineon to meet all the requirements to establish a violation of the relevant U.S statute or that it is entitled to any relief; and (ii) we have solid grounds to prove the invalidity of the asserted patents as illustrated below in the Infineon ITC case.

Our IP litigation counsel is of the view that our potential exposure to economic outflow due to any injunction or damages award is likely remote, because we are more likely than not to prevail in this case and our volume, revenue and profits of sales in the U.S. for the accused products during the Track Record Period were small (contributing to less than 1% of our total revenue during each period of the Track Record Period). In the unlikely event of an adverse ruling we have design-around options available that we can exercise to mitigate or avoid any negative impact.

Infineon ITC Case

Background

On July 26, 2024, Infineon filed a lawsuit at the ITC and asserted the same four patents asserted in the Infineon California case, namely, the ’481 patent, the ’562 patent, the ’755 patent and the ’003 patent. As such, the legal proceeding involved the same set of products as involved in the Infineon California case. As with the Infineon California case, we firmly deny each of Infineon’s allegations of patent infringement as well as the validity of each asserted patent. As of the Latest Practicable Date, the Infineon ITC case was still at its early stage.

Current Status

On August 27, 2024, the ITC issued a notice of institution of the investigation and assigned an Administrate Law Judge. The target date for completion of the ITC investigation is expected to be around March 2026. We have filed IPRs against all four of the asserted patents by Infineon. On December 11, 2024, the USPTO issued a decision not to institute the IPR for the ’481 patent. Decisions on whether to institute IPRs for the remaining three patents are still pending as of the date of this prospectus. We intend to pursue other available avenues at the USPTO to challenge the validity of the ’481 patent.

Analysis of Potential Results

Based on initial assessment, our IP litigation counsel is of the view that we are likely to obtain a favorable ruling in the ITC case, given that (i) it is hard for Infineon to meet all the requirements to establish a violation of the relevant U.S statute or that it is entitled to any relief; (ii) we have solid grounds to prove the invalidity of the ’481 and ’755 patents due to insufficient written description and obviousness, supported by substantial prior art such as printed publications and prototype systems. We are also actively uncovering other prior art systems to invalidate the ’562 and ’003 patents; and (iii) Infineon’s products lack domestic industry relating to the asserted patent. For the above reasons, our IP litigation counsel is of the view that the chances of us to receive an adverse ruling in the Infineon ITC case are relatively low. As advised by our IP litigation counsel, the USPTO’s decision on ’481 patent is unlikely to have any material adverse effect on the Infineon ITC case or the Infineon California case, as the decision is not a vindication on the ’481 patent’s validity, and we can continue to challenge its validity through other available avenues at the USPTO, ITC and NDCA.

In addition, it is also important to note that, as advised by our IP litigation counsel, the Infineon ITC case has no effect on our current ability to deliver accused products. The lawsuit also only concerns a fraction of our products, thus excluding from impact at least unpackaged transistors and wafers, integrated solutions, bi-directional devices, mid-voltage devices and certain packaged transistors.

Nonetheless, in an unlikely event that we failed to obtain a favorable ruling on this case, the ITC may choose to issue one or both of the following remedial orders: (i) a limited exclusion order, barring from entry in the U.S. any of the infringing products; and (ii) a cease-and-desist order, barring us from selling off imported infringing products within the U.S. However, unlike U.S. district courts, the ITC has no authority to award any monetary damages, thus none would be issued.

In the unlikely case of an adverse ruling, we have various options to mitigate or eliminate any negative impact caused by it. In addition to the design-around options mentioned in Infineon California case above, we may also appeal the ITC’s ruling to the U.S. Court of Appeals for the Federal Circuit, which, if it sides with us, will reverse ITC’s ruling and nullify any remedial orders. As another example, we already filed IPRs at the USPTO challenging the validity of all four of the asserted patents by Infineon. If we secure IPR final determinations that invalidate all the asserted claims before the ITC issues a final decision finding a violation, the ITC could suspend any remedial orders upon our request.

Infineon Germany Case

Background

On June 12, 2024, Infineon also filed lawsuits in Germany with the Munich (German) Court, asserting infringement of three patents, namely, DE102017100947 (the “’947 patent”), DE102017103054 (the “’054 patent”) and DE102014113465 (the “’465 patent”). The ’947 patent is the German counterpart of the ’481 patent from the Infineon California case. These patents are related to the packaging for certain high-voltage packaged HMPT devices, which in aggregate contributed less than 0.1% of our total revenue during the Track Record Period. As with the Infineon California case and Infineon ITC case, we deny and oppose Infineon’s allegations of patent infringement as well as the validity of each asserted patent.

Current Status

Developments regarding potential monetary amounts of damages for the Infineon Germany case had not occurred as of the Latest Practicable Date. A trial is expected to be schedule in the summer of 2025, with specific date to be determined.

Analysis of Potential Results

Based on the current information, our IP litigation counsel is of the view that we are more likely than not to prevail in the Infineon Germany case, given that we have substantial grounds to assert that the accused products do not constitute infringement, and there is ample evidence proving the invalidity of the asserted patents due to missing novelty or lack of inventive step over existing patents, internet publications or product data sheets. In addition, our IP litigation counsel is of the view that our potential exposure to economic outflow due to any injunction or damages award is likely remote, because we are more likely than not to prevail in this case and our volume, revenue and profits of sales in Germany for the accused products during the Track Record Period were small (contributing to less than 0.1% of our total revenue during each period of the Track Record Period). It is also important to note that the German lawsuits only concern a small fraction of our packaged high-voltage (650V-700V) GaN transistors and do not affect the vast majority of our other products, including unpackaged transistors and wafers, low-voltage devices, integrated solutions, bi-directional devices, mid-voltage devices, and certain packaged transistors. The lawsuits in Germany also have no effect on our current ability to deliver products.

Nonetheless, in an unlikely event that we failed to obtain a favorable ruling on this case, the Munich (German) Court may issue one or more of the following: (i) a permanent injunction, prohibiting us from offering and/or placing into circulation and/or importing the accused products into Germany; (ii) an order to disclose information on our delivery chain and rendering of accounts; and/or (iii) damages and pre-grant compensation based on past sales of accused products. In the unlikely event of an adverse ruling, we can exercise design around options to mitigate or avoid any negative impact.

Analysis on Impacts of IP Legal Proceedings

Our Directors and senior management were not personally involved in the aforementioned IP proceedings, nor did they knowingly engage in designing or selling the disputed products that could lead to IP infringement. As advised by our IP litigation counsel, our Directors and senior management are not personally liable for the outcomes of these IP proceedings. In addition, considering (i) the ITC has no authority to award any monetary damages, thus none would be issued; (ii) developments regarding potential monetary amounts of damages for the EPC California case, Infineon California case and Infineon Germany case had not occurred as of the Latest Practicable Date; (iii) in the case of an unfavorable ruling, our design-around costs for each patent would be approximately RMB500.0 thousand (including the labor cost and R&D expenses calculated based on historical project expenses), and our design-around process typically takes around two months to complete; and (iv) the historical revenue contribution by the involved products in the U.S. and Germany, where applicable; the maximum financial impact of these IP Legal Proceedings on our Company would be no more than RMB4.0 million in aggregate.

As advised by our IP litigation counsel, decisions from the ITC, U.S. district courts and Munich (German) Court do not have a direct extra-territorial effect outside the respective countries as patent laws are inherently territorial. While determined based on each country's own law, the ITC or other courts' rulings would have no extra-territorial effect and have no collateral damage in other jurisdictions, including the PRC. For the U.S. district courts and ITC proceedings, the patents involved are U.S. patents, and thus the rulings are only enforceable in the U.S. An adverse ruling would not impact our ownership of or right to use the disputed technology in non-U.S. jurisdictions. As advised by our IP litigation counsel, a similar analysis holds for the German patents asserted in Germany. In addition, as advised by our PRC Legal Advisor, decisions from the ITC do not have extra-territorial effect as ITC is an administrative agency rather than a judicial body, and their decisions is limited to U.S. jurisdiction and cannot be enforced in the PRC. In addition, the recognition of decisions from judicial bodies including the U.S. district courts and Munich (German) Court are not enforceable in the PRC unless they are reviewed and recognized by a PRC court. According to Article 299 of the PRC Civil Procedure Law, the recognition of a foreign judgment requires that (i) China and the foreign country have signed an international treaty regarding the recognition and enforcement of court judgments or a reciprocal relationship exists between the two countries; (ii) the judgment does not violate the basic principles of PRC law; and (iii) the recognition and enforcement do not harm the PRC's national sovereignty, security or public interest. However, the recognition and enforcement of foreign judgments in the PRC vary significantly on a case-by-case basis. Due to insufficient precedents, no consistent approach has been established. Each case undergoes separate examination by PRC courts, which consider factors such as the cause of action, national security, prevailing legal principles and policy considerations. Limited past cases in different local courts have shown inconsistent practices without binding effects among courts. Therefore, there remains significant uncertainties in both the legal interpretation and practical enforcement of foreign judgments in China. According to the claims made by the plaintiffs and our IP Litigation Counsel's view, our sales in China are not involved in the aforementioned decisions and legal proceedings. Based on this and also considering that none of the decisions and legal proceedings has completed any recognition and enforcement process by PRC courts, they have no impact on our sales in China, as advised by our PRC Legal Advisor.

We are of the view that there would not be any knock-on effect on our patents application because (i) infringement cases and patent grants have separate legal standards and processes, and each patent application is evaluated on its own merits; and (ii) we develop our own, home-grown technology that has no overlap with the asserted patents by EPC and Infineon, and an infringement finding does not invalidate or affect the enforceability of our other patents unless there is a direct legal challenge to those patents.

On the grounds that, as advised by our IP litigation counsel, (i) we are more likely than not to prevail in the aforementioned EPC and Infineon cases that were still pending as of the Latest Practicable Date, and the ITC's Final Determination on the EPC ITC Case does not have any material adverse effect on our business and results of operations; (ii) we will not be liable for any monetary damages in the ITC proceedings; (iii) for the California and Germany cases, our potential exposure to economic outflow due to any injunction or damages award is likely remote; (iv) our volume, revenue and profits of sales in the U.S. from the accused products during the Track Record Period were small (EPC and Infineon cases each implicating products that contributed to less than 1% of our total revenue during each period of the Track Record Period), which would result in considerably small loss of business or income in the U.S., and there will not be any extra-territorial impacts outside of the U.S. affecting our ownership of and right to use the disputed technologies in non-U.S. jurisdictions arising from any adverse rulings from the U.S. litigations, which is also applicable to the German litigations; and (v) we have various design-around options to mitigate or avoid the impacts brought about by any adverse ruling at considerably small costs, our Directors are of the view that the impact of the aforementioned IP proceedings filed by EPC and Infineon will not have any material adverse effect on our business operations, R&D and financial performance.

Having reviewed the basis of the Directors' view and the independent due diligence work conducted by the Joint Sponsors, including but not limited to (i) discussing with the management of the Company to understand the background and latest status of the IP Proceedings; (ii) reviewing the legal opinions issued by IP litigation counsel to understand the latest status, likely outcome and basis of their legal opinions and the credential of the IP litigation counsel; (iii) reviewing the relevant documents, including the public available documents; (iv) conducting background searches and public searches on the Group and each of the Directors, the Joint Sponsors are of the view that the aforementioned IP proceedings filed by EPC and Infineon will not have material adverse effect on the Company's business operations and financial performance.

Share Transfer Litigation Matters

Share Transfer Litigation 1

Background

In July 2024, Shandong Chanyan Microelectronics Technology Research Institute Co., Ltd. (山東產研微電子技術研究院有限公司) ("Shandong Chanyan"), an Independent Third Party, filed a lawsuit against the Company ("Share Transfer Litigation 1", together with the Share Transfer Litigation 2 and the Share Transfer Litigation 3 (both as defined below), the "Share Transfer Litigation Matters").

Shandong Chanyan alleged that the Company and Shandong Chanyan reached certain intention to, and the Company failed to acquire Shandong Chanyan's equity interests in Longshan Microelectronics (Shandong) Co., Ltd. (龍山微電子(山東)有限公司) ("Longshan Microelectronics") as allegedly agreed, and the Company should pay RMB56,360,000 as the acquisition price for such equity interests of Longshan Microelectronics.

Current Status

On December 9 , 2024, the relevant court decided that the Share Transfer Litigation 1 was regarded as withdrawn by Shandong Chanyan as the plaintiff did not complete the relevant litigation procedures.

Analysis of Results

The Company and Shandong Chanyan only engaged in preliminary communication. The parties did not reach an agreement to an acquisition of any shares of Longshan Microelectronics and failed to reach a consensus on the amount of consideration or any other fees or expenses to be paid by the Company to Shandong Chanyan. No written and legally binding agreement was entered into between the parties regarding acquisition of any shares of Longshan Microelectronics or any other payment to be made by the Company to Shandong Chanyan.

Pursuant to the claims made by the plaintiff, the Company may only be liable for the financial compensation claimed by Shandong Chanyan of RMB56,360,000 together with the costs and other fees associated with the litigation to the plaintiff under the Share Transfer Litigation 1.

Nonetheless, Dr. Luo provided a personal indemnity to the Company, pursuant to which Dr. Luo will indemnify and hold harmless the Company of any and all losses and compensation responsibilities arising from any of the Share Transfer Litigation Matters, including the Share Transfer Litigation 1.

Considering (i) the relevant court decided that the Share Transfer Litigation 1 was regarded as withdrawn by Shandong Chanyan on December 9, 2024, and (ii) the Directors are not aware that the Share Transfer Litigation 1 involved any circumstances under Rule 13.51(2)(h) to (w) of the Listing Rules, including but not limited to non-compliance of any applicable laws and regulations by the directors of the Company, the Company or Longshan Microelectronics, the Directors are of the view that the Share Transfer Litigation 1 does not impact on the suitability of the directors of the Company to act as the Company's directors.

Share Transfer Litigation 2

Background

In August 2024, Changsha Xindai Enterprise Management Consulting Co., Ltd. (長沙芯時代企業管理諮詢有限公司) ("Changsha Xindai"), an Independent Third Party, filed a further lawsuit against Dr. Wu Jingang ("Dr. Wu", our executive Director and chief executive officer) (the "Share Transfer Litigation 2") and an Independent Third Party. With respect to Dr. Wu, Changsha Xindai alleged that, pursuant to an agreement that was allegedly entered into between Shandong Chanyan, Changsha Xindai, Dr. Wu and an Independent Third Party in December 2021 (the "Investment Agreement"), Dr. Wu agreed to establish a new company, Longshan Microelectronics, with Shandong Chanyan and Changsha Xindai, and will join and work full-time for Longshan Microelectronics.

Changsha Xindai's claims were: Pursuant to the Investment Agreement, Dr. Wu shall (i) join and work full-time for Longshan Microelectronics as the chairman of the board, or executive director, general manager and legal representative, (ii) acquire 55% of the equity interests of Longshan Microelectronics, (iii) fulfill obligations of capital contribution to Longshan Microelectronics of RMB27.5 million, and (iv) make compensation of RMB30 million to Changsha Xindai.

Current Status

As of the Latest Practicable Date, the Share Transfer Litigation 2 is in the preliminary stages and no judgment in connection with the Share Transfer Litigation 2 had been released.

Analysis of Potential Results

The Company's PRC legal advisers is of the view that the Share Transfer Litigation 2 will not materially adversely affect the business operation, research and development, and financial position of the Company based on the following:

(a) As advised by the Company's counsel for the Share Transfer Litigation Counsel (the "Share Transfer Litigation Counsel"), it is highly unlikely that Dr. Wu will lose the Share Transfer Litigation 2. Without specifically stating details such as the employment period, work venue and remuneration, the Investment Agreement only constituted a "pre-contract".

In the highly unlikely event that Dr. Wu is found to be in breach of such "pre-contract", Dr. Wu will not be mandatorily required to join and work full-time for Longshan Microelectronics as a result of the breach of such "pre-contract" under the applicable PRC laws on the basis that (i) such "pre-contract" shall not be mandatorily enforced, otherwise the principle of fairness and freedom of contract will be violated; and (ii) based on the provisions of the Civil Code of the PRC and its relevant interpretations, as well as the basic values of respect for personality and protection of personal freedom in modern society, the provisions under the Investment Agreement regarding Dr. Wu joining and working for Longshan Microelectronics full-time is a non-monetary debt that is not applicable to compulsory performance and cannot be replaced by others, and should not be supported under the applicable PRC laws. Therefore, in case of adverse rulings, it is highly unlikely that the claim for non-monetary performance (i.e., requiring Dr. Wu to join and work full-time for Longshan Microelectronics as the chairman of the board or executive director, general manager and legal representative of Longshan Microelectronics) will be supported under the Share Transfer Litigation 2; and

(b) based on the claims made by Changsha Xindai under the Share Transfer Litigation 2, even in the highly unlikely event that Dr. Wu loses the Share Transfer Litigation 2 and that Dr. Wu is found to be liable for breaches of such "pre-contract", Dr. Wu's maximum liability for financial compensation will be RMB30 million and the payment to fulfill the capital contribution to Longshan Microelectronics of RMB27.5 million, together with the costs and other fees associated with the litigation to the plaintiff under the Share Transfer Litigation 2.

Given that the Company was not a party to the Investment Agreement or a defendant under the Share Transfer Litigation 2, even in the highly unlikely event that Dr. Wu is found to be liable for compensation under the Share Transfer Litigation 2, the Company will not be liable to the compensation claimed by Changsha Xindai. Nevertheless, Dr. Luo also provided a personal indemnity to the Company, pursuant to which Dr. Luo will indemnify and hold harmless the Company of any and all losses and compensation responsibilities arising from any of the Share Transfer Litigation Matters, including the Share Transfer Litigation 2.

Considering (i) the aforesaid view of the Company's PRC legal advisers, and (ii) the Directors are not aware that the Share Transfer Litigation 2 involved any circumstances under Rule 13.51(2)(h) to (w) of the Listing Rules, including but not limited to non-compliance of any applicable laws and regulations by the directors of the Company (including Dr. Wu), the Company or Longshan Microelectronics, the Directors are of the view that the Share Transfer Litigation 2 does not impact on the suitability of the directors of the Company to act as the Company's directors.

Share Transfer Litigation 3

Background

In September 2024, Changsha Xindai filed a further lawsuit against Dr. Luo, Mr. Zhong and the Company largely based on the same allegations made in the Share Transfer Litigation 2, except that Changsha Xindai also alleged that Mr. Zhong participated in the communications regarding the share transfer and potential recruitment of certain employees (the "Share Transfer Litigation Matters 3").

Changsha Xindai's claims were: the Company shall cease the tortious behaviour and terminate the labour contract with Dr. Wu; and Dr. Luo, Mr. Zhong and the Company shall be jointly and severally liable for the loss suffered by Changsha Xindai of RMB30 million.

Current Status

As of the Latest Practicable Date, the Share Transfer Litigation 3 is in the preliminary stages and no judgment in connection with the Share Transfer Litigation 3 had been released.

Analysis of Potential Results

The Company's PRC legal advisers is of the view that the Share Transfer Litigation 3 will not materially adversely affect the business operation, research and development, and financial position of the Company based on the following:

(a) As advised by our Company's PRC legal advisers, a company recruiting talents from other companies by issuing employment invitations is not expressly prohibited under the Labor Law of the PRC, the Labor Contract Law of the PRC and other relevant PRC laws. Our Company further confirms that, neither our Company, Dr. Luo nor Mr. Zhong had entered into any written or oral non-solicitation agreement with Longshan Microelectronics. Therefore, neither our Company, Dr. Luo nor Mr. Zhong breaches any agreement entered into amongst parties. All such employees of Longshan Microelectronics who subsequently joined our Company terminated their labour contracts with Longshan Microelectronics before joining our Company on their free will and based on free negotiation;

(b) Based on our Company's knowledge, none of the relevant employees were subject to any non-compete obligations with Longshan Microelectronics. As such, there did not exist any solicitation on the parts of our Company, Dr. Luo or Mr. Zhong which intentionally infringed Longshan Microelectronics' trade secrets and caused any harm to Longshan Microelectronics. For details of analysis of the other claims made under the Share Transfer Litigation 3 which were the same as those raised under the Share Transfer Litigation 2, see the section headed "Share Transfer Litigation 2 — Analysis of Potential Results"; and

(c) As advised by the Share Transfer Litigation Counsel, (i) it is highly unlikely that Dr. Luo, Mr. Zhong and the Company will lose the Share Transfer Litigation 3 as there was no evidence supporting that our Company, Dr. Luo and/or Mr. Zhong solicited employees of Longshan Microelectronics to join our Company; (ii) in case of adverse rulings, it is highly unlikely that the claim to require non-monetary performance (i.e., requiring the Company to terminate the labour contract with Dr. Wu) will be supported under the Share Transfer Litigation 3. For details of the relevant basis and analysis, see the section headed "Share Transfer Litigation 2 — Analysis of Potential Results"; and (iii) in the highly unlikely event that Dr. Luo, Mr. Zhong and the Company lose the Share Transfer Litigation 3, Dr. Luo, Mr. Zhong and the Company may be jointly and severally liable for the financial compensation of RMB30 million, together with the costs and other fees associated with the litigation to the plaintiff under the Share Transfer Litigation 3. Nonetheless, Dr. Luo provided a personal indemnity to the Company, pursuant to which Dr. Luo will indemnify and hold harmless the Company of any and all losses and compensation responsibilities arising from any of the Share Transfer Litigation Matters, including the Share Transfer Litigation 3.

Considering (i) the aforesaid view of the Company's PRC legal advisers, and (ii) the Directors are not aware that the Share Transfer Litigation 3 involved any circumstances under Rule 13.51(2)(h) to (w) of the Listing Rules, including but not limited to non-compliance of any applicable laws and regulations by the directors of the Company (including Dr. Luo and Mr. Zhong), the Company or Longshan Microelectronics, the Directors are of the view that the Share Transfer Litigation 3 does not impact on the suitability of the directors of the Company to act as the Company's directors.

Having considered that the aforesaid view of the Company's PRC legal advisers and the possibility of economic outflow of the Company arising from the Share Transfer Litigation Matters is remote, the Company did not recognise any provision as at reporting dates of the Track Record Period and did not disclose contingent liabilities in accordance with IAS 37.

In summary, in case of adverse rulings of the Share Transfer Litigation Matters, (i) the Share Transfer Litigation Counsel is of the view that it is highly unlikely that the claim to require non-monetary performance (i.e., requiring Dr. Wu to join and work full-time for Longshan Microelectronics as the chairman of the board or executive director, general manager and legal representative of Longshan Microelectronics and requiring the Company to terminate the labour contract with Dr. Wu) will be supported under the Share Transfer Litigation Matters, and (ii) the total maximum financial compensation that the Company may be liable under the Share Transfer Litigation Matters is RMB86,360,000, together with the costs and other fees associated with the litigation to the respective plaintiffs, which will be fully indemnified by Dr. Luo personally. On December 9, 2024, the relevant court decided that the Share Transfer Litigation 1 was regarded as withdrawn by Shandong Chanyan as the plaintiff did not complete the relevant litigation procedures.

On the grounds that (i) the Share Transfer Litigation Matters are not related to the core business operations or financial performance of the Company, (ii) the relevant court decided that the Share Transfer Litigation 1 was regarded as withdrawn by Shandong Chanyan on December 9, 2024, and the aforesaid view of the Company's PRC legal advisers, and (iii) Dr. Luo provided a personal indemnity to the Company, pursuant to which Dr. Luo will indemnify and hold harmless the Company of any and all losses and compensation responsibilities arising from any of the Share Transfer Litigation Matters the Directors are of the view that the Share Transfer Litigation Matters will not adversely affect the business operation, research and development, and financial position of the Company.

Having reviewed the basis of the Directors' view and the independent due diligence work conducted by the Joint Sponsors, the Joint Sponsors are of the view that the Share Transfer Litigation Matters will not have material adversely effect on the business operation and financial position of the Company.

Internal Control Measures

To ensure proper management of our intellectual property and avoid litigation concerning intellectual property infringement, we have implemented various internal policies and established an internal intellectual property management system:

- We have developed and enacted robust internal policies for the management of intellectual property rights. These include the measures on the management of intellectual property acquisition and maintenance, the measures on the management of intellectual property implementation, licensing and transfer, the measures on the management of intellectual property information research, as well as the requirements and job responsibilities for positions related to intellectual property management. These policies delineate the responsibilities of each department in safeguarding intellectual property rights, thereby enhancing our capability to protect our intellectual property rights effectively. In addition, we routinely conduct comprehensive reviews of the existing intellectual property system to ascertain its ongoing pertinence and efficacy.

- To facilitate effective management of our intellectual properties, we utilize an internal intellectual property management system for the full lifecycle management of our proprietary intellectual property. This system is used for, among others, patent applications, maintenance and valuation.

- To safeguard against potential infringements on both our intellectual property rights and those of others, our legal department, responsible for intellectual property management, conducts thorough searches and analyses of our R&D outcomes upon the completion of scientific research projects and technology development. This process includes determining any possible infringements and preparing detailed inspection reports to ensure compliance and prevent infringement.

- We require employees to adhere to confidentiality obligations for technical secrets, sign confidentiality contracts and non-compete agreements, and follow an internal confidentiality system outlining specific employee responsibilities. Additionally, new employees are required to sign an export control employment compliance commitment letter and a declaration confirming no conflicts of interest or non-competition issues. They also complete a self-check form to ensure they are not involved in patented technologies with infringement risks.

- We conduct routine training for employees to ensure a thorough understanding and compliance with intellectual property policies. Specifically, in July 2024, we conducted comprehensive training for employees at all levels on intellectual property fundamentals, covering topics such as an overview of intellectual property, the interrelation of various intellectual property rights, intellectual property in daily life and patent infringement. We implement regular assessments to evaluate employees' knowledge and application of intellectual property protocols. We provide updated resources and materials to keep employees informed of any changes in intellectual property laws and regulations. We also established a feedback mechanism to continuously improve training programs based on employee input and industry developments.

Save as disclosed above, as of the Latest Practicable Date, none of our Company, any of our subsidiaries or any directors has been involved in any material litigation, arbitration or claim that may have a material adverse effect on the Group's financial condition or results of operations.

Compliance

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any non-compliance incident which, individually or taken as a whole, in the opinion of our Directors, is likely to have a material and adverse effect on our business, financial condition or results of operations.

As advised by our PRC Legal Advisor, our business operations were conducted in compliance with applicable laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

RISK MANAGEMENT AND INTERNAL CONTROL

We have in place a robust risk management and internal control system. We adopted and continually improve our internal control mechanisms to ensure the compliance of our business operations. Furthermore, we conduct periodic review of the implementation of our risk management policies and internal control measures to ensure their effectiveness and sufficiency.

We are dedicated to upholding the legal compliance of our operations and management, safeguarding assets and ensuring the accuracy and completeness of financial reports and related information. Our commitment extends to enhancing operational efficiency and effectiveness, thereby fostering the achievement of the company's strategic development goals. We established an internal audit department tasked with independent audit supervision of the business operations and internal control of the company and its subsidiaries in accordance with laws, rules and regulations and the articles of association of the company, and in accordance with the principles of objectivity, impartiality and prevention.

Our Board is collectively responsible for establishing and implementing such risk management mechanisms and overseeing our overall risk management. Our Directors are of the view that our current internal control measures are adequate and effective.

Operational Risk Management

Operational risk refers to the risk of direct or indirect financial loss resulting from incomplete or problematic internal processes, personnel mistakes, IT system failures or external events. We have established a series of internal procedures to manage such risk.

We take a comprehensive approach with regard to operational risk management and implement a mechanism with detailed and decentralized responsibilities and clear rewards and punishment systems. Our information technology, human resources, finance and operations departments are collectively responsible to ensure the compliance of our operations with internal procedures. In the event of a major adverse event, the matter will be escalated to our

CEO to take appropriate measures. Through effective operational risk management, we expect to control operational risks within a reasonable range by identifying, measuring, monitoring and containing operational risks to reduce potential losses.

Compliance Risk Management

Compliance risk refers to the risk of being subject to legal and regulatory sanctions, and the risk of major financial and reputational losses as a result of our failure to comply with relevant laws, regulations, rules and guidelines.

Compliance risk management refers to the dynamic managing processes of our effective identification and management of compliance risks and proactively preventing the occurrence of risk events. We have established sound compliance risk management procedures to achieve effective identification and management of compliance risk, and ensure that our operations are in compliance with applicable laws and regulations.

In accordance with such procedures, our legal department carefully reviews the contracts we enter into with customers and suppliers. Before entering into any contracts or business arrangements, our legal department reviews the contract terms and examines related documents, including all necessary due diligence materials and licenses and permits obtained by the other party to fulfill its obligations under the relevant contract.

In addition, we continually monitor changes in relevant laws and regulations as well as the regulatory environment to ensure compliance in our business operations. We delegate the responsibility of monitoring compliance in specific business areas to representatives from those areas. In addition, we have an internal control department that continuously supervises compliance efforts within departments and reports to our CEO. We also have an internal audit department that regularly evaluates and supervises our compliance efforts and reports to our general manager and the Board.

Intellectual Property Risk Management

As a knowledge- and technology-intensive company, we have been and may continue to be subject to claims from companies holding patents or other intellectual property rights, alleging infringement of such rights or otherwise asserting their rights and urging us to obtain licenses in the course of our operations. See "Risk Factors — Risks Relating to Our Industry and Business — Our business depends on our ability to protect our intellectual property rights, and we may be subject to intellectual property infringement and other claims by third parties in the PRC or other jurisdictions, which, if successful, could cause us to pay significant damages and incur other costs." To ensure proper management of our intellectual property and avoid litigation concerning intellectual property infringement, we have implemented various internal policies and established an internal intellectual property management system:

- We have developed and enacted robust internal policies for the management of intellectual property rights. These include the measures on the management of intellectual property acquisition and maintenance, the measures on the management of intellectual property implementation, licensing and transfer, the measures on the management of intellectual property information research, as well as the requirements and job responsibilities for positions related to intellectual property management. These policies delineate the responsibilities of each department in safeguarding intellectual property rights, thereby enhancing our capability to protect our intellectual property rights effectively. In addition, we routinely conduct comprehensive reviews of the existing intellectual property system to ascertain its ongoing pertinence and efficacy.

- To facilitate effective management of our intellectual properties, we utilize an internal intellectual property management system for the full lifecycle management of our proprietary intellectual property. This system is used for, among others, patent applications, maintenance and valuation.

- To safeguard against potential infringements on both our intellectual property rights and those of others, our legal department, responsible for intellectual property management, conducts thorough searches and analyses of our R&D outcomes upon the completion of scientific research projects and technology development. This process includes determining any possible infringements and preparing detailed inspection reports to ensure compliance and prevent infringement.

- We require employees to adhere to confidentiality obligations for technical secrets, sign confidentiality contracts and non-compete agreements, and follow an internal confidentiality system outlining specific employee responsibilities. Additionally, new employees are required to sign an export control employment compliance commitment letter and a declaration confirming no conflicts of interest or non-competition issues. They also complete a self-check form to ensure they are not involved in patented technologies with infringement risks.

Investment Risk Management

We invest in or acquire businesses that are complementary to our business and aligned with our overall growth strategies, such as businesses that can expand our service offerings and strengthen our technological capabilities. In general, we intend to hold our investments for the long term in forms of preferred shares or ordinary shares with preference rights. In order to manage potential risks associated with investments, we generally obtain minority protection rights from our investment portfolio companies.

Our investment department has primarily been responsible for our investment project sourcing, screening, execution and post-investment monitoring. The investment department searches for investment projects based on our business strategy, and conducts thorough due diligence with the finance and legal departments to assess the risks and potential of the investment projects.

Information Security and Data Privacy Risk Management

See "— Data Security and Privacy."

Anti-corruption Risk Management

Anti-corruption risk refers to the risk of use of cheating, bribery or other illegal measures for (i) the pursuit of improper personal benefits at the expense of our Company's economic interests and (ii) the pursuit of improper interests of the Company. We have established our anti-corruption risk management policies prohibiting any corruption activities by our employees, either for the pursuit of improper personal benefits or improper interests of the Company. We have maintained a whistleblower mechanism for employees to anonymously report any incidents of bribery and corruption. Our internal audit department bears sole accountability for the audit and anti-corruption endeavors of the Company and provides regular reports to the Audit Committee of the Board. We will impose corresponding administrative disciplinary sanctions on persons responsible for corruption incidents. Suppliers, distributors and customers found to engage in corruption incidents shall receive formal warnings, face restrictions on supply or sales, and, where deemed necessary, be placed on a prohibited list. We provide internal training to our employees and ensure that our stakeholders, including customers, distributors, suppliers and shareholders, are informed of our anti-corruption policies and practices.

Audit Committee Experience and Qualification and Board Oversight

To monitor the ongoing implementation of our risk management policies, we have established an Audit Committee to review and supervise our financial reporting process and internal control system on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. See "Directors, Supervisors and Senior Management — Board of Directors."

In addition to our internal control department, we have also established an internal audit department which is responsible for reviewing the effectiveness of internal controls and reporting issues identified and improving our internal control system and procedures by identifying internal control failures and weaknesses on an ongoing basis. The internal audit department reports any major issues identified to the Audit Committee and Board on a timely basis.

AWARDS AND RECOGNITIONS

During the Track Record Period, we have received awards and recognitions with respect to our products, intellectual properties and R&D capabilities, including, but are not limited to, the following:

Award/Recognition	Award Year	Awarding Institution/Authority
Jiangsu Provincial Enterprise Engineering Technology Research Center (江蘇省企業工程技術研究中心)	2024	Jiangsu Provincial Department of Science and Technology (江蘇省科學技術廳)
First Prize of Zhuhai Science and Technology Innovation Award (年創新珠海科學技術獎一等獎)	2024	Zhuhai Science and Technology Bureau (珠海市科技局)
Zhuhai Annual "Technology Innovation Product" (年度珠海市"科技創新產品")	2024	Zhuhai Association for the Promotion of Science and Technology Innovation (珠海市科技創新促進會)
Zhuhai Annual Best Integrated Circuit Technology Innovation Product (年度珠海市最佳積體電路技術創新產品)	2024	Zhuhai Semiconductor Industry Association (珠海市半導體行業協會)
Zhuhai Annual Most Promising Integrated Circuit Enterprise (年度珠海市最具成長性積體電路企業)	2024	Zhuhai Semiconductor Industry Association (珠海市半導體行業協會)
National Intellectual Property Superior Enterprises (國家知識產權優勢企業)	2023	National Intellectual Property Administration (國家知識產權局)
Jiangsu GaN New Device and Integrated Circuit Engineering Technology Research Center (江蘇省氮化鎵新型器件與集成電路工程技術研究中心)	2023	Jiangsu Provincial Science and Technology Department (江蘇省科學技術廳)
First Prize in the Zhuhai Science and Technology Progress Award (珠海市科技進步獎一等獎)	2023	Innovation Zhuhai Science and Technology Award Committee (創新珠海科學技術獎勵委員會)
Excellent Technological Innovation Product of the "China Chip" ("中國芯"優秀技術創新產品)	2023 2022 2021	China Center for Information Industry Development (中國電子信息產學發展研究院)

Award/Recognition	Award Year	Awarding Institution/Authority
The Third Generation Semiconductor Leader of the Year in China (第三代半導體年度中國領軍企業)	2023	Hangjiatalk Research (行家説產業研究中心)
Top 10 GaN Device Enterprise in China (中國GaN器件十強企業) .	2023	Hangjiatalk Research (行家説產業研究中心)
National High-Tech Enterprise (國家高新技術企業)	2022	Guangdong Provincial Department of Science and Technology (廣東省科學技術廳), Department of Finance of Guangdong Province (廣東省財政廳) and Guangdong Provincial Tax Service, State Taxation Administration (國家稅務總局廣東省稅務局)
Specialized, Refined, Distinctive and Innovative SME (專精特新中小企業)	2022	Department of Industry and Information Technology of Guangdong Province (廣東省工業和信息化廳)
The 15th China Semiconductor Innovative Products and Technologies (第十五屆中國半導體創新產品和技術)	2022	China Semiconductor Industry Association (中國半導體行業協會)
Best IC Technology Innovation Product in Zhuhai (珠海市最佳集成電路技術創新產品).	2022	Zhuhai Semiconductor Industry Association (珠海市半導體行業協會)

OVERVIEW

Upon Listing, transaction between members of our Group and our connected person will constitute continuing connected transaction of our Company under Chapter 14A of the Listing Rules.

CONNECTED PERSON

We have entered into certain transactions with the following connected person, which will constitute our continuing connected transaction upon Listing:

Name of Connected Person	Connected Relationship
China Merchants Bank Co., Ltd. Suzhou Branch (招商銀行股份有限公司蘇州分行) ("**CMB Suzhou**")	As disclosed in section headed "History, Development and Corporate Structure — Pre-IPO Investments — Information about Our Major Pre-IPO Investors", the CMB Investors will be interested in a total of approximately 14.99% of our issued share capital upon completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised) and will therefore be considered a group of connected persons with respect to our Company. CMB Suzhou is a branch company of CM Bank. CM Bank is holding company of CMB Shenzhen, which is the general partner of each of the CMB Investors. Therefore, CMB Suzhou is an associate of the CMB Investors, therefore our Company's connected person.

CONNECTED TRANSACTIONS

Nature of transactions	Applicable Listing Rules	Waiver sought	Historical amount[(1)]	Proposed annual caps for the year ending December 31
			(RMB in millions)	*(RMB in millions)*
Financial Services Framework Agreement	14A.35, 14A.36, 14A.46, 14A.105	Announcement, circular and independent Shareholders' approval requirements		
• **Deposits with Branch Banks**				
(a) Maximum daily balance of the deposit			FY2021: 979.68 FY2022: 852.57 FY2023: 454.34 6M2024: 556.93	2024: 2,450.00 2025: 2,360.13 2026: 1,607.38
(b) Deposit interest (excluding investment return of wealth management products)			FY2021: 6.56 FY2022: 4.76 FY2023: 5.21 6M2024: 0.94	2024: 27.18 2025: 39.68 2026: 25.19
• **Loan services and other commercial banking services**				
(a) Maximum daily balance of loan			FY2021: 259.40 FY2022: 259.00 FY2023: 186.41 6M2024: 110.65	2024: 410.65 2025: 763.67 2026: 1,245.48
(b) Loan interest and service fee			FY2021: 8.96 FY2022: 11.39 FY2023: 6.81 6M2024: 2.14	2024: 15.01 2025: 27.73 2026: 49.32
• **Wealth management products**				
(a) Maximum daily balance of the principal of the products			FY2021: 0 FY2022: 480.00 FY2023: 140.00 6M2024: 15.00	2024: 200.00 2025: 500.00 2026: 500.00
(b) Investment return			FY2021: 0 FY2022: 8.10 FY2023: 0.94 6M2024: 0.08	2024: 6.00 2025: 15.00 2026: 15.00

Note:

(1) FY2021 refers to the year ended December 31, 2021. FY2022 refers to the year ended December 31, 2022. FY2023 refers to the year ended December 31, 2023. 6M2024 refers to the six months ended June 30, 2024.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Financial Services Framework Agreement

Parties

(1) CMB Suzhou; and

(2) Our Company

Principal terms

On December 10, 2024, we entered into a financial services framework agreement (the "**Financial Services Framework Agreement**") with CMB Suzhou, the branch company of CM Bank. CM Bank is a licensed bank regulated by the China Banking and Insurance Regulatory Commission and headquartered in Shenzhen, the PRC. It has branches and sub-branches (the "**Branch Banks**") in different locations in PRC where it operates and provides financial and commercial banking services. Pursuant to the Financial Services Framework Agreement, from time to time, the Branch Banks will provide the following services to our Group:

(a) ***Deposits with Branch Banks:*** Our Group may from time to time deposit cash into Branch Banks. In return, Branch Banks will provide deposit services and pay deposit interest to our Group on such deposits. The deposit interest to be paid by the Branch Banks to our Company shall not be lower than the deposit interest rate of the same level as promulgated by the People's Bank of China;

(b) ***Loan services and other commercial banking services:*** Branch Banks may provide loan services and other commercial banking services including but not limited to foreign exchange, payment settlement, receivables collection and letter of guarantee to our Group while our Group will pay loan interests and service fees to Branch Banks. In accordance with the relevant law and regulations as well as the internal rules, Branch Banks will support the application of loans and other commercial banking services by our Group. These services will be provided at interest and fee rates on normal commercial terms or better to our Group; and

(c) ***Wealth management products:*** Our Group may purchase wealth management products placed at Branch Banks and may receive investment return. The investment return and consideration in respect of the wealth management products to be purchased from the Branch Banks will be determined and calculated pursuant to the contractual terms of such products.

The initial term of the Financial Services Framework Agreement shall commence on the Listing Date until December 31, 2026, subject to renewal by mutual consent.

Reasons for the transactions

CM Bank has 1,924 Branch Banks as of December 31, 2023 in different locations in PRC where it operates and provides financial and commercial banking services. Leveraging on its broad geographical coverage and its sound market reputation, Branch Banks could provide stable and consistent services to our subsidiaries located in different locations in PRC. Our Group has been cooperating with Branch Banks since the establishment of our Company to satisfy our needs in the ordinary and usual course of business. The Group and Branch Banks have established a long-term and stable business relationship, and Branch Banks have acquired a comprehensive understanding of our business and operational requirements. Taking into consideration above, we believe it is in the best interest of the Group and our shareholders to enter into the Financial Services Framework Agreement.

Pricing Policies

Any deposit, loan, financial services and products made with Branch Banks under the Financial Services Framework Agreement will bear the same interest or service fee rate, adopt the same pricing mechanism and be on the same terms and conditions as would apply to a similar deposit, loan, financial service and/or products made by any other customer of Branch Banks.

Historical amounts

The historical transaction amount of the transactions relating to deposit, loan, financial services and products made with Branch Banks for the years ended December 31, 2021, 2022, 2023 and for the six months ended 30 June 2024 are as follows:

	For the year ended December 31			For the six months ended 30 June
	2021	**2022**	**2023**	**2024**
	(RMB in millions)			
Deposits with Branch Banks				
Maximum daily balance of the deposit	979.68	852.57	454.34	556.93
Deposit interest (excluding investment return of wealth management products)	6.56	4.76	5.21	0.94
Loan services and other commercial banking services				
Maximum daily balance of loan	259.40	259.00	186.41	110.65
Loan interest and service fee	8.96	11.39	6.81	2.14
Wealth management products				
Maximum daily balance of the principal of the products	0	480.00	140.00	15.00
Investment return	0	8.10	0.94	0.08

Annual caps

The total transaction amount under the Financial Services Framework Agreement for the three years ending December 31, 2024, 2025 and 2026 shall not exceed the proposed annual caps as set out in the table below. Such maximum daily amount is applicable for each day during the relevant year, and such maximum daily amount is calculated on an individual basis as outstanding at the end of each day during the relevant year without aggregating with the daily amount incurred on the days before.

	Proposed annual caps for the year ending December 31		
	2024	**2025**	**2026**
	(RMB in millions)		
Deposits with Branch Banks			
Maximum daily balance of the deposit	2,450.00	2,360.13	1,607.38
Deposit interest (excluding investment return of wealth management products)	27.18	39.68	25.19
Loan services and other commercial banking services			
Maximum daily balance of loan	410.65	763.67	1,245.48
Loan interest and service fee	15.01	27.73	49.32
Wealth management products			
Maximum daily balance of the principal of the products	200.00	500.00	500.00
Investment return	6.00	15.00	15.00

Basis of caps

The basis of the above proposed annual caps is as follows:

(a) ***Deposits with Branch Banks:*** The maximum daily balances of the deposit for the years ending December 31, 2024, 2025 and 2026 are determined on the basis that all net proceeds received from the Global Offering will be deposited with the Branch Banks and with reference to the Group's expected capital outflow for its operations. The annual cap for the deposit interest in each year is determined with reference to historical deposit interest rates and expected future interest rates to be promulgated by the People's Bank of China, as well as the average of the highest daily balance of deposits in the respective year and the previous year;

(b) ***Loan services and other commercial banking services:*** The maximum daily balance of loan is determined based on projected repayments of existing loans and anticipated new loans to be obtained from the Branch Banks. In light of the expected future cash flow position of our Company, the Company expects to obtain new loans from the Branch Banks only for the years ending December 31, 2025 and 2026. The maximum daily balance of loan for year ending December 31, 2024 is determined on the basis that the Company only repays existing loans and will not obtain any new loans from the Branch Banks during the year. The annual caps for the loan interest and service fee for the respective years are determined after taking into account interest repayment of existing outstanding loans, the current loan interest rates, and the anticipated loan benchmark rates in the respective years; and

(c) ***Wealth management products:*** The proposed annual caps are determined based on our demand for wealth management products in the future in light of the current and expected future cash flow position of our Company, and the contractual terms of the relevant wealth management products.

LISTING RULES IMPLICATIONS

In respect of the Financial Services Framework Agreement, as the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules is expected to be exceed 5% on an annual basis, the transactions contemplated thereunder will, upon Listing, be subject to the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

INTERNAL CONTROL MEASURES

Our Group has an independent internal control, accounting and financial management system as well as an independent finance department which makes financial decisions according to our Group's own business needs. See "Relationship with the Controlling Shareholders Group" in this prospectus for further details of the independence of our Group.

In order to ensure that the terms under relevant framework agreements for the continuing connected transactions are fair and reasonable, or no less favorable than terms available to or from Independent Third Parties, and are carried out under normal commercial terms, our procurement team will be responsible for maintaining and reviewing our list of designated suppliers on an annual basis. Additionally, we will adopt the following internal control procedures:

- our various internal departments will be responsible for the control and daily management in respect of the continuing connected transactions;

- our various internal departments will be jointly responsible for evaluating the terms under the framework agreement for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each transaction;

- our various internal departments will regularly monitor the fulfilment status of the annual caps and the transaction updates under the framework agreements; and

- our independent non-executive Directors and auditors will conduct annual review of the continuing connected transactions under the framework agreements and provide annual confirmation to ensure that, in accordance with the Listing Rules, the transactions are conducted in accordance with the terms of the framework agreements, on normal commercial terms and in accordance with the relevant pricing policies.

CONFIRMATION BY DIRECTORS

The Directors (including independent non-executive Directors) are of the view that the above non-exempt continuing connected transaction has been entered into in the ordinary and usual course of business of the Group and on normal commercial terms or better that are fair and reasonable and in the interests of the Company and our Shareholders as a whole; and the proposed annual caps for such non-exempt continuing connected transactions are fair and reasonable and in the interests of the Company and our Shareholders as a whole.

CONFIRMATION BY THE JOINT SPONSORS

The Joint Sponsors are of the view that the above non-exempt continuing connected transaction has been entered into in the ordinary and usual course of business of the Group on normal commercial terms or better which are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and the proposed annual caps in respect of such non-exempt continuing connected transaction are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

WAIVERS GRANTED BY THE STOCK EXCHANGE

As the above non-exempt continuing connected transaction is expected to be carried out on a recurring basis, our Directors consider that strict compliance with the aforesaid announcement requirement will be impractical, and such requirement will lead to unnecessary administrative costs and create an onerous burden on the Group. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, waivers pursuant to Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement and independent shareholders' approval requirement under Rules 14A.35 and 14A.36 of the Listing Rules in respect of the transactions under the Financial Services Framework Agreement, provided that the total amount of transactions under the Financial Services Framework Agreement for the three years ending December 31, 2024, 2025 and 2026 shall not exceed the proposed caps as set out in this section.

The independent non-executive Directors and auditors of our Company will review whether the actual transactions under the Financial Services Framework Agreement have been entered into pursuant to the principal terms and pricing policies under the Financial Services Framework Agreement. The confirmation from our independent non-executive Directors and our auditors will be disclosed annually according to the requirements of the Listing Rules.

THE CONTROLLING SHAREHOLDERS GROUP

As of the date of this prospectus, Dr. Luo is directly interested in approximately 5.90% of the total issued share capital of our Company and indirectly interested in approximately 23.10% of our total issued share capital, including (i) through being the controller of Inno Holding, which holds approximately 10.31% of our Company, (ii) being the ultimate general partner of Innocore, which holds approximately 3.95% of our Company, (iii) through being the controller of Inno HK, which holds approximately 3.37% of our Company, (iv) through being the ultimate general partner of Inno Youpeng, which holds 4.19% of our Company, and (v) through being the general partner of Xinsheng Dapeng, which holds 1.28% of our Company.

Mr. Son agreed, among others, to have acted and will continue to act pursuant to Dr. Luo's direction for all actions in relation to the voting rights attached to the shares of our Company and Inno Holding, in which he was or has been interested directly or indirectly pursuant to a written voting rights arrangement entered into between Dr. Luo and Mr. Son on October 15, 2021. Further, pursuant to the voting rights proxy agreement (the "**Voting Rights Proxy Agreement**") entered into between Dr. Luo and Mr. Son on November 24, 2024, Mr. Son confirmed that he has appointed and will appoint Dr. Luo as his true and lawful proxy to vote all shares of our Company and Inno Holding that Mr. Son has been and will be interested at any and all meetings of shareholders of our Company and Inno Holding (as the case may be), and on any and all actions taken by written consent of shareholders of our Company and Inno Holding (as the case may be). Prior to the Voting Rights Proxy Agreement, Mr. Son has acted pursuant to Dr. Luo's direction for all actions in relation to the voting rights attached to the shares of our Company and Inno Holding, in which he was or has been interested directly or indirectly. As such, Dr. Luo is also deemed to be interested in 5.47% of the total issued share capital of our Company, which is held by Mr. Son.

As a result, Dr. Luo, Inno Holding, Innocore, Inno HK, Inno Youpeng and Xinsheng Dapeng are a group of controlling shareholders of the Company, which directly and indirectly control approximately 34.48% of the total issued share capital of our Company as of the date of this prospectus. See "History, Development and Corporate Structure — The Controlling Shareholders Group."

Immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), the Controlling Shareholders Group will, directly and indirectly, continue to control in aggregate approximately 32.70% of our total issued share capital. Therefore, they will remain as the Controlling Shareholders Group upon the Listing.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS GROUP

Our Directors consider that we are capable of carrying on our business independently from the Controlling Shareholders Group and their respective close associates after the Listing, taking into consideration the factors below.

Management Independence

Our Board consists of 11 Directors, namely 4 executive Directors, 3 non-executive Director and 4 independent non-executive Directors. Dr. Luo and Mr. Son are also members of our Board, serving as our chairperson of the Board and executive Director, and our executive Director, respectively.

Our Directors consider that we are able to carry on our business independently from the Controlling Shareholders Group and their respective close associates from a management perspective for the following reasons:

(a) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group. For details of the industry experience of our senior management team, please see "Directors, Supervisors and Senior Management.";

(b) each Director 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 interest of our Company and does not allow any conflict between his/her duties as our Director and his/her personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and a Director and/or his/her associate, he/she shall abstain from voting and shall not be counted towards the quorum for the voting;

(c) we have 4 independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review; and

(d) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and the Controlling Shareholders Group which would support our independent management. For details, see "— Corporate Governance."

Based on the above, our Directors believe that our Board as a whole and together with our senior management are able to perform the managerial role in our Group independently from the Controlling Shareholders Group and their respective close associates after the Listing.

Operational Independence

We do not rely on the Controlling Shareholders Group and their respective close associates for our business development, staffing, logistics, administration, finance, internal audit, information technology, sales and marketing, or company secretarial functions. We have our own departments specializing in these respective areas which have been in operation and are expected to continue to operate separately and independently from the Controlling Shareholders Group and their respective close associates. In addition, we have our own headcount of employees for our operations and management for human resources.

We have independent access to suppliers and customers and an independent management team to handle our day-to-day operations. We are also in possession of all relevant licenses, certificates, facilities and intellectual property rights necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently.

Based on the above, our Directors believe that we are able to operate independently of the Controlling Shareholders Group and their respective close associates.

Financial Independence

We have an independent financial system and make financial decisions according to our Group's own business needs. We have internal control and accounting systems and an independent finance department in charge of our treasury function. We do not expect to rely on the Controlling Shareholders Group and their respective close associates for financing after the Listing as we expect that our working capital will be funded by the cash, cash equivalent on hand as well as the proceeds from the Global Offering.

In addition, we are capable of obtaining financing from independent third parties without relying on any guarantee or security provided by the Controlling Shareholders Group or their respective close associates. As of the Latest Practicable Date, there were no outstanding loans or guarantee provided by or granted to the Controlling Shareholders Group or their respective close associates. During the Track Record Period and as of the Latest Practicable Date, we had received a series of Pre-IPO Investments from third party investors independently. For details of the Pre-IPO Investments, please see "History, Development and Corporate Structure."

Based on the above, our Directors believe that we are capable of carrying on our business independently of, and do not place undue reliance on the Controlling Shareholders Group after the Listing.

INTERESTS OF THE CONTROLLING SHAREHOLDERS GROUP IN OTHER BUSINESSES

The Controlling Shareholders Group confirmed that as of the Latest Practicable Date, they did not have any interest in other business, apart from the business of our Group, 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.

CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules (the "**Corporate Governance Code**"), which sets out principles of good corporate governance.

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 Group and the Controlling Shareholders Group:

(a) where a Shareholders' meeting is to be held for considering proposed transactions in which the Controlling Shareholders Group or any of their respective close associates has a material interest, the Controlling Shareholders Group will not vote on the resolutions and shall not be counted in the quorum in the voting;

(b) as part of our preparation for the Global Offering, we have amended our Articles of Association to comply with the Listing Rules which will become effective upon Listing. In particular, our Articles of Association provides that, a Director shall be abstained from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her close associates has a material interest nor shall such Director be counted in the quorum present at the Board meeting;

(c) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with the Controlling Shareholders Group or any of its associates, our Company will comply with the applicable Listing Rules;

(d) we are committed that our Board shall include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). We have appointed 4 independent non-executive Directors, and we believe our independent non-executive Directors (i) possess sufficient experiences, (ii) are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment, and (iii) will be able to provide an impartial and external opinion to protect the interests of our Shareholders as a whole. For details of the independent non-executive Directors, see "Directors, Supervisors and Senior Management.";

(e) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expenses; and

(f) we have appointed Maxa Capital Limited as our Compliance Advisor to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and the Controlling Shareholders Group, and to protect minority Shareholders' interests after the Listing.

BOARD OF DIRECTORS

Our Board of Directors comprises 11 Directors, including 4 executive Directors, 3 non-executive Director and 4 independent non-executive Directors. Our Directors serve a term of three years and may be re-elected for successive reappointments.

The following table sets out information in respect of the Directors.

Name	Age	Position/Title	Date of Appointment as Director	Date of Joining our Group	Role and Responsibility
Executive Directors					
Dr. Weiwei Luo	54	Founder, chairperson of the Board, executive Director	July 17, 2017	July 17, 2017	Responsible for overall business development and strategic planning of our Group, and serving as the chairperson of the Nomination Committee and a member of the Remuneration Committee
Mr. Jay Hyung Son	62	Executive Director	July 17, 2017	July 17, 2017	Responsible for business development of our Group
Dr. Wu Jingang (吳金剛博士)	57	Executive Director and chief executive officer	January 12, 2023	November 5, 2022	Responsible for overall business development and operation of our Group
Mr. Zhong Shan (鍾山先生)	52	Executive Director and chief financial officer	July 17, 2017	July 17, 2017	Responsible for financial management, investment, and financing of our Group
Non-executive Directors					
Dr. Wang Can (汪燦博士)	40	Non-executive Director	January 26, 2022	January 26, 2022	Performing duties as a Director in accordance with the Articles and relevant laws and regulations
Ms. Zhang Yanhong (張彥紅女士)	43	Non-executive Director	January 26, 2022	January 26, 2022	Performing duties as a Director in accordance with the Articles and relevant laws and regulations
Ms. Cui Mizi (崔米子女士)	44	Non-executive Director	September 27, 2023	September 27, 2023	Performing duties as a Director in accordance with the Articles and relevant laws and regulations

Name	Age	Position/Title	Date of Appointment as Director	Date of Joining our Group	Role and Responsibility
Independent Non-executive Directors					
Mr. Wong Hin Wing, MH, JP (黃顯榮先生, 榮譽勳章,太平紳士)	61	Independent non-executive Director	May 21, 2024	May 21, 2024	Performing duties as an independent non-executive Director in accordance with the Articles, and serving as the chairperson of the Audit Committee
Dr. Yi Jiming (易繼明博士). .	56	Independent non-executive Director	May 21, 2024	May 21, 2024	Performing duties as an independent non-executive Director in accordance with the Articles, and serving as a member of the Nomination Committee and the Audit Committee
Dr. Yang, Simon Shi-Ning (楊士寧博士)	64	Independent non-executive Director	May 21, 2024	May 21, 2024	Performing duties as an independent non-executive Director in accordance with the Articles, and serving as the chairperson of the Remuneration Committee and a member of the Nomination Committee
Dr. Chan, Philip Ching Ho (陳正豪博士). .	75	Independent non-executive Director	May 21, 2024	May 21, 2024	Performing duties as an independent non-executive Director in accordance with the Articles, and serving as a member of the Remuneration Committee and the Audit Committee

Executive Directors

Dr. Weiwei Luo, aged 54, is our founder, chairperson of the Board and executive Director. She was appointed as a Director and the chairperson of the Board on July 17, 2017 and was appointed as an executive Director on May 21, 2024. She is responsible for overall business development and strategic planning of our Group. Dr. Luo has also held various positions in several subsidiaries of our Group, including as the chairperson of the board of directors of Inno Suzhou and Inno Shenzhen since October 2017 and November 2020, respectively.

Dr. Luo is a world-class scientist and visionary entrepreneur with extensive experience. Prior to founding our Company, Dr. Luo has been engaged in scientific research, project management and entrepreneurship for years. Dr. Luo is also currently the director of Stark Semiconductor Co., Ltd. (星鑰半導體有限公司), which is primarily engaged in the research and development of display and micro-screen technology.

Dr. Luo received a doctorate degree in applied mathematics from the Massey University in New Zealand.

Dr. Luo was a director of InnoScience (Guangdong Hengqin) Technology Co., Ltd. (英諾賽科(廣東橫琴)科技有限公司), a company established in the PRC principally engaged in research and development of semiconductors, prior to its deregistration on October 19, 2023. Dr. Luo confirmed that the aforementioned company was solvent and was not involved in any material non-compliance incidents immediately prior to its deregistration.

Mr. Jay Hyung Son, aged 62, is our executive Director. He was appointed as a Director on July 17, 2017 and was appointed as an executive Director on May 21, 2024. He is responsible for business development of our Group. Prior to serving as a Director, Mr. Son served as the general manager of Inno Suzhou from October 2017 to October 2023.

Mr. Son has extensive leadership and entrepreneurship experience in field of semiconductors. Mr. Son received a bachelor's degree of science from the Faculty of the College of Engineering from the University of California, Berkeley in the United States in August 1987.

Mr. Son was (i) a director of 3CIM, Inc., a company domiciled in California, the United States, principally engaged in research and development, prior to its dissolution on October 23, 2017, (ii) the chief executive officer of INNOEPI, Inc., a company domiciled in Delaware, the United States, principally engaged in research and development prior to its dissolution on May 16, 2017, and (iii) the president of InnoScience Inc., a company domiciled in Delaware, the United States, principally engaged in research and development, prior to its dissolution on October 7, 2019. Mr. Son confirmed that the aforementioned companies were solvent and were not involved in any material non-compliance incidents immediately prior to their dissolution.

Dr. Wu Jingang (吳金剛博士), aged 57, is our executive Director and chief executive officer. He was appointed as a Director on January 12, 2023 and was appointed as an executive Director on May 21, 2024. He is responsible for overall business development and operation of our Group.

Dr. Wu has extensive experience in semiconductor technology development. Prior to joining our Group, Dr. Wu worked at the Semiconductor Manufacturing International Corporation (中芯國際集成電路製造有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 00981) and the Shanghai Stock Exchange (stock code: 688981), from 2001 to July 2021 with his last position as the R&D vice president. Dr. Wu worked as the general manager of and was responsible for the management of Shandong Chanyan Microelectronics Technology Research Institute Co., Ltd. (山東產研微電子技術研究院有限公司) from July 2021 to November 2022.

Dr. Wu received a doctorate degree in physical chemistry from the Lanzhou Institute of Chemical Physics, Chinese Academy of Sciences (中國科學院蘭州化學物理研究所) in the PRC in September 1994.

Mr. Zhong Shan (鍾山先生), aged 52, is our executive Director and chief financial officer. He was appointed as a Director on July 17, 2017 and was appointed as an executive Director on May 21, 2024. He is responsible for financial management, investment, and financing of our Group.

Mr. Zhong has extensive experience in corporate finance and financial markets. Prior to joining our Group, Mr. Zhong held various positions in Joincare Pharmaceutical Group Industry Co., Ltd. (健康元藥業集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600380), from 2001 to 2017 with his last position as the deputy general manager. Since June 2020, Mr. Zhong has been and is currently serving as an independent non-executive director of Smoore International Holdings Limited (思摩爾國際控股有限公司), which is a company listed on the Stock Exchange (stock code: 06969). Mr. Zhong was designated as a member of Association of Chartered Certified Accountants (“**ACCA**”) Southern China Steering Team, a special committee to provide advice to the Guangzhou office of ACCA and promote ACCA’s activities and operation in Southern China region, in May 2017.

In July 1993, Mr. Zhong received a bachelor’s degree in applied chemistry from the Huaqiao University (華僑大學) in the PRC. He has been a member of the ACCA since August 1999.

Mr. Zhong was a director of Shenzhen Yuanhong Venture Investment Co., Ltd. (深圳市元泓創業投資有限公司), a company established in the PRC principally engaged in equity investment and investment consulting, prior to its deregistration on August 20, 2009. Mr. Zhong confirmed that the aforesaid company was solvent and was not involved in any material non-compliance incidents at its deregistration.

Non-executive Directors

Dr. Wang Can (汪燦博士), aged 40, is our non-executive Director. He was appointed as a Director on January 26, 2022 and was appointed as a non-executive Director on May 21, 2024.

Dr. Wang has extensive experience in private equity investment and financial services. Dr. Wang worked at China National Bluestar (Group) Co, Ltd (中國藍星(集團)股份有限公司) from July 2009 to April 2012 and served as the investment manager of Shenzhen Junfeng Entrepreneur Investment Fund Management Co., Ltd. (深圳市君豐創業投資基金管理有限公司) from August 2012 to July 2013. Since August 2013, Dr. Wang has been working at CMB International Capital Management (Shenzhen) Co., Ltd. (招銀國際資本管理(深圳)有限公司) and is currently serving as an executive director.

Dr. Wang received a bachelor's degree in materials chemistry from Peking University (北京大學) in the PRC in June 2004 and a doctorate degree in physical chemistry from the Peking University (北京大學) in the PRC in July 2009.

Ms. Zhang Yanhong (張彥紅女士), aged 43, is our non-executive Director. She was appointed as a Director on January 26, 2022 and was appointed as a non-executive Director on May 21, 2024.

Ms. Zhang has extensive experience in private equity investment and financial services. Since September 2003, Ms. Zhang has successively served as a deputy manager, general manager, and the chairperson to the board of Orient State-Owned Capital Investment Operation Co., Ltd. (東方國有資本投資經營有限公司) (formerly Wujiang Orient State-owned Assets Operation Co. Ltd. (吳江市東方國有資產經營有限公司)). Ms. Zhang also served as the general manager of Suzhou Ronghu Industry Investment Development Co., Ltd. (蘇州市融湖產業投資發展有限公司) from June 2019 to September 2020.

Ms. Zhang received a master's degree in administrative management from the East China University of Science and Technology (華東理工大學) in the PRC in March 2010.

Ms. Zhang was (i) a supervisor of Wujiang Xuri Huihuang Network Engineering Co., Ltd. (吳江市旭日輝煌網絡工程有限公司), a company established in the PRC principally engaged in Internet infrastructure and sales of office equipment, prior to its deregistration on September 29, 2020, (ii) a director of Suzhou Nast Chuanghe Investment Management Co., Ltd. (蘇州納斯特創禾投資管理有限公司), a company established in the PRC principally engaged in investment management and equity investments, prior to its deregistration on September 20, 2023, and (iii) a director of Wujiang Smart Software Co., Ltd. (吳江智慧軟件有限公司), a company established in the PRC principally engaged in software development and database design, prior to its deregistration on December 5, 2021. Ms. Zhang confirmed that the aforementioned companies were solvent and were not involved in any material non-compliance incidents at their deregistration.

Ms. Cui Mizi (崔米子女士), aged 44, is our non-executive Director. Ms. Cui was appointed as a Director on September 27, 2023 and was appointed as a non-executive Director on May 21, 2024.

Ms. Cui has extensive legal and compliance experience. From October 2008 to July 2009, Ms. Cui worked at the Beijing office of Jincheng Tongda & Neal Law Offices (金誠同達律師事務所). Ms. Cui worked at SK (China) Enterprise Management Co., Limited (愛思開(中國)企業管理有限公司) ("**SK China Enterprise**") from July 2009 to August 2014, and Xijie (China) Consulting Co., Ltd. (希傑(中國)諮詢有限公司) from January 2015 to February 2016. Since November 2016, Ms. Cui has been and is currently serving as the head of the legal and investment management office of SK China Enterprise.

Ms. Cui received a bachelor's degree in law from Beijing Institute of Technology (北京理工大學) in July 2002 and a master's degree in law from Seoul National University in South Korea in August 2007.

Independent Non-executive Directors

Mr. Wong Hin Wing, MH, JP (黃顯榮先生,榮譽勳章,太平紳士), aged 61, was appointed as our independent non-executive Director on May 21, 2024, effective from the date of this prospectus.

Mr. Wong has extensive experience in corporate management and governance, investment management and advisory as well as accounting and finance. From July 1985 to September 1996, Mr. Wong worked successively as an auditor in an international audit firm for four years and the chief financial officer of a Hong Kong listed company for seven years. Subsequently in 1997, Mr. Wong co-founded Silk Road International Capital Limited (formerly known as Legend Capital Partners, Inc.), a licensed corporation under the SFO, and led the company as an executive director and the responsible officer for 23 years. Since 2020, Mr. Wong has been serving as the partner of Hermitage Capital HK Limited, a private equity firm licensed under the SFO.

At present, Mr. Wong serves as an independent non-executive director of the following companies: (i) Zhaoke Ophthalmology Limited (兆科眼科有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 06622) since April 2021; (ii) Kingmaker Footwear Holdings Limited (信星鞋業集團有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 01170) since January 2023; (iii) C Cheng Holdings Limited (思城控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 01486) since April 2023; and (iv) YNBY International Limited (雲白國際有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 00030) since November 2023.

In the last three years immediately preceding the date of this prospectus, Mr. Wong served as an independent non-executive director of the following listed companies: (i) CRCC High-Tech Equipment Corporation Limited (中國鐵建高新裝備股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 01786) from November 2015 to October 2022; (ii) Wine's Link International Holdings Limited (威揚酒業國際控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 08509) from December 2017 to March 2023; (iii) Inner Mongolia Yitai Coal Co., Ltd. (內蒙古伊泰煤炭股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 900948) and delisted from the Hong Kong Stock Exchange in August 2023 (stock code: 03948) from May 2017 to May 2023; (iv) Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (廣州白雲山醫藥集團股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 00874) and Shanghai Stock Exchange (stock code: 600332) from June 2017 to May 2023; and (v) Jiangxi Bank Co., Ltd. (江西銀行股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 01916) from February 2018 to August 2024.

In addition to the above, Mr. Wong has been a member of Anhui Provincial Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議安徽省委員會委員) since January 2013. He has also been a panel member of the Accounting and Financial Reporting Review Tribunal since October 2019, a member of the Betting and Lotteries Commission since August 2019, a member of the Medical Council of Hong Kong since January 2021, and a member of Advisory Committee on Enhancing Self-Reliance Through District Partnership (ESR) Programme since July 2022. Mr. Wong has also been a member of the board of directors of Ocean Park Corporation since July 2022.

Mr. Wong received a master's degree in Executive Business Administration (EMBA) from the Chinese University of Hong Kong in Hong Kong in December 1996. Mr. Wong has been a fellow member of the Hong Kong Institute of Certified Public Accountants since July 1995, a fellow member of the Association of Chartered Certified Accountants since July 1992, a fellow member of the Institute of Chartered Accountants in England and Wales since March 2015, a fellow member of the Hong Kong Institute of Directors since April 2002, a member of the Chartered Governance Institute since June 1995, a member of the American Institute of Certified Public Accountants since February 1991, and a chartered member of Chartered Institute for Securities and Investment since March 2011. Mr. Wong was awarded the Medal of Honour and appointed Justice of the Peace by the Government of the Hong Kong Special Administrative Region in July 2021 and July 2024 respectively.

Dr. Yi Jiming (易繼明博士), aged 56, was appointed as our independent non-executive Director on May 21, 2024, effective from the date of this prospectus.

Dr. Yi has extensive academic and legal experience. Dr. Yi was a professor at the faculty of law of Huazhong University of Science and Technology (華中科技大學) in the PRC. He was also a visiting scholar and an Edwards Fellow of Columbia Law School in the United States from 2005 to 2006. Dr. Yi has been a professor at the faculty of law of Peking University (北京大學) since August 2011.

At present, Dr. Yi is serving and has served as an independent director of Huaneng Guicheng Trust Corp., Ltd. (華能貴誠信託有限公司) since May 2024 and Ping An Securities Company Limited (平安證券股份有限公司) since November 2022. Dr. Yi is currently serving as the Vice Chairman of the Fifth Council of China Trademark Association (中華商標協會) and Vice Chairman of the Eighth Council of the China Intellectual Property Research Society (中國知識產權研究會).

Dr. Yi received a master's degree in law and a doctorate degree in law from Peking University (北京大學) in the PRC in 1999 and 2002, respectively.

Dr. Yi was a director of Wuhan Huazhong Yuanzhao Education Technology Co., Ltd. (武漢華中元照教育科技有限公司), a company established in the PRC principally engaged in education and publication, prior to its deregistration on June 25, 2021. Dr. Yi confirmed that the aforementioned company was solvent and was not involved in any material non-compliance incidents immediately prior to its deregistration.

Dr. Yang, Simon Shi-Ning (楊士寧博士), aged 64, was appointed as our independent non-executive Director on May 21, 2024, effective from the date of this prospectus.

Dr. Yang has extensive experience in the semiconductor industry. Dr. Yang is currently the chairman of the board of Wuhan Xinxin Integrated Circuit Manufacturing Holding Co., Ltd (武漢新芯集成電路股份有限公司). Prior to that, Dr. Yang served at a number of renowned semiconductor companies, including successively serving as the senior vice president of technology development and manufacturing, and the chief operating officer at Semiconductor Manufacturing International Corporation (中芯國際集成電路製造有限公司) (a company listed on both the Hong Kong Stock Exchange and the Shanghai Stock Exchange, stock code: 00981 and stock code: 688981, respectively), and the chief technology officer and senior vice president of Chartered Semiconductor Manufacturing, Inc.

Dr. Yang received a bachelor's degree from Shanghai University of Science and Technology (上海科學技術大學) in the PRC and a doctoral degree from Rensselaer Polytechnic Institute in the United States.

Dr. Chan, Philip Ching Ho (陳正豪博士), aged 75, was appointed as our independent non-executive Director on May 21, 2024, effective from the date of this prospectus.

Dr. Chan has extensive semiconductor-related academic research experience. He commenced his career in University of Illinois, Urbana-Champaign and served as a visiting assistant professor from 1978 to 1981. From March 1990 to March 1991, he worked at Intel Corporation, a company listed on the NASDAQ Stock Market (ticker symbol: INTC), where he last served as a principal engineer and senior project manager. Dr. Chan joined the Hong Kong University of Science and Technology in April 1991 and served as a professor and the head of the Department of Electronic and Computer Engineering, the director of Nanoelectronics Fabrication Facility and the dean of the School of Engineering. From March 2010 to February 2020, he served as a deputy president and provost at the Hong Kong Polytechnic University. From his retirement in September 2020 to August 2021, he served as a senior advisor to the president and provost of the Hong Kong Polytechnic University and has served as a senior advisor to the deputy president and provost of the Hong Kong Polytechnic University since September 2021. From April 2023 to August 2024, he has been a team leader (special duty) at the Innovation and Technology Commission of the Hong Kong Government. Since September 2024, he has been a chairman of board of Microelectronics Research and Development Institute of the Hong Kong Government.

At present, Dr. Chan serves as an independent non-executive director of Solomon Systech (International) Limited (晶門半導體有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 2878), since December 2020. He is also the founder and non-executive director of APT Electronics Co., Ltd. (廣東晶科電子股份有限公司) a company listed on the Hong Kong Stock Exchange (stock code: 2551).

Dr. Chan received a bachelor of science in electrical engineering from University of California at Davis in June 1973 in the United States, his master of science in electrical engineering and doctor in electrical engineering both from University of Illinois at Urbana-Champaign in the United States in October 1975 and October 1978, respectively. He has been a fellow member of the Hong Kong Institution of Engineers since December 1995. He was qualified as a fellow of the Institute of Electrical and Electronics Engineering in January 2007 and a fellow of the Hong Kong Academy of Engineering Sciences in December 2013. He was awarded the Bronze Bauhinia Star by the Hong Kong Government in Hong Kong in July 2013. From October 2008 to October 2016, Dr. Chan served as a director of the Hong Kong Applied Science and Technology Research Institute. He currently also serves as a member of the Committee on Innovation, Technology and Re-industrialization of the Government of Hong Kong as well as a professor emeritus at the Hong Kong Polytechnic University.

SUPERVISORY COMMITTEE

Our Supervisory Committee comprises five members. Our Supervisors serve a term of three years and may be re-elected for successive reappointments. The functions and duties of the Supervisory Committee include reviewing financial reports, business reports and profit distribution plans prepared by the Board and overseeing the financial and business performance of our Group. They are also entitled to appoint certified public accountants and practicing auditors to re-examine our Company's financial information where necessary.

The following table sets out information in respect of the Supervisors.

Name	Age	Position/Title	Date of Appointment as Supervisor	Date of Joining our Group	Role and Responsibility
Dr. Huang Xi (黃喜博士)	40	Shareholders' representative Supervisor	September 2023	September 2023	Performing duties as a Supervisor in accordance with the Articles as well as relevant laws and regulations
Mr. Ren Weifeng (任衛峰先生). . .	54	Shareholders' representative Supervisor	April 2024	April 2024	Performing duties as a Supervisor in accordance with the Articles as well as relevant laws and regulations

Name	Age	Position/Title	Date of Appointment as Supervisor	Date of Joining our Group	Role and Responsibility
Mr. Peng Xingguo (彭星國先生). . .	61	Shareholders' representative Supervisor	January 2021	January 2021	Performing duties as a Supervisor in accordance with the Articles as well as relevant laws and regulations
Ms. Lai Guangyi (賴廣禕女士). . .	46	Employees' representative Supervisor	May 2024	February 2017	Performing duties as a Supervisor in accordance with the Articles as well as relevant laws and regulations
Mr. Ke Shanyong (柯善勇先生). . .	41	Chairperson of the supervisory committee and employees' representative Supervisor	May 2024	October 2020	Performing duties as a Supervisor in accordance with the Articles as well as relevant laws and regulations

Supervisors

Dr. Huang Xi (黃喜博士), aged 40, has served as our Shareholders' representative Supervisor since September 2023.

Prior to joining our Group, Dr. Huang worked at the Alcatel-Lucent Shanghai Bell Co., Ltd. (上海貝爾股份有限公司) from July 2012 to November 2013 with his last position as research scientist, and served as a senior system architecture engineer of Huawei Technology Co., Ltd. (華為技術有限公司) from November 2013 to July 2018. Since July 2018, Dr. Huang has served as an executive director of Hainan Huaye Hope Investment Co., Ltd. (海南華業希望投資有限公司), a subsidiary of Shenzhen Huaye Tiancheng Investment Co., Ltd. (深圳華業天成投資有限公司).

Dr. Huang received a bachelor's degree in physics and a doctorate degree in electronic science and technology from the Huazhong University of Science and Technology (華中科技大學) in the PRC in June 2007 and June 2012, respectively.

Mr. Ren Weifeng (任衛峰先生), aged 54, has served as our Shareholders' representative Supervisor since April 2024.

Mr. Ren is currently the chairman of the board of directors of Wuhan Optics Valley New Technology Industry Investment Co., Ltd. (武漢光谷新技術產業投資有限公司) ("**Optics Valley Investment**"). He joined Optics Valley Investment as a deputy general manager in June 2016. Prior to joining Optics Valley Investment, Mr. Ren worked at Wuhan Aqualite Co., Ltd. (迪源光電股份有限公司).

Mr. Ren obtained a college degree in accounting (correspondence program) from Zhongnan University of Economics (中南財經大學) in the PRC in July 1991. Mr. Ren obtained a certification of accountant by the Ministry of Personnel of the People's Republic of China (中華人民共和國人事部) in May 1997.

Mr. Ren was (i) a director of Shanghai Yuhaomeng Trading Co., Ltd. (上海玉豪蒙貿易有限公司), a company established in the PRC principally engaged in import and export of goods prior to its deregistration December 16, 2008; (ii) a supervisor of Wuhan Technology Exhibition Co., Ltd. (武漢科技會展有限公司), a company established in the PRC principally engaged in conference and exhibition services, prior to its deregistration on February 2, 2007; (iii) a director of Wuhan Yuhao Trading Co., Ltd. (武漢玉豪貿易有限公司), a company established in the PRC principally engaged in sales of goods, prior to its deregistration on November 15, 2008; (iv) a supervisor of Wuhan Yirenchao Body Technology Co., Ltd. (武漢伊人潮形體科技有限公司), a company established in the PRC principally engaged in sports science technology development, prior to its deregistration on December 15, 2006. Mr. Ren confirmed that the aforementioned companies were solvent and were not involved in any material non-compliance incidents immediately prior to its deregistration.

Mr. Peng Xingguo (彭星國先生), aged 61, has served as our Shareholders' representative Supervisor since January 2021.

Prior to joining our Group, Mr. Peng worked at the Science and Technology Commission of Guangdong Province (廣東省科學技術委員會) from July 1988 to February 1998. Mr. Peng joined Guangdong Science and Technology Venture Capital Co., Ltd. (廣東省科技風險投資有限公司) in March 1998 and later served as the deputy general manager of its subsidiary Guangdong Technology Venture Capital Co., Ltd. (廣東省粵科風險投資集團有限公司) from September 2003 to June 2015. Since July 2015, Mr. Peng has been and is currently serving as chairperson of the board of Guangdong Publics Innovation and Venture Capital Management Co., Ltd. (廣東國民創新創業投資管理有限公司).

Mr. Peng received a bachelor's degree in physics from South China Normal University (華南師範大學) in July 1985 and a master's degree in engineering from South China University of Technology (華南理工大學) in the PRC in July 1988.

Mr. Peng was a director of Guangzhou Guantong Venture Capital Management Co., Ltd. (廣州市冠通創業投資管理有限公司), a company established in the PRC principally engaged in investment and management consulting, prior to its deregistration on May 6, 2016. Mr. Peng confirmed that the aforementioned company was solvent and was not involved in any material non-compliance incidents immediately prior to its deregistration.

Ms. Lai Guangyi (賴廣禕女士), aged 46, our employees' representative Supervisor, joined our Group in February 2017 as our employee incentive affairs manager and was appointed as our employees' representative Supervisor in May 2024.

Prior to joining our Group, Ms. Lai served at Citi Data Processing (Shanghai) Co., Ltd. Zhuhai Branch (花旗數據處理(上海)有限公司珠海分公司) from March 2006 to July 2012 and Shanghai Citibank Data and Technology Services Company Zhuhai Branch (上海花旗數據與技術服務有限公司珠海分公司) from July 2012 to December 2013 with her last position as a customer service team leader of the operation department, and served at the East China Architectural Design Institute (華東建築設計研究院有限公司) as an administrative manager from April 2015 to February 2017.

Ms. Lai received a bachelor's degree in management (correspondence program) from Guangxi Minzu Academy (廣西民族學院) in the PRC in June 2003. Ms. Lai has obtained certifications including the Level 2 Human Resources Manager and Level 3 Psychological Counsellor awarded by the Ministry of Human Resources and Social Security (人力資源和社會保障部) in the PRC.

Mr. Ke Shanyong (柯善勇先生), aged 41, joined our Group in October 2020 as a sales director and was appointed as our employees' representative Supervisor in May 2024.

Prior to joining our Group, Mr. Ke served as a business manager of Power Integrations, Inc. (a company listed on the NASDAQ Stock Market (ticket symbol: POWI) from September 2012 to March 2016, a sales manager of Shenzhen Core Technology Co., Ltd. (深圳芯科科技有限公司), a subsidiary of Silicon Laboratories Inc. (a company listed on the NASDAQ Stock Market (ticket symbol: SLAB), from April 2016 to November 2016, and a senior marketing manager and sales manager of NXP (China) Management Co., Ltd. Shenzhen Branch (恩智浦(中國)管理有限公司深圳分公司), a subsidiary of NXP Semiconductors N.V. (a company listed on the NASDAQ Stock Market (ticket symbol: NXPI), from December 2016 to March 2019.

Mr. Ke received a master's degree in communication and information systems from Huazhong University of Science and Technology (華中科技大學) in the PRC in July 2007.

SENIOR MANAGEMENT

The following table sets out information regarding the members of senior management of our Company.

Name	Age	Position/Title	Date of Appointment as current position	Date of Joining our Group	Role and Responsibility
Dr. Wu Jingang (吳金剛博士). . .	57	Executive Director and chief executive officer	November 2022	November 2022	Responsible for overall business development and operation of our Group
Mr. Zhong Shan (鍾山先生)	52	Executive Director and chief financial officer	July 2017	July 2017	Responsible for financial management, investment, and financing of our Group

Name	Age	Position/Title	Date of Appointment as current position	Date of Joining our Group	Role and Responsibility
Mr. Ni Jinghua (倪景華先生) . . .	45	Deputy general manager	January 2023	January 2023	Responsible for R&D of our Group
Mr. Li Xinhua (李新華先生) . . .	44	Deputy general manager	November 2022	May 2020	Responsible for manufacturing of our Group
Mr. Chen Yulin (陳鈺林先生) . . .	43	Deputy general manager	May 2021	November 2017	Responsible for product operations of our Group

For details of the biographies of Dr. Wu Jingang (吳金剛博士) and Mr. Zhong Shan (鍾山先生), see "— Board of Directors."

Mr. Ni Jinghua (倪景華先生), aged 45, is our deputy general manager. He is responsible for R&D of our Group. Mr. Ni joined our Group in January 2023.

Mr. Ni has extensive experience in semiconductor technology industry. Prior to joining our Group, from June 2002 to June 2021, Mr. Ni served as the technical research and development director of Semiconductor Manufacturing (Shanghai) International Corporation (中芯國際集成電路製造(上海)有限公司). Mr. Ni served as the deputy general manager of process business department of Shandong Chanyan and Longshan Microelectronics from July 2021 to September 2022 and from September 2022 to December 2022, respectively.

Mr. Ni received a bachelor's degree in management engineering from Wuhan University of Technology (武漢理工大學) in June 2001, and a master's degree in software engineering from the Shanghai Jiao Tong University (上海交通大學) in the PRC in June 2008.

Mr. Li Xinhua (李新華先生), aged 44, is our deputy general manager. He is responsible for manufacturing of our Group. Mr. Li joined our Group in May 2020 and served in various positions, including as the factory director of Inno Zhuhai from May 2020 to November 2022.

Mr. Li has extensive experience in semiconductor technology industry. Prior to joining our Group, Mr. Li served at Semiconductor Manufacturing (Beijing) International Corporation (中芯國際集成電路製造(北京)有限公司) from June 2006 to April 2014 and Semiconductor Manufacturing North China (Beijing) Corporation (中芯北方集成電路製造(北京)有限公司) from May 2014 to April 2020 with his last position as the senior manager.

Mr. Li received a bachelor's degree in material science and engineering from the Shanghai Jiao Tong University (上海交通大學) in the PRC in July 2002, and a master's degree in software engineering domain engineering from the Peking University (北京大學) in the PRC in January 2015.

Mr. Chen Yulin (陳鈺林先生), aged 43, is our deputy general manager. He is responsible for product operations of our Group. Mr. Chen joined our Group in November 2017 as the marketing and sales deputy general manager of our Group. Since May 2021, Mr. Chen has been and is currently serving as our deputy general manager of product applications department.

Mr. Chen has extensive experience in the semiconductor industry. Prior to joining our Group, Mr. Chen worked at a number of companies in the field of power semiconductors, including serving as a field application engineer (FAE) senior manager of Efficient Power Conversion Corporation (宜普電源轉換公司).

Mr. Chen received a bachelor's degree in electrical engineering and automation (remote learning) from Hebei University of Engineering (河北工程大學) in the PRC in June 2015.

Save as disclosed above, (i) none of our Directors, Supervisors and members of senior management has been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this prospectus; (ii) none of our Directors has any interests in any business, which competes or is likely to compete, either directly or indirectly, with our business which would require disclosure under Rule 8.10 of the Listing Rules; and (iii) none of our Directors, Supervisors and members of the senior management is related to other Directors, Supervisors and members of the senior management.

JOINT COMPANY SECRETARIES

Ms. Liu Lihua (劉麗華女士), aged 51, was appointed as a joint company secretary of our Company on May 21, 2024. Ms. Liu joined our Group in January 2024 as the secretary of the Board.

Ms. Liu has solid experience in corporate management and operations. From July 2006 to September 2018, she served as the director of the Investment Banking Department of China Merchants Securities Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600999), responsible for the equity capital markets practice. She also has successively served as the finance director, director, vice president and board secretary of Eastroc Beverage (Group) Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 605499), from October 2018 to December 2023.

Ms. Liu received a master's degree in business administration from Sichuan University (四川大學) in the PRC in June 2004. Ms. Liu is currently pursuing an executive master of business administration programme from PBC School of Finance of the Tsinghua University (清華大學) in the PRC.

Mr. Chung Ming Fai (鍾明輝先生), aged 45, was appointed as the other joint company secretary of our Company on May 21, 2024. He has over 19 years of experience in corporate secretary, mergers and acquisitions, financial reporting and auditing. Mr. Chung served as an audit junior at Henny Wee & Co., CPA from March 2004 to October 2004, an audit semi-senior at K.W. Lau CPA Limited from November 2004 to January 2008. Mr. Chung then served at KPMG from January 2008 to August 2011 with his last position as an audit manager, and at Sandmartin International Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 00482), from September 2011 to October 2021 with his last position as the head of project management. Mr. Chung has been serving in the corporate secretarial department of SWCS Corporate Services Group (Hong Kong) Limited since June 2022, and is mainly responsible for managing the company secretarial and compliance work for companies listed on the Hong Kong Stock Exchange.

Mr. Chung is currently a member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. He obtained his bachelor's degree in commerce from the Australian National University in December 2003.

Our Company has been granted a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Ms. Liu Lihua may be appointed as a joint company secretary of our Company. However, the waiver can be revoked if there are material breaches of the Listing Rules by our Company. For details, please see "Waivers from Strict Compliance with the Listing Rules."

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws and regulations and the Corporate Governance Code, Appendix C1 to the Listing Rules, our Company has formed three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee.

Audit Committee

We have established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of Part 2 of the Corporate Governance Code, Appendix C1 to the Listing Rules. The Audit Committee consists of three Directors, namely Mr. Wong Hin Wing, MH, JP, Dr. Yi Jiming and Dr. Chan, Philip Ching Ho. Mr. Wong Hin Wing, MH, JP holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules and serves as the chairperson of the Audit Committee. The primary duties of the Audit Committee are to review the financial controls and the internal control and risk management systems of our Group, monitor the integrity of the Company's financial statements, review and monitor the external auditor's independence and objectivity and effectiveness of the audit process and perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

We have established a Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of Part 2 of the Corporate Governance Code, Appendix C1 to the Listing Rules. The Remuneration Committee consists of three Directors, namely Dr. Yang, Simon Shi-Ning, Dr. Luo and Dr. Chan, Philip Ching Ho. Dr. Yang, Simon Shi-Ning serves as the chairperson of the Remuneration Committee. The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for our Directors and senior management and make recommendations on remuneration packages of individual executive Directors and senior management.

Nomination Committee

We have established a Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and paragraph B.3 of Part 2 of the Corporate Governance Code, Appendix C1 to the Listing Rules. The Nomination Committee consists of three Directors, namely Dr. Luo, Dr. Yi Jiming and Dr. Yang, Simon Shi-Ning. Dr. Luo serves as the chairperson of the Nomination Committee. The primary duties of the Nomination Committee are to review the Board structure, size and composition, make recommendations to our Board on the appointment or re-appointment of Directors and review the Company's board diversity policy.

CONFIRMATION FROM OUR DIRECTORS

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on May 21, 2024 and May 28, 2024 (as the case may be) and (ii) understands the requirements under the Listing Rules that are applicable to him or her as a director of a listed issuer under the Listing Rules and the possible consequences of making a false declaration or giving false information to the Stock Exchange.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he has no past or present financial or other interest in the business of our Company or its subsidiaries or any connection with any core connected person of our Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his independence at the time of his appointments.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

We offer our executive Directors, Supervisors and senior management members, who are also the Company's employees, compensation in the form of fees, salaries, retirement benefit scheme contributions, discretionary bonus, housing allowances and other benefits in kind. Our independent non-executive Directors receive compensation with reference to their respective positions and duties, including being a member or the chairperson of Board committees.

For the years ended December 31, 2021, 2022 and 2023, the aggregate amount of remuneration paid or payable to our Directors and Supervisors amounted to RMB10.61 million, RMB14.29 million and RMB44.56 million, respectively.

Under the arrangement currently in force, we estimate the total compensation before taxation, including estimated-share based compensation, to be accrued to our Directors and our Supervisors for the year ending December 31, 2024 to be approximately RMB45.57 million. The actual remuneration of Directors and Supervisors in 2024 may be different from the expected remuneration.

For each of the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, there were 3, 0, 1 and 1 Directors among the five highest paid individuals, respectively. The total emoluments for the remaining individuals among the five highest paid individuals amounted to RMB4.39 million, RMB26.78 million, RMB25.56 million and RMB13.14 million, for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively.

We confirmed that during the Track Record Period, no consideration was paid by our Company to, or receivable by, our Directors for making available directors' services or as termination benefits.

Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiary to our Directors, Supervisors or the five highest paid individuals during the Track Record Period.

CORPORATE GOVERNANCE

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, our Company complies or intends to comply with the corporate governance requirements under the Corporate Governance Code set out in Appendix C1 to the Hong Kong Listing Rules after the Listing.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural and educational background, ethnicity and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board.

Our Directors have a balanced mix of knowledge and skills, including overall management and strategic development, quality assurance and control, finance and accounting and corporate governance in addition to industry experience relevant to our Group's operations and business. They obtained degrees in various majors including science, engineering, economics, and business administration. We have four independent non-executive Directors with different industry backgrounds, representing more than one third of the members of our Board. Furthermore, our Board has a diverse age and gender representation. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our board diversity policy.

Our Nomination Committee is responsible for reviewing the structure and diversity of the Board and selecting individuals to be nominated as Directors. After the Listing, our Nomination Committee will monitor and evaluate the implementation of the board diversity policy from time to time to ensure its continued effectiveness, and when necessary, make any revisions that may be required and recommend any such revisions to our Board for consideration and approval. The Nomination Committee will also include in our corporate governance report a summary of the board diversity policy, including any measurable objectives set for implementing the board diversity policy and the progress on achieving these objectives, on an annual basis.

EMPLOYEE INCENTIVE SCHEMES

For more information, please refer to "History, Development and Corporate Structure — Employee Share Incentive Scheme" and "Appendix VII — Statutory and General Information — Further Information about our Directors, Supervisors, Management and Substantial Shareholders — 5. Pre-IPO Share Plan."

COMPLIANCE ADVISOR

We have appointed Maxa Capital Limited as our Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules. The Compliance Advisor will provide us with guidance and advice as to compliance with the Listing Rules and other applicable laws, rules, codes and guidelines. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will advise our Company in certain circumstances including:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Hong Kong Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of the appointment will commence on the Listing Date and is expected to end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing.

This section presents certain information regarding our share capital before and upon completion of the Global Offering.

BEFORE THE GLOBAL OFFERING

As of the Latest Practicable Date, the registered capital of our Company was RMB833,788,253, comprising 833,788,253 Shares of nominal value RMB1.00 each.

UPON COMPLETION OF THE GLOBAL OFFERING

Immediately following completion of the Global Offering and conversion of Domestic Unlisted Shares into H Shares, assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage to total share capital
		(%)
Domestic Unlisted Shares	389,559,466	44.53
H Shares converted from Domestic Unlisted Shares[(1)]	444,228,787	50.53
H Shares to be issued under the Global Offering	45,364,000	5.16
Total	879,152,253	100.00

(1) For details of the identities of the Shareholders whose Shares will be converted into H Shares upon Listing, see "History, Development and Corporate Structure — Public Float" and "History, Development and Corporate Structure — Capitalization of our Company."

Immediately following completion of the Global Offering and conversion of Domestic Unlisted Shares into H Shares, assuming the Offer Size Adjustment Option is fully exercised and the Over-allotment Option is not exercised, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage to total share capital
		(%)
Domestic Unlisted Shares	389,559,466	43.97
H Shares converted from Domestic Unlisted Shares[(1)]	444,228,787	50.14
H Shares to be issued under the Global Offering	45,364,000	5.12
H Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option in full	6,804,000	0.77
Total	885,956,253	100.00

Immediately following completion of the Global Offering and conversion of Domestic Unlisted Shares into H Shares, assuming the Offer Size Adjustment Option is not exercised and the Over-allotment Option is fully exercised, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage to total share capital
		(%)
Domestic Unlisted Shares	389,559,466	43.97
H Shares converted from Domestic Unlisted Shares[(1)]	444,228,787	50.14
H Shares to be issued under the Global Offering	45,364,000	5.12
H Shares to be issued pursuant to the exercise of Over-allotment Option in full	6,804,600	0.77
Total	885,956,853	100.00

Immediately following completion of the Global Offering and conversion of Domestic Unlisted Shares into H Shares, assuming the Offer Size Adjustment Option is fully exercised and the Over-allotment Option is fully exercised, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage to total share capital
		(%)
Domestic Unlisted Shares	389,559,466	43.59
H Shares converted from Domestic Unlisted Shares[(1)]	444,228,787	49.70
H Shares to be issued under the Global Offering	45,364,000	5.08
H Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option in full	6,804,000	0.76
H Shares to be issued pursuant to the exercise of Over-allotment Option in full	7,825,200	0.88
Total	893,781,453	100.00

(1) For details of the identities of the Shareholders whose Shares will be converted into H Shares upon Listing, see "History, Development and Corporate Structure — Public Float" and "History, Development and Corporate Structure — Capitalization of our Company."

SHARE CLASSES

Upon completion of the Global Offering and conversion of our Domestic Unlisted Shares into H Shares, we would have two classes of Shares: H Shares as one class of Shares, Domestic Unlisted Shares as another class. Domestic Unlisted Shares and H Shares are all ordinary Shares in the share capital of our Company. However, apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai — Hong Kong Stock Connect or the Shenzhen — Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities (such as our certain existing Shareholders the Domestic Unlisted Shares held by whom will be converted in to H shares according to the approval of the CSRC), H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC.

The differences between the two classes of shares and provisions on class rights, the dispatch of notices and financial reports to Shareholders, registration of Shares on different registers of Shareholders, the method of share transfer and appointment of dividend receiving agents are set out in the Articles of Association and summarized in "Appendix VI — Summary of Articles of Association." The rights conferred on any class of Shareholders may not be varied or abrogated unless approved by a special resolution of the general meeting of Shareholders and by the holders of Shares of that class at a separate meeting. The circumstances which shall be deemed to be a variation or abrogation of the rights of a class are listed in "Appendix VI — Summary of Articles of Association."

Except for the differences above, Domestic Unlisted Shares and H Shares will however rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. All dividends for H Shares will be denominated and declared in Renminbi, and paid in Hong Kong dollars or Renminbi, whereas all dividends for Domestic Unlisted Shares will be paid in Renminbi. Other than cash, dividends can also be paid in the form of shares.

CONVERSION OF DOMESTIC UNLISTED SHARES INTO H SHARES

If any of the Domestic Unlisted Shares are to be converted, listed and traded as H Shares on the Hong Kong Stock Exchange, such conversion, listing and trading will need the filling of the relevant PRC regulatory authorities, including the CSRC, and the approval of the Hong Kong Stock Exchange.

Register with the CSRC and Full Circulation Application

In accordance with the Overseas Listing Trial Measures and related guidelines, H-share listed companies which apply for the conversion of Domestic Unlisted Shares into H shares for and submit listing and circulation on the Hong Kong Stock Exchange shall file with the CSRC materials on key compliance issues. An unlisted domestic joint stock company may apply for "Full circulation" when applying for an overseas initial public offering.

The Company applied for a "Full circulation" filing when filing with the CSRC for an overseas listing on June 13, 2024, and submitted the filing reports, authorization documents of the shareholders of Domestic Unlisted Shares which applied for the H-share "Full circulation", undertaking on the compliance of share acquisition and other documents in accordance with the requirements of the CSRC.

The Company have received the filing notice from the CSRC dated November 27, 2024 in relation to the registration of the overseas listing and "Full circulation", pursuant to which (1) the Company was approved to issue no more than 106,539,400 H Shares with a nominal value of RMB1.00 each, which are all ordinary shares, and the Company may be listed on the Main Board of the Hong Kong Stock Exchange; (2) a total of 444,228,787 Domestic Unlisted Shares held by certain Shareholders of the Company (the "**Full Circulation Participating Shareholders**") were approved to be converted into H Shares, and the relevant Shares may be listed on the Hong Kong Stock Exchange upon completion of the conversion.

Listing Approval by the Hong Kong Stock Exchange

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the granting of the listing of, and permission to deal in, (i) our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option); and (ii) the H Shares to be converted from 444,228,787 Domestic Unlisted Shares, which is subject to the approval by the Hong Kong Stock Exchange.

We will perform the following procedures for the conversion of the relevant Domestic Unlisted Shares into H Shares after receiving the approval of the Hong Kong Stock Exchange: (1) giving instructions to our H Share Registrar regarding relevant share certificates of the converted H Shares; and (2) enabling the converted H Shares to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS.

Domestic Procedures

Pursuant to the relevant regulations, the Full Circulation Participating Shareholders may only deal in the Shares upon completion of the below arrangement procedures for the registration, deposit and transaction settlement in relation to the conversion and listing:

1. We will appoint CSDC as the nominal holder to deposit the relevant securities at CSDC (Hong Kong), which will then deposit the securities at HKSCC in its own name. CSDC, as the nominal holder of the Full Circulation Participating Shareholders, shall handle all custody, maintenance of detailed records, cross-border settlement and corporate actions, etc. relating to the converted H Shares for the Full Circulation Participating Shareholders;

2. We will engage a domestic securities company (the "**Domestic Securities Company**") to provide services such as sending orders for trading of the converted H Shares and receipt of transaction returns. The Domestic Securities Company will engage a Hong Kong securities company (the "**Hong Kong Securities Company**") for settlement of share transactions. We will make an application to CSDC, Shenzhen Branch for the maintenance of a detailed record of the initial holding of the converted H Shares held by our Shareholders. Meanwhile, we will submit applications for a domestic transaction commission code and abbreviation, which shall be confirmed by CSDC, Shenzhen Branch as authorized by Shenzhen Stock Exchange;

3. The Shenzhen Stock Exchange shall authorize Shenzhen Securities Communication Co., Ltd. to provide services relating to transmission of trading orders and transaction returns in respect of the converted H Shares between the Domestic Securities Company and the Hong Kong Securities Company, and the real-time market forwarding services of the H Shares;

4. According to 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》), the Full Circulation Participating Shareholders shall complete the overseas shareholding registration with the local foreign exchange administration bureau before the Shares are sold, and after the overseas shareholding registration, open a specified bank account for the holding of overseas shares by domestic investors at a domestic bank with relevant qualifications and open a fund account for the H Share "Full Circulation" at the Domestic Securities Company. The Domestic Securities Company shall open a securities trading account for the H Share "Full Circulation" at the Hong Kong Securities Company; and

5. The Full Circulation Participating Shareholders shall submit trading orders of the converted H Shares through the Domestic Securities Company. Trading orders of the Full Circulation Participating Shareholders for the relevant Shares will be submitted to the Hong Kong Stock Exchange through the securities trading account opened by the Domestic Securities Company at the Hong Kong Securities Company. Upon completion of the transaction, settlements between each of the Hong Kong Securities Company and CSDC (Hong Kong), CSDC (Hong Kong) and CSDC, CSDC and the Domestic Securities Company, and the Domestic Securities Company and the Full Circulation Participating Shareholders, will all be conducted separately.

As a result of the conversion, the shareholding of the relevant Full Circulation Participating Shareholders in our share capital registered shall be reduced by the number of Domestic Unlisted Shares converted and increased by the number of H Shares so converted.

A Shareholder holding Domestic Unlisted Shares not converted into H Shares can work with the Company according to the Articles of Association and follow the procedures set out in this prospectus to convert the Domestic Unlisted Shares into H Shares after the Listing if they want, provided that such conversion of Domestic Unlisted Shares into and listing and trading of H Shares will be subject to the approval of the relevant PRC regulatory authorities, including the CSRC, the approval of the Hong Kong Stock Exchange and the satisfaction of the public float requirement under the Listing Rules by the Company.

See "Risk Factors — Risks Relating to the Global Offering."

TRANSFER OF SHARES ISSUED PRIOR TO THE GLOBAL OFFERING

Under the PRC Company Law, Shares which have been in issue before we publicly issue Shares may not be transferred within one year from the date of listing on a stock exchange. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and not be transferred within a period of one year from the Listing Date.

Our Directors, Supervisors and members of the senior management of our Company shall declare their shareholdings in our Company and any changes in their shareholdings. Shares transferred by our Directors, Supervisors and such members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in our Company. The Shares that the aforementioned persons held in our Company cannot be transferred within one year from the date on which the shares are listed and traded, nor within half a year after they leave their positions in our Company. The Articles of Association may contain other restrictions or conditions on the transfer of the Shares held by our Directors, Supervisors, members of senior management of our Company and other Shareholders. For further details, see "Appendix VI — Summary of Articles of Association."

REGISTRATION OF SHARES NOT LISTED ON AN 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, our Company is required to register and deposit our Shares that are not listed on the overseas stock exchange with the CSDC within 15 working days upon the Listing and provide a written report to the CSRC regarding the centralized registration and deposit of our Shares that are not listed on the overseas stock exchange as well as the offering and listing of our H Shares.

SHAREHOLDERS' GENERAL MEETINGS AND CLASS MEETINGS

For details of circumstances under which our Shareholders' general meetings and Shareholders' class meetings are required, see "Appendix VI — Summary of Articles of Association."

For details of general mandate to issue and repurchase shares, and the Company's Pre-IPO Share Plan, see "Appendix VII — Statutory and General Information — Further Information about our Directors, Supervisors, Management and Substantial Shareholders — 5. Pre-IPO Share Plan."

So far as our Directors are aware, immediately upon Listing, the following persons will have interests and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of our Company:

			Assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised	
Name of Shareholder	**Nature of Interest**	**Number of Shares held[1]**	**Approximate percentage of shareholding in the relevant class of Shares after the Global Offering**	**Approximate percentage of shareholding in the total share capital of our Company after the Global Offering**
			(%)	*(%)*
Domestic Unlisted Shares				
Dr. Luo	Beneficial owner	24,604,652 Domestic Unlisted Shares	6.32	2.80
	Interests in controlled corporations[2]	96,300,985 Domestic Unlisted Shares	24.72	10.95
	Others[3]	22,818,868 Domestic Unlisted Shares	5.86	2.60
Inno Holding	Beneficial owner[2]	43,001,465 Domestic Unlisted Shares	11.04	4.89
Mr. Son	Beneficial owner[3]	22,818,868 Domestic Unlisted Shares	5.86	2.60
CM Bank	Interest in controlled corporations[4]	65,880,676 Domestic Unlisted Shares	16.91	7.49
Shenzhen CMB Growth No.17 Equity Investment Fund L.P. (深圳市招銀成長拾柒號股權投資基金合夥企業(有限合夥)) ("**CMB Growth No.17**")	Beneficial owner[4]	48,902,412 Domestic Unlisted Shares	12.55	5.56
State-owned Assets Supervision and Administration Office of Wujiang District Government of Suzhou	Interest in controlled corporations[5]	38,927,081 Domestic Unlisted Shares	9.99	4.43

Name of Shareholder	Nature of Interest	Number of Shares held[1]	Assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised	
			Approximate percentage of shareholding in the relevant class of Shares after the Global Offering	Approximate percentage of shareholding in the total share capital of our Company after the Global Offering
			(%)	*(%)*
Suzhou Wujiang Industrial Investment Co., Ltd. (蘇州市吳江產業投資有限公司) ("**Wujiang Industrial Investment**")	Beneficial owner[5]	44,749,893 Domestic Unlisted Shares	11.49	5.09
Mr. Sun Yelin (孫業林)	Interest in controlled corporations[6]	33,967,323 Domestic Unlisted Shares	8.72	3.86
Shenzhen Huaye Tiancheng Investment Co., Ltd. (深圳華業天成投資有限公司) ("**Huaye Investment**")	Interest in controlled corporations[6]	33,967,323 Domestic Unlisted Shares	8.72	3.86
H Shares				
Dr. Luo	Beneficial owner	24,604,653 H Shares	5.03	2.80
	Interests in controlled corporations[2]	96,300,986 H Shares	19.67	10.95
	Others[3]	22,818,868 H Shares	4.66	2.60
Inno Holding	Beneficial owner[2]	43,001,466 H Shares	8.78	4.89
CM Bank	Interest in controlled corporations[4]	65,880,674 H Shares	13.46	7.49
CMB Growth No.17	Beneficial owner[4]	48,902,412 H Shares	9.99	5.56
SK Inc.	Interest in controlled corporations[7]	48,479,039 H Shares	9.90	5.51
SK China Company Limited ("**SK China**")	Beneficial owner[7]	48,479,039 H Shares	9.90	5.51

Notes:

(1) All interests are long positions.

(2) Dr. Luo is (i) the controller of Inno Holding, (ii) the ultimate general partner of Innocore, (iii) the controller of Inno HK, (iv) the ultimate general partner of Inno Youpeng, and (v) the general partner of Xinsheng Dapeng. Therefore, Dr. Luo is deemed to be interested in a total of 96,300,985 Domestic Unlisted Shares and 96,300,986 H Shares converted from Domestic Unlisted Shares of our Company through Inno Holding, Innocore, Inno HK, Inno Youpeng and Xinsheng Dapeng for the purpose of the SFO.

(3) Dr. Luo and Mr. Son agreed on the written voting rights arrangement and voting rights proxy agreement on October 15, 2024 and November 24, 2024, respectively (the "**Voting Rights Arrangements**"). Mr. Son agreed, among others, to have acted and will continue to act pursuant to Dr. Luo's direction for all actions in relation to the voting rights attached to the shares of our Company and Inno Holding, in which he was or has been interested directly or indirectly pursuant to a written voting rights arrangement entered into between Dr. Luo and Mr. Son on October 15, 2021. Further, pursuant to the voting rights proxy agreement (the "**Voting Rights Proxy Agreement**") entered into between Dr. Luo and Mr. Son on November 24, 2024, Mr. Son confirmed that he has appointed and will appoint Dr. Luo as his true and lawful proxy to vote all shares of our Company and Inno Holding that Mr. Son has been and will be interested at any and all meetings of shareholders of our Company and Inno Holding (as the case may be), and on any and all actions taken by written consent of shareholders of our Company and Inno Holding (as the case may be). Prior to the Voting Rights Proxy Agreement, Mr. Son has acted pursuant to Dr. Luo's direction for all actions in relation to the voting rights attached to the shares of our Company and Inno Holding, in which he was or has been interested directly or indirectly. The Voting Rights Arrangements will remain valid until termination with mutual written consent of both parties.

(4) Each of the general partners of Shenzhen CMB Growth No.17 Equity Investment Fund L.P. (深圳市招銀成長拾柒號股權投資基金合夥企業(有限合夥)) ("**CMB Growth No.17**"), Shenzhen CMB No.1 Equity Investment L.P. (深圳市招銀壹號股權投資合夥企業(有限合夥)) ("**CMB No.1**") and Shenzhen CMB Langyao Growth Equity Investment Fund L.P. (深圳市招銀朗曜成長股權投資基金合夥企業(有限合夥)) ("**CMB Langyao**") is CMB Shenzhen, which is ultimately controlled by CM Bank. CMB Growth No.17, CMB No.1 and CMB Langyao, (collectively, the "**CMB Investors**") are therefore considered as a group of shareholders. Therefore, CM Bank is deemed to be interested in a total of 65,880,676 Domestic Unlisted Shares and 65,880,674 H Shares converted from Domestic Unlisted Shares of our Company through CMB Growth No.17, CMB No.1 and CMB Langyao for the purpose of the SFO. For details of the background of each of the CMB Investors, see "History, Development and Corporate Structure — Pre-IPO Investments — Information about Our Major Pre-IPO Investors."

(5) Wujiang Industrial Investment is a wholly-owned subsidiary of Suzhou Wujiang Dongfang State-owned Capital Investment and Management Co., Ltd. (蘇州市吳江東方國有資本投資經營有限公司), which is wholly-owned by the State-owned Assets Supervision and Administration Office of Wujiang District Government of Suzhou (蘇州市吳江區人民政府國有資產監督管理辦公室). Therefore, the State-owned Assets Supervision and Administration Office of Wujiang District Government of Suzhou is deemed to be interested in the interests of Wujiang Industrial Investment in our Company for the purpose of the SFO.

(6) Each of the general partners of Shenzhen Tongchuang Zhuoyue Investment L.P. (深圳同創卓越投資合夥企業(有限合夥) ("**Tongchuang Zhuoyue**"), Hunan Huaye Tiancheng Venture Capital Investment L.P. (湖南華業天成創業投資合夥企業(有限合夥)) ("**Huaye Tiancheng**"), Xiamen Huaye Qirong Venture Capital Partnership L.P. (廈門華業啟融創業投資合夥企業(有限合夥)) ("**Huaye Qirong**") and Shenzhen Gongchuang Future Investment Partnership L.P. (深圳共創未來投資合夥企業(有限合夥)) ("**Gongchuang Future**") is ultimately managed by Huaye Investment, which is ultimately controlled by Mr. Sun Yelin (孫業林). Therefore, each of Mr. Sun Yelin (孫業林) and Huaye Investment is deemed to be interested in the interests of Tongchuang Zhuoyue, Huaye Tiancheng, Huaye Qirong and Gongchuang Future in our Company for the purpose of the SFO.

(7) SK China is ultimately controlled by SK Inc., a company incorporated in Korea and listed on the Korea Exchange (stock code: 034730.KS). Therefore, SK Inc. is deemed to be interested in the interests of SK China in our Company for the purpose of the SFO.

Saved as disclosed herein, our Directors are not aware of any other person who will, immediately following the completion of the Global Offering (assuming (i) the Offer Size Adjustment Option and the Over-allotment Option are not exercised and (ii) the Full Circulation Application of the Company are completed), have any interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to the Company pursuant to 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 class of our share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company or any other member of our Group.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a "**Cornerstone Investment Agreement**" and collectively, the "**Cornerstone Investment Agreements**") with the cornerstone investors, namely (i) STMicroelectronics Limited ("**STHK**"), (ii) Jiangsu State-Owned Enterprise Mixed Ownership Reform Fund (Limited Partnership) (江蘇國有企業混合所有制改革基金(有限合夥)) ("**Jiangsu Mixed Ownership Reform Fund**"), (iii) Jiangsu Suzhou High-end Equipment Industry Special Mother Fund (Limited Partnership) (江蘇蘇州高端裝備產業專項母基金(有限合夥)) ("**Suzhou High-end Equipment**") and (iv) Suzhou Dongfang Chuanglian Investment Management Co., Ltd. (蘇州東方創聯投資管理有限公司) ("**Dongfang Chuanglian**") as set out below (each a "**Cornerstone Investor**" and collectively, the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe or cause their designated entities to subscribe (as the case maybe) at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) that may be purchased for an aggregate amount of US$100 million, equivalent to approximately HK$777.19 million (calculated using the Hong Kong dollar to US dollar exchange rate as disclosed in this Prospectus) (the "**Cornerstone Placing**").

Assuming an Offer Price of HK$30.86 per Share, being the low-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 25,121,300 Offer Shares. The table below reflects the shareholding percentage immediately after the completion of the Global Offering.

Assuming the Offer Size Adjustment Option is not exercised				Assuming the Offer Size Adjustment Option is exercised in full			
Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
Approximate % of the Offer Shares	Approximate % of the total issued share capital immediately upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of the total issued share capital immediately upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of the total issued share capital immediately upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of the total issued share capital immediately upon completion of the Global Offering
55.38	2.86	48.15	2.84	48.15	2.84	41.87	2.81

Assuming an Offer Price of HK$32.26 per Share, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 24,031,100 Offer Shares. The table below reflects the shareholding percentage immediately after the completion of the Global Offering.

Assuming the Offer Size Adjustment Option is not exercised				Assuming the Offer Size Adjustment Option is exercised in full			
Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
Approximate % of the Offer Shares	Approximate % of the total issued share capital immediately upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of the total issued share capital immediately upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of the total issued share capital immediately upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of the total issued share capital immediately upon completion of the Global Offering
52.97	2.73	46.06	2.71	46.06	2.71	40.06	2.69

Assuming an Offer Price of HK$33.66 per Share, being the high-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 23,031,600 Offer Shares. The table below reflects the shareholding percentage immediately after the completion of the Global Offering.

Assuming the Offer Size Adjustment Option is not exercised				Assuming the Offer Size Adjustment Option is exercised in full			
Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
Approximate % of the Offer Shares	Approximate % of the total issued share capital immediately upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of the total issued share capital immediately upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of the total issued share capital immediately upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of the total issued share capital immediately upon completion of the Global Offering
50.77	2.62	44.15	2.60	44.15	2.60	38.39	2.58

Our Company is of the view that, leveraging on the experience and market position in the semiconductor industry of STHK and the investment experience of Jiangsu Mixed Ownership Reform Fund, Suzhou High-end Equipment and Dongfang Chuanglian, respectively, the Cornerstone Placing will help raise the profile of our Company, and signify that such Cornerstone Investors have confidence in our business and prospects. Our Company became acquainted with the Cornerstone Investors in its ordinary course of operation through the Group's business network or through the introduction by the Overall Coordinators in the Global Offering.

The Cornerstone Placing will form part of the International Offering, the Cornerstone Investors will not acquire any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreement. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the fully paid Shares in issue and will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules. The three largest public Shareholders will not hold more than 50% of the Shares held in public hands at the time of the Listing in compliance with Rule 8.08(3) and Rule 8.24 of the Listing Rules. Immediately following the completion of the Global Offering, the Cornerstone Investors and its close associates will not, by virtue of the Cornerstone Placing, have any Board representation in our Company; and none of the Cornerstone Investors and their close associates will become a substantial Shareholder of our Company. The Cornerstone Investors and their close associates do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders, other than a guaranteed allocation of the relevant Offer Shares at the Offer Price.

As confirmed by each of the Cornerstone Investors, there are no side agreements or arrangements between the Company, any member of the Group, or any of their respective affiliates, directors, officers, employees, agents or representatives in the Global Offering and the Cornerstone Investors, any of their respective affiliates, directors, officers, employees, agents or representatives, or any benefit, direct or indirect, conferred on the Cornerstone Investors, any of their respective affiliates, directors, officers, employees, agents or representatives by virtue of or in relation to the Cornerstone Placing other than a guaranteed allocation of the relevant Offer Shares at the Offer Price.

Save as disclosed above, to the best of the knowledge, information and belief of our Company, (i) except that Dongfang Chuanglian, Jiangsu Mixed Ownership Reform Fund and Suzhou High-end Equipment are the close associates of the Company's existing shareholder, Wujiang Industrial Investment, each of the Cornerstone Investors and their respective ultimate beneficial owners is an Independent Third Party and is independent of the Group, its connected persons and their respective close associates; (ii) none of the Cornerstone Investors is accustomed to take or has taken instructions from our Company, the Directors, the Supervisors, chief executive of our Company, the Controlling Shareholders Group, substantial Shareholders, existing Shareholders or any of their subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Offer Shares; and (iii) none of the subscription of the Offer Shares by the Cornerstone Investors is directly or indirectly financed, funded or backed back by our Company, the Directors, the Supervisors, chief executive of our Company, the Controlling Shareholders Group, substantial Shareholders, existing Shareholders or any of their subsidiaries or their respective close associates. In addition, to the best knowledge of our Company, each of the Cornerstone Investors is independent from each other and makes independent investment decisions.

As confirmed by each of the Cornerstone Investors, their subscription under the Cornerstone Investment Agreements would be financed by their own internal financial resources and they have sufficient funds to settle their respective investments under the Cornerstone Placing. The Cornerstone Investors have confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing, and that no specific approval from any stock exchange (if relevant) or their shareholders is required for the relevant Cornerstone Placing.

As disclosed in "— the Cornerstone Investors" below, the ultimate beneficial owner of each of Dongfang Chuanglian, Jiangsu Mixed Ownership Reform Fund and Suzhou High-end Equipment is the State-owned Assets Supervision and Administration Office of Wujiang District Government of Suzhou (蘇州市吳江區人民政府國有資產監督管理辦公室) ("**Wujiang SASAC**"), Jiangsu Provincial People's Government (江蘇省人民政府) and Suzhou Finance Bureau (蘇州財政局), respectively. Therefore, each of Dongfang Chuanglian, Jiangsu Mixed Ownership Reform Fund and Suzhou High-end Equipment is ultimately controlled by Jiangsu Provincial People's Government (江蘇省人民政府) or other different levels of government bodies of Jiangsu Province. Dongfang Chuanglian, Jiangsu Mixed Ownership Reform Fund and Suzhou High-end Equipment are therefore close associates of one of our existing Shareholders, Wujiang Industrial Investment, a wholly-owned subsidiary of Suzhou Wujiang Dongfang State-owned Capital Investment and Management Co., Ltd. (蘇州市吳江東方國有資本投資經營有限公司) ("**Wujiang Dongfang State-owned Capital**"). Wujiang Dongfang State-owned Capital is ultimately controlled by Wujiang SASAC. As of the date of this Prospectus, Wujiang Industrial Investment held approximately 6.92% of the total issued Shares of our Company. We have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 10.04 and consent under paragraph 5(2) of Appendix F1 to the Listing Rules and Chapter 4.15 of the Guide to permit us to allocate the Offer Shares to Dongfang Chuanglian, Jiangsu Mixed Ownership Reform Fund and Suzhou High-end Equipment. For details, see "Waivers from Strict Compliance with the Listing Rules" in this prospectus.

If there is over-allocation in the International Offering, there may be delayed delivery of the Offer Shares to be subscribed by the Cornerstone Investors under the Cornerstone Placing. All of the Cornerstone Investors have agreed that the Overall Coordinators may, in their sole discretion, defer the delivery of all or part of the Offer Shares that such Cornerstone Investors have subscribed for to a date later than the Listing Date. All of the Cornerstone Investors, including the aforesaid Cornerstone Investors who have agreed to a potential delayed delivery arrangement, have agreed to fully pay for the relevant Offer Shares that they have subscribed before dealings in the Company's Offer Shares commence on the Stock Exchange. Where delayed delivery takes place, the delayed delivery date should be no later than three business days following the last day on which the Over-allotment Option may be exercised and no extra payment will be made to the relevant Cornerstone Investors for the purpose of the delayed delivery arrangement. The maximum number of Offer Shares that could be subject to the delayed delivery arrangement is the maximum number of H Shares to be allotted under the Over-allotment Option, i.e. 6,804,600 H Shares (assuming that the Offer Size Adjustment Option is not exercised and the Over-allotment Option is exercised fully) and 7,825,200 H Shares (assuming that the Offer Size Adjustment Option is exercised fully and the Over-allotment Option is exercised fully). For details of the Over-allotment Option and the stabilization action by the Stabilizing Manager, please refer to the paragraphs headed "Structure of the Global Offering — Over-allotment Option" and "Structure of the Global Offering — Stabilization" in this prospectus, respectively.

The total number of Offer Shares to be subscribed for by the Cornerstone Investors under the Cornerstone Investment Agreements may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering, as described in the paragraphs headed "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation" in this prospectus. Among the International Offering tranche, the number of Offer Shares to be acquired by each of the four Cornerstone Investors may be reduced on a *pro rata* basis in accordance with the terms of the Cornerstone Investment Agreements to satisfy the shortfall, after taking into account the requirements under Appendix F1 to the Listing Rules as well as the discretion of the Joint Representatives (for themselves and on behalf of the International Underwriters) to exercise the Offer Size Adjustment Option and the Over-allotment Option.

Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement of our Company to be published on or around December 27, 2024.

THE CORNERSTONE INVESTORS

The information about our Cornerstone Investors set forth below has been provided by our Cornerstone Investors in connection with the Cornerstone Placing.

STHK

STHK was established as a limited liability company in Hong Kong with a principal business of semiconductor sales and marketing.

STHK is a wholly-owned subsidiary of STMicroelectronics N.V. ("**ST NV**"), which is a company incorporated in the Netherlands with limited liability and listed on the Paris Stock Exchange (STMPA: EN Paris), Milan Stock Exchange (STMMI.MI) and New York Stock Exchange (NYSE: STM).

ST NV is a global semiconductor company that designs, develops, manufactures and markets a broad range of products used in a wide variety of applications for the automotive, industrial, personal electronics and communications equipment, computers and peripherals end-markets.

Jiangsu Mixed Ownership Reform Fund

Jiangsu Mixed Ownership Reform Fund is a limited partnership established in the PRC, primarily engaged in private equity investment fund management and venture capital fund management services. The general partner of Jiangsu Mixed Ownership Reform Fund is Jiangsu Gaotou Venture Capital Management Co., Ltd. (江蘇高投創業投資管理有限公司) ("**Jiangsu Gaotou Venture**"), which holds 1% of its equity interest. Jiangsu Gaotou Venture is wholly-owned by Jiangsu Hi-Tech Investment Group Co., Ltd. (江蘇高科技投資集團有限公司) ("**Jiangsu Gaotou**"), a limited liability company controlled by Jiangsu Provincial People's

Government (江蘇省人民政府). Jiangsu Gaotou Innovation Investment Co., Ltd. (江蘇高投創新投資有限責任公司) and Jiangsu Gaotou Chuangzhi Investment Co., Ltd. (江蘇高投創智投資有限公司), both of which are wholly-owned subsidiaries of Jiangsu Gaotou, are also limited partners of Jiangsu Mixed Ownership Reform Fund, and each holds 12% of the equity interest in Jiangsu Mixed Ownership Reform Fund. Jiangsu Mixed Ownership Reform Fund has 17 other limited partners, each holding no more than 10% equity interest.

For the purpose of this cornerstone investment, Jiangsu Mixed Reform Fund will subscribe for and hold the relevant number of the Offer Shares under the Cornerstone Investment Agreements through its wholly-owned subsidiary, Jiangsu Govtor Inno Technology Innovation Limited (江蘇高投英諾科創有限公司).

Dongfang Chuanglian

Dongfang Chuanglian is a company established under the laws of the PRC with limited liability. Its principal activities are equity investment management and investment consulting. Dongfang Chuanglian is wholly-owned by Wujiang Dongfang State-owned Capital, which is ultimately controlled by Wujiang SASAC.

For the purpose of the Cornerstone Investment, Dongfang Chuanglian, through its wholly-owned subsidiary, Inno CL. Limited, will subscribe for and hold such number of Offer Shares under the relevant Cornerstone Investment Agreement.

Suzhou High-end Equipment

Suzhou High-end Equipment is a limited partnership enterprise established in the PRC. Its principal activities are equity investment, investment management and asset management through private equity funds. The general partner of Suzhou High-end Equipment is Suzhou Zhanxin Private Equity Fund Management Co., Ltd. (蘇州戰新私募基金管理有限公司) ("**Suzhou Zhanxin Fund**"), which holds 1% of its equity interest. Suzhou Zhanxin Fund is held as to 75% by Suzhou Innovation Investment Group Co., Ltd. (蘇州創新投資集團有限公司) ("**Suzhou Innovation Investment**"), which is ultimately controlled by the Suzhou Finance Bureau (蘇州財政局), and as to 25% by Jiangsu Gaotou Zhanxin Private Equity Fund Management Co., Ltd. (江蘇高投戰新私募基金管理有限公司), which is ultimately controlled by the People's Government of Jiangsu Province (江蘇省人民政府). The limited partners of Suzhou High-end Equipment include Jiangsu Strategic Emerging Industries Mother Fund Co., Ltd. (江蘇省戰略性新興產業母基金有限公司), which is ultimately controlled by the People's Government of Jiangsu Province (江蘇省人民政府), holding 25% of its limited partnership interest; Wujiang Dongfang State-owned Capital, which is ultimately controlled by Wujiang SASAC, holding approximately 22.83% of its limited partnership interest; and Suzhou Innovation Investment, holding 15.33% of its limited partnership interest. There are 16 other limited partners of Suzhou High-end Equipment and each of them holds no more than 10% equity interest therein.

For the purpose of the Cornerstone Investment, Suzhou High-end Equipment, through its wholly-owned subsidiary, HK InnoSC Limited, will subscribe for and hold such number of Offer Shares under the relevant Cornerstone Investment Agreement.

The table below sets forth the details of the Cornerstone Placing:

Based on the Offer Price of HK$30.86 (being the low-end of the indicative Offer Price range)

Cornerstone Investors	Total Investment Amount (in US$)	Number of Offer Shares to be acquired[3]	Assuming the Offer Size Adjustment Option is not exercised				Assuming the Offer Size Adjustment Option is exercised in full			
			Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
			Approximate % of the Offer Shares	Approximate % of our total issued share capital immediately upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of our total issued share capital immediately upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of our total issued share capital immediately upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of our total issued share capital immediately upon completion of the Global Offering
STHK	50,000,000[1]	12,592,100	27.76	1.43	24.14	1.42	24.14	1.42	20.99	1.41
Jiangsu Mixed Ownership Reform Fund	25,000,000[1]	6,296,000	13.88	0.72	12.07	0.71	12.07	0.71	10.49	0.70
Dongfang Chuanglian	12,500,000[2]	3,116,600	6.87	0.35	5.97	0.35	5.97	0.35	5.19	0.35
Suzhou High-end Equipment	12,500,000[2]	3,116,600	6.87	0.35	5.97	0.35	5.97	0.35	5.19	0.35
Total	100,000,000	25,121,300	55.38	2.86	48.15	2.84	48.15	2.84	41.87	2.81

Based on the Offer Price of HK$32.26 (being the mid-point of the indicative Offer Price range)

Cornerstone Investors	Total Investment Amount (in US$)	Number of Offer Shares to be acquired[3]	Assuming the Offer Size Adjustment Option is not exercised				Assuming the Offer Size Adjustment Option is exercised in full			
			Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
			Approximate % of the Offer Shares	Approximate % of our total issued share capital immediately upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of our total issued share capital immediately upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of our total issued share capital immediately upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of our total issued share capital immediately upon completion of the Global Offering
STHK	50,000,000[1]	12,045,700	26.55	1.37	23.09	1.36	23.09	1.36	20.08	1.35
Jiangsu Mixed Ownership Reform Fund	25,000,000[1]	6,022,800	13.28	0.69	11.54	0.68	11.55	0.68	10.04	0.67
Dongfang Chuanglian	12,500,000[2]	2,981,300	6.57	0.34	5.71	0.34	5.71	0.34	4.97	0.33
Suzhou High-end Equipment	12,500,000[2]	2,981,300	6.57	0.34	5.71	0.34	5.71	0.34	4.97	0.33
Total	100,000,000	24,031,100	52.97	2.73	46.06	2.71	46.06	2.71	40.06	2.69

Based on the Offer Price of HK$33.66 (being the high-end of the indicative Offer Price range)

Cornerstone Investors	Total Investment Amount (in US$)	Number of Offer Shares to be acquired[(3)]	Assuming the Offer Size Adjustment Option is not exercised				Assuming the Offer Size Adjustment Option is exercised in full			
			Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
			Approximate % of the Offer Shares	Approximate % of our total issued share capital immediately upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of our total issued share capital immediately upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of our total issued share capital immediately upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of our total issued share capital immediately upon completion of the Global Offering
STHK	50,000,000[(1)]	11,544,700	25.45	1.31	22.13	1.30	22.13	1.30	19.24	1.29
Jiangsu Mixed Ownership Reform Fund	25,000,000[(1)]	5,772,300	12.72	0.66	11.06	0.65	11.06	0.65	9.62	0.65
Dongfang Chuanglian	12,500,000[(2)]	2,857,300	6.30	0.33	5.48	0.32	5.48	0.32	4.76	0.32
Suzhou High-end Equipment	12,500,000[(2)]	2,857,300	6.30	0.33	5.48	0.32	5.48	0.32	4.76	0.32
Total	100,000,000	23,031,600	50.77	2.62	44.15	2.60	44.15	2.60	38.39	2.58

Notes:

(1) The total investment amount excludes brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee and is calculated based on the exchange rates as described in the section headed "Information about this Prospectus and the Global Offering — Currency Translations."

(2) The total investment amount includes brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee and is calculated based on the exchange rates as described in the section headed "Information about this Prospectus and the Global Offering — Currency Translations."

(3) Subject to rounding down to the nearest whole board lot of 100 H Shares. Calculated based on the exchange rate set out in "Information about this Prospectus and the Global Offering — Currency Translations."

CLOSING CONDITIONS

The obligation of each of the Cornerstone Investors to acquire the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

(i) the Underwriting Agreements for the Hong Kong Public Offering and the International Offering being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements, and neither of the aforesaid Underwriting Agreements having been terminated;

(ii) the Offer Price having been agreed upon between our Company and the Overall Coordinators (for themselves and on behalf of the Underwriters);

(iii) the Listing Committee having granted the approval for the listing of, and permission to deal in, the H Shares (including the H Shares subscribed for by the Cornerstone Investors) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(iv) no laws shall have been enacted or promulgated which prohibits the consummation of the transactions contemplated in the Global Offering or the respective Cornerstone Investment Agreements, and there being no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(v) the agreement, representations, warranties, undertakings, confirmations and acknowledgements of the Cornerstone Investors under the respective Cornerstone Investment Agreements are (as of the date of the respective Cornerstone Investment Agreements) and will be (as of the Closing (as defined in the respective Cornerstone Investment Agreements)) accurate and true in all respects and not misleading and that there is no breach of the respective Cornerstone Investment Agreements on the part of the relevant Cornerstone Investors.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that without the prior written consent of our Company, the Joint Sponsors and the Overall Coordinators, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the "**Lock-up Period**"), dispose of, in any way, any of the Offer Shares it has purchased, pursuant to the respective Cornerstone Investment Agreement, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of the Cornerstone Investors, including the Lock-up Period restriction.

You should read the following discussion and analysis in conjunction with our consolidated financial statements, included in the Accountants' Report in Appendix I, together with the respective accompanying notes. Our consolidated financial information has been prepared in accordance with HKFRS.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. 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 that we believe are appropriate under the circumstances. However, our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this document.

OVERVIEW

We are driving innovation in the global power semiconductor industry, dedicated to advancing the GaN power semiconductor industry and fostering its ecosystem. We are the first in the world to achieve mass production of 8-inch GaN-on-Si wafers and the only company that offers a full voltage spectrum of GaN-on-Si semiconductor products on industrial scale. Underpinned by our continual innovation and technological expertise, we design, develop and manufacture various types of GaN products along the industry value chain, including discrete chips, integrated circuits (ICs), wafers and modules, suitable for customers across a broad range of sectors, including consumer electronics, renewable energy and industrial applications, automotive electronics and data centers.

We have experienced strong revenue growth in recent years. Our revenue increased by 99.6% from RMB68.2 million in 2021 to RMB136.2 million in 2022, and further by 335.3% to RMB592.7 million in 2023. Our revenue increased by 25.2% from RMB308.1 million in the six months ended June 30, 2023 to RMB385.8 million in the six months ended June 30, 2024. We had a loss for the period of RMB3,399.3 million, RMB2,205.5 million, RMB1,101.9 million and RMB579.7 million and RMB488.0 million in 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, respectively. Our adjusted net loss (non-HKFRS measure), which was adjusted by adding back (i) changes in the carrying amount of liabilities recognized for financial instruments issued to investors, (ii) equity-settled share-based payment expenses, and (iii) listing expenses, amounted to RMB1,080.8 million, RMB1,276.9 million, RMB1,015.6 million, RMB549.0 million and RMB377.8 million in 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, respectively.

BASIS OF PRESENTATION

The consolidated statements of financial position as of 31 December 2021, 2022 and 2023 and the six months ended June 30, 2024 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended 31 December 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, and material accounting policy information and other explanatory information (the "Historical Financial Information") have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants. 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 measurement basis used in the preparation of the financial statements is the historical cost basis except for the financial assets and liabilities stated at their fair value.

The preparation of the historical financial information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information, are disclosed in Note 3 to the Accountants' Report in Appendix I to this document.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The growth and future success of our business depend on many factors. While each of these factors presents significant opportunities for our business, they also pose challenges that we must successfully address in order to sustain our growth and improve our results of operations.

General Factors

- overall economic growth and conditions;

- development and prosperity of the global semiconductor industry, in particular the power semiconductor industry, as well as the penetration of GaN in power semiconductor industry;

- conditions of the downstream markets of the semiconductor industry and the resulting fluctuations in customer demand;

- technology development and competition in the semiconductor industry; and

- relevant laws and regulations, government policies and initiatives.

Company-specific Factors

Our Ability to Enhance Technology and Offer Cutting-edge Products

The growth of our revenue depends on our ability to make technological advancements and develop products and solutions that meet the evolving needs of our customers. Under the IDM model, our R&D and manufacturing efforts are seamlessly coordinated throughout the entire product development and delivery process, enabling us to continually deliver cutting-edge products based on proprietary technologies. We are the first in the world to achieve mass production of 8-inch GaN-on-Si wafers, and we house the world's largest GaN power semiconductor production capacity, shipment and revenue in 2023.

Our success also depends on our ability to anticipate industry trends and develop GaN products with high performance that meet the evolving demands of our downstream customers in various application fields. Leveraging the full-process control under the IDM model, we are able to standardize our major products, including GaN Discrete Chips and GaN wafers, to make them compatible with diverse customer needs and rapidly scale up production. Besides standardized needs, the IDM model also enables us to rapidly respond to specialized customer needs, develop and validate customized design and put viable projects into production, thereby shortening the product delivery cycle and unleashing the full potential of our R&D and technological strengths. We are the only company in the world to have the mass-production capabilities for a full voltage spectrum of GaN-on-Si semiconductor products, encompassing high- and low-voltage products. We also pioneered the effort in expanding the application of GaN products by working closely with leading customers across a broad spectrum of sectors including consumer electronics, automobile and renewable energies, introducing innovative products to their respective markets, tackling pain points and bringing unique value. As of June 30, 2024, our cumulative shipment exceeded 850 million in terms of equivalent GaN discrete chips. Our revenue from GaN Discrete Chips and GaN ICs increased from RMB27.8 million in 2021 to RMB192.1 million in 2023 over a CAGR of 163.0% and increased by 141.6% from RMB57.3 million in the six months ended June 30, 2023 to RMB138.4 million in the six months ended June 30, 2024; our revenue from GaN wafers increased from RMB39.4 million in 2021 to RMB208.7 million in 2023 over a CAGR of 130.1% and increased by 51.6% from RMB91.7 million in the six months ended June 30, 2023 to RMB138.9 million in the six months ended June 30, 2024; and, we started to have sales of GaN modules in 2023, recording a revenue of RMB190.4 million in that year and RMB106.5 million in the six months ended June 30, 2024. Our continued success depends significantly on our ability to advance our technologies and offer innovative high-performance products to cater to customers' evolving demands. We also plan to further diversify our products and solutions to seize market opportunities in a broad range of application scenarios.

Our Ability to Control Costs and Improve Operational Efficiency

We incurred operational expenses, which consisted of R&D expenses, selling and marketing expenses and administrative expenses, of RMB869.2 million, RMB849.6 million, RMB685.9 million, RMB301.7 million and RMB398.1 million in 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, respectively, representing 1,274.3%, 623.9%, 115.7%, 97.9% and 103.2% of our total revenue for the respective periods. The R&D, design and production of GaN materials and products are capital intensive. Our relentless focus on the R&D of cutting-edge technologies and products also necessitates significant investment. Our R&D expenses amounted to RMB661.7 million, RMB581.1 million, RMB348.7 million, RMB167.9 million and RMB145.5 million in 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, respectively, accounting for 76.1%, 68.4%, 50.8%, 55.7% and 36.5% of our total operational expenses for the respective periods.

Our significant R&D expenses are primarily due to high technological demands, which are inherent in our business, and our groundbreaking initiatives in the exploration and advancement of GaN materials — the centerpiece in the ongoing revolution of the power semiconductor industry. High upfront investment in R&D enabled us to build our market leadership and is expected to yield long-term results. We developed a range of technologies based on our 8-inch GaN-on-Si technology platform, which include (i) GaN material technologies, (ii) 8-inch GaN-on-Si product design technologies and (iii) 8-inch GaN-on-Si production process technologies. As of the Latest Practicable Date, our R&D efforts had accumulated 406 patents, which consisted of 331 invention patents and 75 utility model patents, and 387 patent applications in the world. During the Track Record Period, as we progressed from the R&D phase, which featured intensive testing and validation, to the mass production phase, our R&D expenses decreased, and we started to experience increasing commercial successes generated from our R&D investments. As our business grows, we expect to benefit from our accumulated technological expertise to foster sustained innovation with heightened efficiency. The potential of GaN semiconductor materials is vast, and we are poised to tap into this potential by broadening their applications. Accordingly, we are committed to furthering our R&D efforts to remain at the forefront of industry innovation.

In 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, we incurred cost of sales of RMB249.7 million, RMB530.3 million, RMB954.8 million, RMB542.8 million and RMB469.1 million, respectively, which were primarily in line with the growth of our sales. As we continue to scale up our mass production of 8-inch GaN-on-Si wafers, we expect to be able to manage the increase in our cost of sales, including the engineering and maintenance costs and depreciation and amortization of properties and equipment, while sustaining more rapid revenue growth, fully unleashing economies of scale. In addition, our cutting-edge proprietary technologies in relation to the designs and processes of GaN products are expected to help us enhance our production efficiency and yield rate and lower material costs.

With the expansion of our business, we increased our investment in sales activities. Our selling and marketing expenses amounted to RMB28.4 million, RMB69.3 million, RMB90.1 million, RMB44.8 million and RMB50.7 million in 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, respectively, while we ramped up our sales network and expanded our sales team. As we continued to benefit from economies of scale and enhanced operational efficiency, we observed a decline in our selling and marketing expenses as a proportion of revenue, which decreased from 41.7% in 2021 to 15.2% in 2023, despite an increase to 50.9% in 2022, and continued to decrease from 14.6% in the six months ended June 30, 2023 to 13.1% in the six months ended June 30, 2024.

Production Capacity and Processes

Stable and scalable production capacity is key to our success. The steady expansion of our production capacity as well as our continual refinement of manufacturing processes underpinned our rapid growth during the Track Record Period. The production utilization rate for 2021, 2022 and 2023 and the six months ended June 30, 2024 was 72.3%, 69.8%, 71.8% and 72.8%, receptively. As of June 30, 2024, we housed the world's largest GaN power semiconductor production base, with a production capacity of 12,500 wafers per month, well positioned to capture the opportunities in the booming power semiconductor market. Through the refinement of the GaN-on-Si epitaxial growth process, we have been able to consistently produce wafers that are consistently uniform, free of cracks and characterized by low dislocation density and minimal defects. Our production process technologies have resulted in a wafer yield rate that surpasses 95%, which showcases our advanced process control and manufacturing excellence, fortifying our competitive edge with optimal efficiency.

We plan to prudently and efficiently expand our production capacity to sustain our leadership position so that we are poised to meet the escalating market demand for GaN products to grow our revenue and realize economies of scale while maintaining operational efficiency. The successful upgrade and expansion of our production capability require the ability to formulate and execute upgrade and expansion plans, expand and construct new facilities and maintain and purchase production equipment in cost-effective and efficient manners. Our capital expenditure, which comprises payment for the purchase of property, plant and equipment and intangible assets, were RMB1,121.3 million, RMB464.6 million, RMB331.3 million, RMB201.6 million and RMB71.4 million in 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, respectively. As we continue to expand our production capacity, we expect to continue to incur substantial capital expenditures, which may be adjusted according to our development plans or in light of the market conditions of the semiconductor industry and downstream markets of the semiconductor industry, as well as other factors we believe to be appropriate.

Our Customer Relationship and Sales Network

During the Track Record Period, our products were sold through both direct sales and distribution. We adopt direct sales primarily for our GaN wafers, modules and some of our discrete chips. Revenue derived from direct sales customers increased from RMB43.9 million in 2021 to RMB50.5 million in 2022 and further to RMB416.6 million in 2023 and increased from RMB247.0 million in the six months ended June 30, 2023 to RMB257.7 million in the six months ended June 30, 2024, which accounted for 64.4%, 37.1%, 70.3%, 80.2% and 66.8%, of our revenue for the respective periods. As many of our direct sales customers are well-known companies with a significant market share in their respective end markets, having direct connections with them enables us to precisely understand and respond to their requirements, which helps us offer products and services that keep up with our customers' specific and evolving needs. By engaging early in the product introduction phase to collaborate with customers and understand their needs and market dynamics, we aim to expedite our product introduction cycles, improve the design-in to design-win transition and boost orders, shipments and customer retention. We gain direct sales customers primarily by capitalizing on the robust brand reputation and substantial industry influence established through sustained, comprehensive and in-depth collaboration with top-tier companies across diverse application areas, together with other marketing activities.

We generally sell our GaN discrete chips through distributorship. This facilitates the rapid establishment of regional sales networks, thereby enhancing our market penetration swiftly. In 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, our revenue generated from sales to distributors amounted to RMB24.3 million, RMB85.7 million, RMB176.1 million, RMB61.2 million and RMB128.1 million, respectively, accounting for 35.6%, 62.9%, 29.7%, 19.8% and 33.2% for the respective periods. We select the distributors for the sales of our GaN discrete chips based on a number of criteria, including, among others, their knowledge of GaN products, experience and resources, relationships with semiconductor companies, technical capabilities and financial condition. The distributors directly purchase products from us and are our customers, on-selling our products to companies across a broad range of sectors. See "Business — Sales and Marketing." We will continue to strengthen our relationship with existing direct sales customers and distributors and broaden our sales channels to attract new customers in targeted industries, thereby elevating sales efficiency.

Our ability to expand and efficiently manage our sales and distribution network remains critical to our business and financial performance. During the Track Record Period, the mainland China was a focus in our business development, and revenue from customers in the mainland China increased significantly from RMB68.0 million in 2021 to RMB130.0 million in 2022 and then to RMB534.8 million in 2023 and increased from RMB299.0 million in the six months ended June 30, 2023 to RMB345.5 million in the six months ended June 30, 2024, accounting for 99.7%, 95.5%, 90.2%, 97.0% and 89.5% of our total revenue for the respective periods. Revenue from overseas customers increased from RMB0.2 million in 2021 to RMB6.1 million in 2022, and then to RMB58.0 million in 2023 and increased from RMB9.1 million in the six months ended June 30, 2023 to RMB40.4 million in the six months ended June 30, 2024, accounting for 0.3%, 4.5%, 9.8%, 3.0% and 10.5% of our total revenue for the respective periods, which indicates the fast expansion of our business overseas. Building on such foundation, we plan to optimize and expand our sales and distribution network and to further expand our customer base in mainland China and overseas. Specifically, we plan to attract new customers across a broader spectrum of industries by continually launching innovative products for novel applications and deepen collaborations with existing customers by exploring new areas of cooperation with our new and enhanced offerings. Furthermore, as an early mover in the industry, we tapped into the supply chain of lighthouse customers and maintained solid and long-term relationships, leveraging which we also rapidly expanded our customer network. Through stable and lasting collaboration with customers, we have acquired significant know-how in their respective application scenarios. We continually iterate our products to focus not only on design, structure and functionality but also on producibility, reliability, performance and product lifecycle planning, with a view to facilitating customer success in their respective end markets, helping them achieve design-wins. A loyal and growing customer base will help us increase our shipments, thereby improving our revenue and gross margins, consolidating our market leadership.

Our Continual Investment in Technology and Talent

Our success benefits from our leadership in the GaN power semiconductor market. Highly skilled and talented R&D personnel enable us to remain at the forefront of the GaN industry and are therefore critical to our success. Our leadership is sustained by a robust R&D team of 304 employees as of June 30, 2024, many of whom are semiconductor industry veterans with profound expertise in technology and material innovation. Meanwhile, we have deployed R&D resources internationally and established R&D teams in overseas countries, focusing on product design, R&D and reliability assessment to facilitate the understating of local customers and achieve design-win. To compete for top talents in a competitive market, we offer attractive compensation and have a comprehensive training system designed to help employees grow knowledge and expertise in cutting-edge semiconductor technology areas. We also intend to set up integrated R&D and production centers overseas to attract top talents in the power semiconductor field, thereby further strengthening our R&D capabilities. While this strategy may elevate R&D expenses, it will position us closer to our leading international customers, enabling us to respond promptly to their requirements, expedite product launches and bolster customer retention.

Seasonality

Our results of operations are affected by seasonal fluctuations in demand for our products to be used in consumer electronics, as impacted by market trends of the consumer electronics industry. In particular, due to the impacts of the public holidays such as the Spring Festival and the stocking and sales cycles of customers before or around holidays, we typically experience higher sales in the second and fourth quarters throughout the year. These seasonal fluctuations may render our results of operations in certain given periods not indicative of our results of operations for the full year. As we continue to enrich our product portfolio and launch innovative products for novel applications in various industry sectors, including automotive electronics, data centers and renewable energy, in addition to consumer electronics, we expect to reduce the impact of seasonality with this increased diversity.

MATERIAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The preparation of the historical financial information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying our accounting policies. Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on us and that are believed to be reasonable under the circumstances. For details on such estimates and judgments, see Note 3 to the Accountants' Report included in Appendix I to this document.

Our management has identified below the accounting policies, estimates and judgments that they believe are critical to the preparation of our financial statements:

Revenue Recognition

Income is classified by us as revenue when it arises from the sale of goods and the provision of services in the ordinary course of our business.

We are the principal for revenue transactions and recognize revenue on a gross basis, including the sale of 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 such as value-added tax or other sales taxes.

Sales of products are recognized as follows:

– Sale of GaN power semiconductor products

Revenue is recognized when the customer takes possession of and accepts the products.

– Revenue from rendering of services

Revenue from rendering of services is recognized over time by measuring the progress of that performance obligation.

Property, plant and equipment

Property, plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment, are stated at cost less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, 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.

Any gain or loss 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 recognized 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 and is generally recognized in profit or loss.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is stated at cost less impairment losses. Capitalization 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.

Interest Income

Interest income is recognized using the effective interest method. The "effective interest rate" is 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. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired). However, for financial assets that have become credit impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit impaired, then the calculation of interest income reverts to the gross basis.

Government Grants

Government grants are recognized in the statements of financial position initially when there is reasonable assurance that they will be received and that we will comply with the conditions attaching to them. Grants that compensate us for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate us for the cost of an asset are recognized initially as deferred income and amortized as income in the profit or loss on a straight-line basis over the useful life of the related asset.

Share-based Payment

Our Company grants share options as incentives and rewards to eligible participants who contribute to the success of our operations. Our employees (including directors) receive remuneration in the form of such share-based payments, whereby employees render services in exchange for equity instruments ("Equity-settled Transactions").

The cost of Equity-Settled Transactions with employees is measured by reference to the fair value of the share options or restricted share units at the grant date. The fair value of share options or restricted share units granted is recognized as expenses with a corresponding increase in capital reserve within equity. The fair value is measured at grant date using the option or restricted share unit pricing model, taking into account the terms and conditions upon which the options or restricted share units were granted. Service and non-market performance conditions are not taken into account when determining the grant date fair value of options or restricted share units, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of options or restricted share units that will ultimately vest.

Where the grantees have to meet vesting conditions before becoming unconditionally entitled to the options or restricted share units, the total estimated fair value of the options or restricted share units is expensed over the vesting period, taking into account the probability that the options or restricted share units will vest. During the vesting period, the number of share options or restricted share units that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior years is charged/credited to the profit or loss for the year of the review, unless the original expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve.

On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of equity-settled share-based payments award that vest (with a corresponding adjustment to the capital reserve).

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified and if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and it is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

Financial Instruments Issued to Investors with Preferred Rights

We recognize as a financial liability our obligation to purchase our own equity instruments for cash or another financial asset. The financial liability is measured at the highest present value of the settlement amounts that can arise. Any changes in the carrying amount of the financial liability arising from the remeasurement of the redemption amount is recognized in profit or loss as finance cost.

We derecognize the financial liability when, and only when, our obligation is discharged, cancelled or has expired.

Inventories

Inventories are measured 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 of completion and the estimated costs necessary to make the sale.

Credit losses and impairment of assets

Credit losses from financial instruments

We recognise a loss allowance for expected credit losses ("ECLs") on financial assets measured at amortized cost (including cash and cash equivalents, pledged bank deposits, trade and other receivables).

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. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

– fixed-rate financial assets and other receivables: effective interest rate determined at initial recognition or an approximation thereof; and

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which we are exposed to credit risk.

In measuring ECLs, we take 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 the following bases:

– 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

– lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

We measure loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

– financial instruments that are determined to have low credit risk at the reporting date; and

– other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition and when measuring ECLs, we consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on our historical experience and informed credit assessment, that includes forward-looking information.

We assume that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

We consider a financial asset to be in default when (i) the debtor is unlikely to pay its credit obligations to us in full, without recourse by us to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due.

We consider a financial instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’ in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of ‘performing’. Performing means that the counterparty has a strong financial position and there is no past due amounts.

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 recognized as an impairment gain or loss in profit or loss. We recognize an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Credit-impaired financial assets

At each reporting date, we assess 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 being more than 90 days past due;

– the restructuring of a loan or advance by us on terms that we would not consider otherwise;

– it is probable that the debtor will enter bankruptcy or other financial reorganisation; 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 to the extent that there is no realistic prospect of recovery. This is generally the case when we determine 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 recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Impairment of other non-current assets

At each reporting date, we review the carrying amounts of its non-financial assets (other than inventories) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

As of each reporting date of the Track Record Period, our Directors consider the non-financial assets of the constitutes a single CGU Group as a whole, and assess at each reporting date whether there is an indication, based on either internal or external sources of information, that an asset or a CGU may be impaired.

Although we had net losses during the Track Record Period, such losses were within our expectation as we transitioned from the R&D phase to the mass production. With expanding sales, we expect to reach the breakeven point in the near future. From an external point of view, we had completed five series of financing from September 2017 to April 2024. Among them, the valuation of series D financing completed in February 2022 and the valuation of series E financing started in December 2023 were much higher than the book value of our net assets at the end of 2021 and 2023 respectively.

Considering the above internal and external information, our Directors believed that the recoverable amounts of the non-financial assets were much higher than their carrying amounts. Our Directors believe that we made the assessment in accordance with IAS 36 to conclude no impairment indication of our non-financial assets and no impairment testing is required.

RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated results of operations for the periods presented:

	Year Ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	(RMB in thousands)				
				(unaudited)	
Revenue	68,215	136,174	592,717	308,113	385,811
Cost of sales	(249,749)	(530,280)	(954,785)	(542,755)	(469,051)
Gross loss	**(181,534)**	**(394,106)**	**(362,068)**	**(234,642)**	**(83,240)**
Other net income	43,557	67,961	64,962	19,408	37,648
Selling and marketing expenses	(28,434)	(69,317)	(90,097)	(44,843)	(50,650)
Administrative expenses	(179,097)	(199,231)	(247,068)	(88,923)	(202,015)
R&D expenses	(661,699)	(581,092)	(348,749)	(167,884)	(145,453)
Loss from operations	**(1,007,207)**	**(1,175,785)**	**(983,020)**	**(516,884)**	**(443,710)**
Changes in the carrying amount of liabilities recognized for financial instruments issued to investors	(2,298,862)	(897,996)	–	–	–
Other finance costs	(93,273)	(131,628)	(118,912)	(62,812)	(44,124)
Finance costs	(2,392,135)	(1,029,624)	(118,912)	(62,812)	(44,124)
Loss before taxation	(3,399,342)	(2,205,409)	(1,101,932)	(579,696)	(487,834)
Income tax	–	(67)	(14)	–	(169)
Loss for the year/period	**(3,399,342)**	**(2,205,476)**	**(1,101,946)**	**(579,696)**	**(488,003)**
Other comprehensive income for the year/period	(436)	4,195	(609)	(91)	(1,181)
Total comprehensive income for the year/period	(3,399,778)	(2,201,281)	(1,102,555)	(579,787)	(489,184)

NON-HKFRS MEASURE

To supplement our consolidated financial statements, which are presented in accordance with HKFRS, we also use adjusted net loss (non-HKFRS measure) as an additional financial measure, which is not required by, or presented in accordance with HKFRS. We believe this non-HKFRS measure facilitates comparisons of operating performance from period to period by eliminating potential impacts of items.

We believe that this measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as it helps our management. However, our presentation of adjusted net loss (non-HKFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of this non-HKFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under HKFRS. In addition, the non-HKFRS measure may be defined differently from similar terms used by other companies.

We define adjusted net loss (non-HKFRS measure) as loss for the year/period adjusted by adding back (i) changes in the carrying amount of liabilities recognized for financial instruments issued to investors, (ii) equity-settled share-based payment expenses and (iii) listing expenses, which relate to the Global Offering. The adjustments were consistently made during the Track Record Period. The following table sets forth the reconciliations of our adjusted net loss (non-HKFRS measure) for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024 to the nearest measure prepared in accordance with HKFRS:

	Year Ended December 31,			Six months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
	(RMB in thousands)				
				(Unaudited)	
Reconciliation of loss for the year to adjusted loss for the year (non-HKFRS measure):					
Loss for the year	(3,399,342)	(2,205,476)	(1,101,946)	(579,696)	(488,003)

	Year Ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	(RMB in thousands)				
				(Unaudited)	
Add:					
– Changes in the carrying amount of liabilities recognized for financial instruments issued to investors[1]	2,298,862	897,996	–	–	–
– Equity-settled share-based payment expenses[2]	19,716	30,596	86,363	30,722	88,103
– Listing expenses	–	–	–	–	22,159
Adjusted net loss (non-HKFRS measure) . . .	**(1,080,764)**	**(1,276,884)**	**(1,015,583)**	**(548,974)**	**(377,831)**

Notes:

(1) Changes in the carrying amount of liabilities recognized for financial instruments issued to investors represent the fair value changes of the redemption rights granted by us, which were reclassified to equity after the termination of the investors' redemption rights in September 2022.

(2) Equity-settled share-based payment expenses is non-cash in nature and mainly represents the arrangement that we receive services from employees as consideration for our equity instruments. Equity-settled share-based payment expenses is not expected to result in future cash payments.

DESCRIPTION OF KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we primarily derived revenue from sales of (i) GaN discrete chips and GaN ICs, (ii) GaN wafers and (iii) GaN modules. For sales of goods and provision of services made to our customers, we generally recognize revenue when our products or services have been delivered to and accepted by our customers.

Revenue by Product Category

The following table sets forth our revenue breakdown by product category, each expressed in absolute amount and as a percentage of our total revenue, for the periods indicated:

	Year Ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
							(unaudited)			
GaN discrete chips and GaN ICs	27,769	40.7	86,138	63.3	192,066	32.4	57,293	18.6	138,443	35.9
GaN wafers	39,412	57.8	50,036	36.7	208,666	35.2	91,653	29.7	138,928	36.0
GaN modules	–	–	–	–	190,420	32.1	159,167	51.7	106,470	27.6
Others[(1)]	1,034	1.5	–	–	1,565	0.3	–	–	1,970	0.5
Total	**68,215**	**100.0**	**136,174**	**100.0**	**592,717**	**100.0**	**308,113**	**100.0**	**385,811**	**100.0**

Note:

(1) Others primarily include non-recurring engineering ("NRE") services we provide to customers in the broader semiconductor and electronics industries. Such services are on a one-off basis, and revenue is recognized when customers accept our services. Depending on the customer needs, our NRE services may include (i) customized R&D and (ii) testing to verify if the application of the Company's GaN devices meets customer requirements.

During the Track Record Period, we derived our revenue primarily from the sales of various types of GaN products, including discrete chips, ICs, wafers and modules.

- Revenue from the sales of GaN discrete chip and GaN IC products increased by 209.7% from RMB27.8 million in 2021 to RMB86.1 million in 2022, and then increased by 123.1% to RMB192.1 million in 2023, and increased from RMB57.3 million in the six months ended June 30, 2023 to RMB138.4 million in the six months ended June 30, 2024, primarily due to the increased demand for GaN discrete chips and GaN ICs in the consumer electronics market and an increase in overseas sales. Our early-mover advantage in the GaN fast charger market allowed us to capture significant market opportunities. In 2023, we launched a wider array of new products, which further contributed to the sales increase. In addition, capitalizing on our growing market recognition and the increasing market demands for more efficient and economical power semiconductors, we expanded our customer base and increased our sales to existing major customers. Furthermore, our enhanced production capacity enabled us to scale up our sales and capture more market opportunities.

- Revenue from the sales of GaN wafers increased by 26.9% from RMB39.4 million in 2021 to RMB50.0 million in 2022, and then increased by 317.4% to RMB208.7 million in 2023, and also increased from RMB91.7 million in the six months ended June 30, 2023 to RMB138.9 million in the six months ended June 30, 2024, primarily due to growing demand, especially from customers with robust R&D capabilities that generally have more complex needs, who would purchase our wafer products to integrate additional functionalities and complete the packaging by themselves. The increase in revenue is also a result of our successful collaborations with certain lighthouse customers, which helped us strengthen brand recognition and gain market share.

- Revenue from the sales of GaN modules amounted to RMB190.4 million in 2023. It decreased from RMB159.2 million in the six months ended June 30, 2023 to RMB106.5 million in the six months ended June 30, 2024. Such income was primarily attributable to our collaboration with leading players in the battery manufacturing and technology industry to develop customized solutions and battery modules based on GaN chips tailored to industry needs. Our GaN modules are tailored to meet the specific requirements of our customers. Consequently, the revenue from these modules is directly correlated with the progress of our customers' projects. We were able to generate 32.1% of our total revenue from GaN modules immediately upon the launch of such products in 2023, primarily due to our early engagement with potential customers prior to 2023 to explore opportunities for GaN modules to enhance the efficiency of battery formation and grading processes in the production of batteries, leveraging the high-frequency and high-efficiency characteristics of GaN. The development process spanned from 2021 to 2022, which included verifying battery charge and discharge efficiency, temperature, dynamic response and current accuracy. We then commenced production of GaN modules in November 2022 and delivered the GaN modules to the customers in 2023 for installation in their battery production lines.

Due to the launch of new product categories, commencement of mass production in 2022 and technological advancement, we have benefited from economies of scale that allowed us to adopt more competitive pricing strategies as needed, leading to a reduction in the average selling price of our products, including GaN discrete chips and ICs, wafers and modules, during the Track Record Period.

Revenue by Geographical Location

The following table sets forth our revenue breakdown by geographical location, each expressed in absolute amount and as a percentage of our total revenue, for the period indicated:

	Year Ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
							(Unaudited)			
Revenue from:										
Mainland China	68,034	99.7	130,028	95.5	534,764	90.2	299,019	97.0	345,454	89.5
Overseas[(1)]	181	0.3	6,146	4.5	57,953	9.8	9,094	3.0	40,357	10.5
Total	**68,215**	**100.0**	**136,174**	**100.0**	**592,717**	**100.0**	**308,113**	**100.0**	**385,811**	**100.0**

Note:

(1) Overseas mainly includes Asia and Europe.

The mainland China market has been a focus in our business development since inception. Sales from the mainland China market increased from RMB68.0 million in 2021 to RMB130.0 million in 2022 and further to RMB534.8 million in 2023 and increased from RMB299.0 million in the six months ended June 30, 2023 to RMB345.5 million in the six months ended June 30, 2024, accounting for 99.7%, 95.5%, 90.2%, 97.0% and 89.5% of our total revenue for the respective periods.

In addition, we established our business presence overseas in Asia and Europe. Revenue from overseas sales increased from RMB0.2 million in 2021 to RMB6.1 million in 2022 and further to RMB58.0 million in 2023 and increased from RMB9.1 million in the six months ended June 30, 2023 to RMB40.4 million in the six months ended June 30, 2024, accounting for 0.3%, 4.5%, 9.8%, 3.0% and 10.5% of our total revenue for the respective periods.

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, for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
							(unaudited)			
Direct sales	43,900	64.4	50,511	37.1	416,601	70.3	246,960	80.2	257,675	66.8
Sales to distributors	24,315	35.6	85,663	62.9	176,116	29.7	61,153	19.8	128,136	33.2
Total	**68,215**	**100.0**	**136,174**	**100.0**	**592,717**	**100.0**	**308,113**	**100.0**	**385,811**	**100.0**

The majority of our revenue during the Track Record Period was generated from direct sales. We primarily sell GaN wafers, modules and some of our discrete chips to direct sales customers and the majority of GaN discrete chips and GaN ICs to distributors. We adopt the same pricing policies for direct sales and sales to distributors. See "Business — Sales and Marketing — Sales Channels — Distribution."

Cost of Sales

Our cost of sales primarily relates to the production of GaN products. It mainly comprises (i) engineering and maintenance costs, which primarily consist of costs on the engineering work in the production of our GaN products and maintenance of the equipment; (ii) depreciation and amortization costs in relation to our properties and equipments; (iii) packaging and testing costs; (iv) costs on materials used in the production of GaN products, including monocrystalline silicon substrates, photoresists, cleaning fluids, sputtering targets and special gases; (v) utilities costs, (vi) manufacturing labor costs, which primarily consist of manufacturing personnel's salaries and benefits; and (vii) inventory writedown costs. Our cost of sales increased in 2021, 2022 and 2023, which was in line with the scale of our production. The decrease in our cost of sales from the six months ended 30 June 2023 to the six months ended 30 June 2024 primarily reflects our progresses in enhancing cost efficiency.

The following table sets forth a breakdown of our cost of sales by nature in absolute amounts and as a percentage of our total cost of sales for the periods indicated:

	Year Ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
							(unaudited)			
Engineering and maintenance costs	84,035	33.6	135,332	25.5	286,716	30.0	149,915	27.6	108,316	23.1
Depreciation and amortization	44,425	17.8	165,129	31.1	276,616	29.0	146,047	26.9	121,260	25.9
Packaging and testing costs	10,661	4.3	65,832	12.4	188,962	19.8	137,659	25.4	103,079	22.0
Material costs	23,629	9.5	27,178	5.1	67,749	7.1	38,287	7.1	37,600	8.0
Utilities costs	14,455	5.8	38,667	7.3	62,429	6.5	32,817	6.0	24,011	5.1
Manufacturing labor costs	9,017	3.6	15,070	2.8	27,640	2.9	16,745	3.1	8,953	1.9
Inventory writedown costs	56,446	22.6	64,292	12.1	(1,968)	(0.2)	(5,188)	(1.0)	45,502	9.7
Others	7,080	2.8	18,781	3.5	46,641	4.9	26,473	4.9	20,330	4.3
Total	**249,749**	**100.0**	**530,280**	**100.0**	**954,785**	**100.0**	**542,755**	**100.0**	**469,051**	**100.0**

Our inventory write down costs reflect the reduction in the carrying amount of our inventories to their net realizable value when their net realizable value is less than their carrying amount. Our inventories are carried at the lower of cost and net realizable value. In 2021 and 2022, when we were in the initial R&D phase and the early stage of our mass production phase, we had significant costs while our production had not yet reached a critical scale. As a result, our products' production costs remained higher than their selling price, and therefore we had write down of inventories of RMB56.4 million and RMB64.3 million in 2021 and 2022, respectively. In 2023, we had reversal of inventory write-down of RMB2.0 million as we sold certain inventories that were previously subject to write down and lowered our production costs benefiting from greater economies of scale. In the six months ended June 30, 2024, we had inventory write-down of RMB45.5 million, primarily because we made provisions for potential losses on certain finished goods whose net realizable value is lower than their carry amount. See "— Discussion of Certain Key Balance Sheet Items — Inventories."

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our engineering and maintenance costs on our net profit for the periods indicated, assuming all other factors affecting our profitability remain constant.

	±5%	±10%
	(RMB in thousands)	
Hypothetical changes in cost of goods		
Year ended December 31, 2021	±4,202	±8,403
Year ended December 31, 2022	±6,767	±13,533
Year ended December 31, 2023	±14,336	±28,672
Six months ended June 30, 2024	±5,416	±10,832
Changes in loss for the year/period		
Year ended December 31, 2021	±4,202	±8,403
Year ended December 31, 2022	±6,767	±13,533
Year ended December 31, 2023	±14,336	±28,672
Six months ended June 30, 2024	±5,416	±10,832

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our manufacturing labor costs on our net profit for the periods indicated, assuming all other factors affecting our profitability remain constant.

	±5%	±10%
	(RMB in thousands)	
Hypothetical changes in cost of goods		
Year ended December 31, 2021	±451	±902
Year ended December 31, 2022	±754	±1,507
Year ended December 31, 2023	±1,382	±2,764
Six months ended June 30, 2024	±448	±895
Changes in loss for the year/period		
Year ended December 31, 2021	±451	±902
Year ended December 31, 2022	±754	±1,507
Year ended December 31, 2023	±1,382	±2,764
Six months ended June 30, 2024	±448	±895

Gross Loss and Gross Margin

Our gross loss represents our revenue less our cost of sales, and our gross margin represents gross loss divided by our revenue, expressed as a percentage.

Our gross loss increased from RMB181.5 million in 2021 to RMB394.1 million in 2022 and then decreased to RMB362.1 million in 2023. It further decreased from RMB234.6 million in the six months ended June 30, 2023 to RMB83.2 million in the six months ended June 30, 2024. Our gross loss margin experienced fluctuations during the Track Record Period, which increased from 266.1% in 2021 to 289.4% in 2022 before decreasing to 61.1% in 2023. It continued to decrease from 76.2% in the six months ended June 30, 2023 to 21.6% in the six months ended June 30, 2024. In 2021, our operations remained in the initial R&D phase and had limited sales. As a result, we recorded significant costs before benefiting from economies of scale, leading to gross loss, and our gross margin of the year was not indicative of the market condition or our products' market performance. In the second quarter of 2022, we commenced the mass production of 8-inch GaN-on-Si wafer to meet market demand for GaN products and had widened gross loss and gross loss margin as we incurred higher costs to support the mass production while our sales started to increase. Since 2023, we have been steadily scaling up mass production. As we had increased production volume and improved yield rate, we were able to deliver more products to customers, capitalizing on the increasing market demands, and started to benefit from economies of scale. Especially, depreciation and amortization costs as well as engineering and maintenance costs were spread over a larger output as our production scaled up. We have also adopted measures to enhance cost efficiency. As a result, our overall gross loss and gross loss margin continued to improve. In addition, the market demands for GaN power semiconductor products grew rapidly, driven by the growth of renewable energy, AI and other energy intensive applications. Going forward, we expect our gross loss margin to improve as we continue to capture market demands and benefit from economies of scale.

Other Net Income

Our other net income primarily consists of government grants, interest income, net realized and unrealized gains on financial assets measured at fair value through profit or loss, net gain/(loss) on disposal of property, plant and equipment and net foreign exchange (loss)/gain, and amounted to RMB43.6 million, RMB68.0 million, RMB65.0 million, RMB19.4 million and RMB37.6 million in 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, respectively.

	Year ended 31 December						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
							(Unaudited)			
Bank Interest Income	11,676	26.8	18,917	27.8	14,046	21.6	8,516	43.9	1,468	3.9
Interest income from financial assets, measured at FVOCI	–	–	–	–	–	–	–	–	2,087	5.5
Net (loss)/gain on disposal of property, plant and equipment	(225)	(0.5)	(1,418)	(2.1)	9,112	14.0	–	–	3,756	10.0
Net realized and unrealized gains on financial assets measured at FVPL	211	0.5	28,586	42.1	5,590	8.6	4,840	24.9	877	2.3
Government grants[(1)]	46,669	107.1	17,813	26.2	38,834	59.8	7,807	40.2	26,731	71.0
Net foreign exchange (loss)/gain	(8,832)	(20.3)	4,063	6.0	(3,582)	(5.5)	(2,375)	(12.2)	2,618	7.0
Others	(5,942)	(13.6)	–	–	962	1.5	620	3.2	111	0.3
Total	**43,557**	**100.0**	**67,961**	**100.0**	**64,962**	**100.0**	**19,408**	**100.0**	**37,648**	**100.0**

Note:

(1) Government grants primarily comprise subsidies received from the government for the encouragement of research and development projects.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of (i) employee expenses, which primarily consist of sales and marketing personnel's salaries and benefits; (ii) travelling and promotion expenses; and (iii) depreciation and amortization.

The following table sets forth the components of our selling and marketing expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
							(unaudited)			
Employee expenses[2] . . .	19,934	70.1	53,138	76.7	71,398	79.2	37,039	82.6	41,801	82.5
Travelling and promotion expenses	2,766	9.7	5,603	8.1	6,913	7.7	2,168	4.8	2,841	5.6
Depreciation and amortization . .	1,868	6.6	3,733	5.4	5,100	5.7	2,603	5.8	2,779	5.5
Others[1]	3,866	13.6	6,843	9.8	6,686	7.4	3,033	6.8	3,229	6.4
Total.	**28,434**	**100.0**	**69,317**	**100.0**	**90,097**	**100.0**	**44,843**	**100.0**	**50,650**	**100.0**

Note:

(1) Others primarily consists of short-term rental costs and property management fees.

(2) In 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, equity-settled share-based payment expenses of RMB2.8 million, RMB12.2 million, RMB17.3 million, RMB6.2 million and RMB15.7 million, respectively, was included in the employee expenses under the selling and marketing expenses. The increase in such equity-settled share-based payment expenses during the Track Record Period was primarily due to (i) the expansion of the equity incentive scheme, as we recruited more selling and marketing talents who were granted the share options, and (ii) the increase in the fair value of the share options due to the increased valuation of our Company.

Administrative Expenses

Our administrative expenses primarily consist of (i) employee expenses, which primarily consist of administrative personnel's salaries and benefits; (ii) travelling and fulfillment expenses; (iii) depreciation and amortization; (iv) office expenses; and (v) professional service expenses mainly for legal and compliance services and industry consultancy services.

The following table sets forth a breakdown of the components of our administrative expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
							(Unaudited)			
Employee expenses[1]	78,590	43.9	105,672	53.0	128,482	52.0	59,940	67.4	91,710	43.7
Travelling and fulfillment expenses	3,701	2.1	3,696	1.9	3,273	1.3	1,137	1.3	1,465	0.7
Depreciation and amortization	17,393	9.7	24,563	12.3	26,228	10.6	13,086	14.7	12,909	6.1
Office expenses	16,782	9.4	11,889	6.0	9,339	3.8	5,231	5.9	4,396	2.2
Professional service expenses[2]	55,567	31.0	49,684	24.9	75,066	30.4	7,936	8.9	67,154	33.2
Listing expenses	–	–	–	–	–	–	–	–	22,159	11.0
Others	7,064	3.9	3,727	1.9	4,680	1.9	1,593	1.8	2,222	1.1
Total	**179,097**	**100.0**	**199,231**	**100.0**	**247,068**	**100.0**	**88,923**	**100.0**	**202,015**	**100.0**

Note:

(1) In 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, equity-settled share-based payment expenses of RMB5.4 million, RMB4.9 million, RMB35.1 million, RMB13.8 million and RMB44.7 million, respectively, was included in the employee expenses under the administrative expenses. The decrease in such equity-settled share-based payment expenses from 2021 to 2022 was primarily due to some employees completing their vesting periods, leading to our cessation of recognizing these share-based payments as an expense. The increase in such equity-settled share-based payment expenses from 2022 to 2023 was primarily due to (i) the expansion of the equity incentive scheme, as we recruited more administrative talents who were granted the share options, and (ii) the increase in the fair value of the share options due to the increased valuation of our Company. Such equity-settled share-based payment expenses continued to increase from the six months ended June 30, 2023 to June 30, 2024, primarily due to the adoption of the RSU scheme. Accordingly, the increase of employee expenses from the six months ended June 30, 2023 to the same period in 2024 was primarily due to the increase in share-based payment expenses related to our RSU Scheme.

(2) Professional service expenses primarily consisted of expenses on legal and compliance services, consultancy services, intellectual property and financial auditing. The increase of professional service expenses from the six months ended June 30, 2023 to the same period in 2024 was primarily due to the increase in consultancy expenses incurred during the listing process, as well as legal and compliance service related to our legal proceedings. Such expenses are non-recurring, and we expect them to decrease as the proceedings progress. See "Business — Legal Proceedings and Compliance."

R&D Expenses

Our R&D expenses primarily comprise (i) employee expenses, which primarily consist of R&D personnel's salaries and benefits; (ii) engineering test expenses comprising costs associated with the testing and validation of GaN products or technologies in our R&D activities; and (iii) depreciation and amortization.

The following table sets forth a breakdown of our R&D expenses by nature for the periods indicated:

	Year Ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
							(Unaudited)			
Employee expenses[1]	72,595	11.0	117,754	20.3	152,965	43.9	74,106	44.1	72,262	49.7
Engineering test expenses	493,862	74.6	362,375	62.4	93,533	26.8	44,302	26.4	22,508	15.5
Depreciation and amortization	89,117	13.5	95,654	16.5	97,371	27.9	47,726	28.4	48,593	33.4
Other	6,125	0.9	5,309	0.8	4,880	1.4	1,750	1.0	2,090	1.4
Total	**661,699**	**100.0**	**581,092**	**100.0**	**348,749**	**100.0**	**167,884**	**100.0**	**145,453**	**100.0**

Note:

(1) In 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, equity-settled share-based payment expenses of RMB5.9 million, RMB7.6 million, RMB20.7 million, RMB7.7 million and RMB14.5 million, respectively, was included in the employee expenses under the R&D expenses. The increase in such equity-settled share-based payment expenses during the Track Record Period was primarily due to (i) the expansion of the equity incentive scheme, as we recruited more R&D talents who were granted the share options, and (ii) the increase in the fair value of the share options due to the increased valuation of our Company.

Our R&D expenses amounted to RMB661.7 million, RMB581.1 million, RMB348.7 million and RMB167.9 million and RMB145.5 million in 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, respectively. Our R&D expenses as a proportion of operating expenses reached 76.1%, 68.4% and 50.8% in 2021, 2022 and 2023, respectively, which are higher than the average of the global GaN power semiconductor industry in 2021, 2022 and 2023, according to Frost & Sullivan. Our R&D expenses decreased consistently during the Track Record Period, primarily due to a reduction in engineering test expenses. Prior to achieving advanced technology for mass production, we conducted extensive testing and validation of GaN products and technologies. In the second quarter of 2022, as our technology advanced, building upon the testing and validation of previous years, we entered the early stages of mass production to meet market demand for GaN products. Consequently, the requirement for testing and validation decreased, leading to a reduction in engineering test expenses. Since 2023, as we steadily scaled up mass production, engineering test expenses have continued to decline. In addition, we use our products in the testing and validation. In the six months ended June 30, 2024, the decrease in the production costs for our products also contributed to the decrease in engineering test expenses. According to Frost & Sullivan, this trend in R&D expenses aligns with the performance of other GaN power semiconductor companies in the early stages of their business. Going forward, we expect our R&D expenses, including the engineering test expenses, as a percentage of our total revenue, to continue to decrease.

Finance Costs

Our finance costs primarily consist of (i) interest on loans and borrowings and lease liability; and (ii) changes in the carrying amount of liabilities recognized for financial instruments issued to investors, which primarily represent the fair value changes of the redemption rights granted to our investors. The following table sets forth a breakdown of the components of our finance costs for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)						*(Unaudited)*			
Interest on:										
– loans and borrowings	96,424	4.0	130,576	12.7	121,079	101.8	63,432	101.0	46,571	105.5
– lease liability	1,010	0.0	1,973	0.2	1,747	1.5	907	1.4	782	1.8
Changes in the carrying amount of liabilities recognized for financial instruments issued to investors	2,298,862	96.1	897,996	87.2	–	–	–	–	–	–
Less: interest expense capitalized into construction in progress	(4,161)	(0.1)	(921)	(0.1)	(3,914)	(3.3)	(1,527)	(2.4)	(3,229)	(7.3)
Total	**2,392,135**	**100.0**	**1,029,624**	**100.0**	**118,912**	**100.0**	**62,812**	**100.0**	**44,124**	**100.0**

The changes in the carrying amount of liabilities recognized for financial instruments issued to investors decreased from RMB2,298.9 million in 2021 and RMB898.0 million in 2022 to nil in 2023 and the six months ended June 30, 2024, primarily because in September 2022, pursuant to the supplementary agreement signed by the Company and the investors with redemption rights, the investors' redemption rights granted in previous years were terminated. Hence, the redemption liabilities were derecognized and the carrying amount of the redemption liabilities was reclassified to equity thereafter. See "— Critical Accounting Policies and Estimates and Judgments — Financial Instruments Issued to Investors with Preferred Rights."

Income Tax Expenses

We had income tax expenses of nil, RMB67.0 thousand, RMB14.0 thousand, nil and RMB0.2 million in 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, respectively. Pursuant to the Enterprise Income Tax ("EIT") Law of the PRC (the "EIT Law"), our operations in the PRC are liable to EIT at a rate of 25% unless otherwise specified. Our Company's subsidiary incorporated in South Korea is liable to South Korea profits tax at progressive tax rates from 9% to 24% of annual taxable profits. Our Company's subsidiary incorporated in the United States is liable to the federal corporate tax at a rate of 21% and the state income tax at a rate from 8% to 8.87%. Our subsidiary incorporated in Belgium is liable to the Belgium profits tax at a rate of 25%. We were entitled to a preferential tax rate and additional tax deduction on R&D expenses as explained below.

According to the EIT Law and its relevant regulations, entities that qualify as high-technology enterprises are entitled to a preferential income tax rate of 15%. Innoscience (Zhuhai) Technology Co., Ltd. obtained the certificate of high-technology enterprise in 2019 and renewed in 2022 and was subject to income tax rate at 15% in 2021, 2022 and 2023 and the six months ended June 30, 2024. Innoscience (Suzhou) Semiconductor Co., Ltd. obtained the certificate of high-technology enterprise in 12 December 2022 and was subject to income tax rate at 15% in 2023 and the six months ended June 30, 2024.

Under the PRC EIT Law and its relevant regulations, a 100% additional tax deduction is allowed for qualified R&D expenses during the Track Record Period.

Our income tax during the Track Record Period was primarily attributable to the interest earned on deposits and service fees recognized for services rendered within our Group. As of the Latest Practicable Date, we did not have any material dispute with any tax authority.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months ended June 30, 2024 compared to six months ended June 30, 2023

Revenue

Our total revenue increased by 25.2% from RMB308.1 million in the six months ended June 30, 2023 to RMB385.8 million in the six months ended June 30, 2024, primarily due to the increased sales of products.

- Revenue from the sales of GaN discrete chip and GaN IC products increased by 141.6% from RMB57.3 million in the six months ended June 30, 2023 to RMB138.4 million in the six months ended June 30, 2024, primarily due to the continued market penetration of GaN products, and our capturing market opportunities in application scenarios with expanded demand. In addition, demand for our products has been rapidly increasing in overseas markets. Especially, revenue from South Korea increased by over 500.0% from the six months ended June 30, 2023 to the six months ended June 30, 2024. Furthermore, since we continued with product innovation and started to generate revenue from GaN IC products in the second half of 2023, our revenue from GaN IC products in the six months ended June 30, 2024 also contributed to the revenue increase in this segment.

- Revenue from the sales of GaN wafers increased by 51.6% from RMB91.7 million in the six months ended June 30, 2023 to RMB138.9 million in the six months ended June 30, 2024, primarily due to our deep collaboration with existing clients leading to higher transaction volumes, and successful acquisition of new clients. We maintained our leadership in the GaN wafer sector and continued to introduce competitive products. As the overall GaN market expands, our sales have continued to grow.

- Revenue from the sales of GaN modules decreased by 33.1% from RMB159.2 million in the six months ended June 30, 2023 to RMB106.5 million in the six months ended June 30, 2024. Our GaN modules are tailored to meet the specific requirements of our customers. Consequently, the revenue from these modules is directly correlated with the progress of our customers' projects.

Cost of sales

Our cost of sales decreased by 13.6% from RMB542.8 million in the six months ended June 30, 2023 to RMB469.1 million in the six months ended June 30, 2024, primarily due to the decrease in (i) engineering and maintenance costs and depreciation and amortization costs, which was primarily attributable to our optimization of production process; in addition, the increase in production volume, driven by higher demand, allowed us to benefit from economies of scale, and (ii) packaging and testing, material, utilities and manufacturing labor costs, which was primarily attributable to the growth in the production scale. We have also streamlined the production process to reduce workforce and raw materials utilized. Furthermore, we improved the efficiency in sourcing and procurement of raw materials, which further lowered material consumption and costs.

Gross loss and gross loss margin

As a result of foregoing, our gross loss decreased from RMB234.6 million in the six months ended June 30, 2023 to RMB83.2 million in the six months ended June 30, 2024. Our gross loss margin decreased from 76.2% in the six months ended June 30, 2023 to 21.6% in the six months ended June 30, 2024, primarily due to (i) economies of scale as we continued to scale up our mass production, which led to more efficient use of equipment, utilities and other resources, further diluting overall costs, (ii) improvements in production processes, which lowered production costs and increased the yield rate, and (iii) the successful implementation of cost reduction and efficiency enhancement measures, which reduced material costs. Notably, in the six months ended June 30, 2024, we had increased sales, which was supported by our mass production capabilities and driven by the increase in demand for our products and our efforts to capture market opportunities. Specifically, the margin of GaN discrete chips and GaN ICs, GaN wafers and GaN modules all improved from the six months ended June 30, 2023 to the same period in 2024.

Other Net Income

Our other net income increased by 94.0% from RMB19.4 million in the six months ended June 30, 2023 to RMB37.6 million in the six months ended June 30, 2024, primarily due to (i) an increase in government grants, which primarily consisted of subsidies for our R&D activities; (ii) an increase in net foreign exchange gain, which corresponded with the increased revenues from overseas; and (iii) a net gain on the disposal of property, plant and equipment, as we disposed idle equipment as part of our efforts to refine the production process and enhance efficiency.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 12.9% from RMB44.8 million in the six months ended June 30, 2023 to RMB50.7 million in the six months ended June 30, 2024, primarily due to (i) an increase in employee expense, which was primarily due to the share-based payment expenses related to our RSU Scheme; and (ii) an increase in travelling and promotion expenses, as we actively attended trade shows to expand the market.

Administrative Expenses

Our administrative expenses increased by 127.2% from RMB88.9 million in the six months ended June 30, 2023 to RMB202.0 million in the six months ended June 30, 2024, primarily due to (i) an increase in fees paid for professional services related to legal and compliance services, and (ii) an increase in employee expenses, which is primarily due to the increase in share-based payment expenses related to our RSU Scheme.

R&D Expenses

Our R&D expenses decreased by 13.4% from RMB167.9 million in the six months ended June 30, 2023 to RMB145.5 million in the six months ended June 30, 2024, primarily due to the decrease in (i) engineering test expenses. As we scale up the mass production, the requirement for intensive testing and validation decreased. In addition, we use our products in the testing and validation, and the decrease in the production costs for our products also contributed to the decrease; and (ii) a decrease in employee expenses, primarily due to our optimization of R&D team structure to increase operational efficiency. In the six months ended June 30, 2023 and 2024, our research and development expenses accounted for 54.5% and 37.7% of our revenue, respectively.

Finance costs

Our finance costs decreased from RMB62.8 million in the six months ended June 30, 2023 to RMB44.1 million in the six months ended June 30, 2024, primarily due to a decrease in interest in loans and borrowing, which is attributable to our repayment of existing loans, with new loans primarily being low-interest working capital loans. Also, the decline in the Loan Prime Rate in the six months ended June 30, 2024 led to a reduction in the actual interest rates on our outstanding loans.

Loss for the Period

As a result of the foregoing, our loss for the period decreased by 15.8% from RMB579.7 million in the six months ended June 30, 2023 to loss for the period of RMB488.0 million in the six months ended June 30, 2024.

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenue

Our total revenue increased by 335.3% from RMB136.2 million in 2022 to RMB592.7 million in 2023. The increase was primarily due to the increased sales of products driven by market demand in 2023.

- Revenue from the sales of GaN discrete chip and GaN IC products increased by 123.0% from RMB86.1 million in 2022 to RMB192.1 million in 2023, primarily due to the increased demand for GaN discrete chips and GaN ICs in the consumer electronics market and an increase in overseas sales. We launched a wider array of new products in 2023, which contributed to the sales increase. In addition, capitalizing on our growing market recognition and the increasing market demands for more efficient and economical power semiconductors, we expanded our customer base and increased our sales to existing major customers. Furthermore, our enhanced production capacity enabled us to scale up our sales and capture more market opportunities.

- Revenue from the sales of GaN wafers increased by 317.0% from RMB50.0 million in 2022 to RMB208.7 million in 2023, primarily due to growing demand, especially for our low-power GaN wafers, as the power converter products of our major customers that use our wafers gained significant market recognition. Such increase in revenue is a result of our successful collaborations with certain lighthouse customers, which helped us strengthen brand recognition and gain market share. As more lighthouse projects begin to yield results, we expect them to continue promoting our market recognition and thus bring in more sales.

- Revenue from the sales of GaN modules amounted to RMB190.4 million in 2023. Such income was primarily attributable to our collaboration with leading players in the battery manufacturing and technology industry to develop customized solutions and battery modules based on GaN chips tailored to industry needs.

Cost of Sales

Our cost of sales increased by 80.1% from RMB530.3 million in 2022 to RMB954.8 million in 2023, which was mainly as a result of the increase in (i) engineering and maintenance costs and the depreciation and amortization costs, which increased as we completed the construction of Suzhou production base and purchased and installed more equipment to support our production scale-up, and (ii) packaging and testing, material, utilities and manufacturing labor costs, which was in line with the scale-up of our production since we commenced mass production in 2022 to meet market demand for GaN products.

Gross Loss and Gross Margin

As a result of the foregoing, our gross loss decreased by 8.1% from RMB394.1 million in 2022 to RMB362.1 million in 2023. Our gross loss margin decreased from 289.4% in 2022 to 61.1% in 2023, primarily because (i) we benefited from increasing economies of scale as we continued to scale up our mass production of GaN products, which led to more efficient use of equipment, utilities and other resources, reducing the overall costs; (ii) we improved the production processes, which lowered production costs and increased the yield rate in 2023; and (iii) we started to have sales of GaN modules in 2023, which serve as comprehensive power conversion solutions that integrate GaN discrete chips, drive and protection ICs and passive components, and such integration of multiple advanced technologies provides added value to customers, allowing us to price these products more favorably. Additionally, in 2023, we had rapidly increased sales as our market share continued to grow and our GaN products were applied in diverse application scenarios. As a result, the margin of GaN discrete chips and GaN ICs and GaN wafers showed improvement from 2022 to 2023. Furthermore, since our GaN discrete chips are fabricated by dicing GaN wafers into individual GaN dies, and our GaN ICs integrate GaN discrete chips with drive and protection ICs in a single device package, compared to the GaN wafers, our GaN discrete chips and GaN ICs provide more added value to customers with enhanced functionality and performance tailored for specific applications, along with easy integration into existing systems or devices. As a result, we are able to price these products more favorably, and in 2023, at the early stage of our mass production scale-up, the improvement in the margin of GaN discrete chips and GaN ICs was more pronounced than that of the GaN wafers. We also recorded a favorable margin of the sales of GaN modules, which was primarily because GaN modules serve as comprehensive power conversion solutions that integrate GaN discrete chips, drive and protection ICs and passive components, and such integration of multiple advanced technologies allows for a relatively premium pricing.

Other Net Income

Our other net income decreased from RMB68.0 million in 2022 to RMB65.0 million in 2023, primarily due to a decrease in net realized and unrealized gains on financial assets measured at FVPL, as we settled the wealth management products that we purchased and our overall investment in wealth management products decreased. Such decrease was partially offset by an increase in government grants and an increase attributable to a net gain on the disposal of property, plant and equipment in 2023. Our government grants increased from RMB17.8 million in 2022 to RMB38.8 million in 2023, which were primarily related to the grants that compensate us for the cost of assets obtained for the purposes of the purchase, construction or acquisition of long-term assets in relation to R&D projects. We had a net gain on disposal of property, plant and equipment in 2023, which was primarily from routine upgrade of equipment used in administration and management.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 30.0% from RMB69.3 million in 2022 to RMB90.1 million in 2023, primarily due to an increase in employee expenses, which is in line with the expansion of our sales team to capture market opportunities as we scaled up mass production. The proportion of selling and marketing expenses as a percentage of our revenue decreased from 50.9% in 2022 to 15.2% in 2023, which was primarily attributable to the increasing economies of scale as we ramped up our sales.

Administrative Expenses

Our administrative expenses increased by 24.0% from RMB199.2 million in 2022 to RMB247.1 million in 2023, primarily due to (i) an increase in employee expenses, which is primarily attributable to an increase in director's emoluments as we made equity-settled share-based payments; and (ii) an increase in fees paid for professional services, which primarily included legal and compliance services and consultancy services. The proportion of administrative expenses as a percentage of our revenue decreased from 146.3% in 2022 to 41.7% in 2023, primarily as a result of our increasing economies of scale.

R&D Expenses

Our R&D expenses decreased by 40.0% from RMB581.1 million in 2022 to RMB348.7 million in 2023, primarily as a result of the decrease in engineering test expenses, as we successfully transitioned from the initial R&D phase to the mass production phase, which commenced in the second quarter of 2022. In the initial R&D phase, we allocated substantial resources to develop our proprietary technologies including 8-inch GaN-on-Si wafer production and design technologies, which, after validation, were expected to yield long-term results. As we continue to refine our technologies and processes, as well as expand our production capacity, our R&D investments have started to translate into growing commercial success. As a result, the proportion of R&D expenses as a percentage of revenue decreased from 426.7% in 2022 to 58.8% in 2023.

Finance Costs

Our finance costs decreased from RMB1,029.6 million in 2022 to RMB118.9 million in 2023, primarily due to (i) the decrease in changes in the carrying amount of liabilities recognized for financial instruments issued to investors, primarily because, in 2022, investors' redemption rights granted in previous years were terminated, therefore, the redemption liabilities were derecognized and the carrying amount of the redemption liabilities was reclassified to equity thereafter; and (ii) the decrease in loans and borrowings as we paid back certain of our loans.

Loss for the Year

As a result of the foregoing, our loss for the year decreased by 50.0% from RMB2,205.5 million in 2022 to RMB1,101.9 million in 2023.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenue

Our total revenue increased by 99.6% from RMB68.2 million in 2021 to RMB136.2 million in 2022. The increase was primarily due to the increased sales of products in 2022.

- Revenue from the sales of GaN discrete chip and GaN IC products increased by 209.7% from RMB27.8 million in 2021 to RMB86.1 million in 2022, primarily due to the increased demand in the consumer electronics market, especially for fast charging products. As an early-mover in the GaN fast charger market, especially with our flagship V-GaN series, the world's first GaN chips for integration within mobile phones and other consumer electronics, we captured significant market opportunities.

- Revenue from the sales of GaN wafers increased by 26.9% from RMB39.4 million in 2021 to RMB50.0 million in 2022, primarily due to a growing demand for our GaN wafer products to be applied in low to medium power rating chargers and adapters to customers with robust R&D capabilities in the consumer electronics market. Such customers generally have more complex needs, and purchase our wafer products to integrate additional functionalities and complete the packaging by themselves. However, revenue from the sales of GaN wafers as a percentage of our total revenue decreased from 57.8% in 2021 to 36.7% in 2022, primarily because of the significant increase in our sales of GaN discrete chips, driven by the predominant market demand for our GaN discrete chip products in 2022.

Cost of Sales

Our cost of sales increased by 112.3% from RMB249.7 million in 2021 to RMB530.3 million in 2022, which was mainly as a result of the increase in (i) engineering and maintenance costs and the depreciation and amortization, which increased as we were in the process of constructing our Suzhou production base, where we completed constructions of buildings and plants and had significant equipment purchases installation, and (ii) packaging and testing, material, utilities and manufacturing labor costs, which was in line with the expansion of our production since we transitioned from the R&D phase where the substantial portion of our production was for R&D purposes, to the initial mass production phase to meet market demand for GaN products.

Gross Loss and Gross Margin

As a result of the foregoing, our gross loss increased by 117.1% from RMB181.5 million in 2021 to RMB394.1 million in 2022. Our gross loss margin increased from 266.1% in 2021 to 289.4% in 2022, primarily because we transitioned from the initial R&D phase in 2021 to the mass production phase in 2022, and experienced fluctuations in the gross margin before achieving enhanced production efficiency in the stable mass production phase. During such process, we had increasing depreciation and amortization and engineering and maintenance costs related to the growing number of plants and buildings and pieces of equipment and machinery that were put into use. Specifically, the margin of GaN discrete chips and GaN ICs deteriorated from 2021 to 2022, primarily because we introduced multiple new low-voltage GaN chip products in 2022, for which we adopted strategic pricing to penetrate market. Meanwhile, during the same period, the margin of GaN wafers improved slightly, which was primarily as a result of our wafer products achieving a higher yield rate in 2022, lowering the costs per piece.

Other Net Income

Our other net income increased from RMB43.6 million in 2021 to RMB68.0 million in 2022, primarily due to the increase in net realized and unrealized gains on financial assets measured at fair value through profit or loss, as we invested in wealth management products to fully utilize funds from financing while minimizing financial risks by reasonably and conservatively matching the maturities of the portfolio to anticipated operating cash needs.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 143.8% from RMB28.4 million in 2021 to RMB69.3 million in 2022, primarily due to an increase in employee expenses, which is in line with the expansion of our sales team both in China and overseas as we prepared to ramp up our sales activities in the initial mass production stage. Along with our investment in overseas sales networks the headcount of our sales team increased from 33 in 2021 to 62 in 2022. The proportion of selling and marketing expenses as a percentage of our revenue increased from 41.7% in 2021 to 50.9% in 2022, because we were still in the initial phase of our business, and incurred substantial upfront selling and marketing expenses that are essential for generating future revenue.

Administrative Expenses

Our administrative expenses increased by 11.2% from RMB179.1 million in 2021 to RMB199.2 million in 2022, primarily due to an increase in employee expenses, as the number of employees increased along with our business expansion. However, the proportion of our administrative expenses as a percentage of our revenue decreased from 262.5% in 2021 to 146.3% in 2022, primarily because we started to benefit from certain economies of scale in administration and management while we had a significant increase in revenue as we started mass production of 8-inch GaN-on-Si wafer products since the second quarter of 2022.

R&D Expenses

Our R&D expenses decreased by 12.2% from RMB661.7 million in 2021 to RMB581.1 million in 2022, and our R&D expenses as a percentage of our revenue decreased from 970.0% in 2021 to 426.7% in 2022, primarily because of the decrease in engineering test expenses. We entered into the mass production phase in the second quarter of 2022, and our initial R&D investments started to translate into commercial successes. In addition, benefitting from our accumulated technological expertise, our R&D efficiency also improved.

Finance Costs

Our finance costs decreased from RMB2,392.1 million in 2021 to RMB1,029.6 million in 2022, primarily due to a decrease in changes in the carrying amount of liabilities recognized for financial instruments issued to investors. In 2021, with the increase in our valuation, we recorded a large amount of finance costs related to the fair value increase of financial liabilities associated with the redemption rights granted to our investors. In 2022, we terminated the investors' redemption rights. See "— Critical Accounting Policies and Estimates and Judgments — Financial Instruments Issued to Investors with Redemption Rights."

Loss for the Year

As a result of the foregoing, our loss for the year decreased by 35.1% from RMB3,399.3 million in 2021 to RMB2,205.5 million in 2022.

DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

The following table sets forth selected information from our consolidated balance sheets as of the dates indicated, which have been extracted from our consolidated financial statements included in Appendix I to this document:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(RMB in thousands)			
Total current assets	2,603,353	1,927,496	1,111,681	1,582,642
Total non-current assets	4,018,411	3,767,580	3,479,723	3,273,054
Total assets	**6,621,764**	**5,695,076**	**4,591,404**	**4,855,696**
Total current liabilities	(1,565,519)	(1,011,347)	(926,389)	(967,588)
Total non-current liabilities	(9,181,617)	(1,723,614)	(1,701,092)	(1,684,589)
Total liabilities	**(10,747,136)**	**(2,734,961)**	**(2,627,481)**	**(2,652,177)**
Total (deficit)/equity	**(4,125,372)**	**2,960,115**	**1,963,923**	**2,203,519**

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2021	2022	2023	2024	2024
	(RMB in thousands)				
					(Unaudited)
Current assets:					
Inventories	81,988	382,066	416,788	440,661	573,606
Trade and other receivables	224,919	150,409	337,013	387,561	313,080
Financial assets at fair value through profit or loss ("FVPL")	1,000,211	658,857	20,074	70,394	20,041
Financial assets at fair value through other comprehensive income ("FVOCI")	–	–	–	201,533	202,647

	As of December 31,			As of June 30,	As of October 31,
	2021	2022	2023	2024	2024
	(RMB in thousands)				
					(Unaudited)
Pledged bank deposits	17,534	25,323	8,828	22,789	28,263
Cash and cash equivalents	1,278,701	710,841	328,978	459,704	339,786
Total current assets .	**2,603,353**	**1,927,496**	**1,111,681**	**1,582,642**	**1,477,423**
Current liabilities:					
Trade and other payables	837,784	565,532	409,973	418,050	386,833
Loans and borrowings	721,968	438,370	508,489	541,440	491,056
Lease liabilities	5,767	7,445	7,927	8,098	8,542
Total current liabilities	**1,565,519**	**1,011,347**	**926,389**	**967,588**	**886,431**
Net current assets . .	1,037,834	916,149	185,292	615,054	590,992

Our net current assets decreased to RMB591.0 million as of October 31, 2024 from RMB615.1 million as of June 30, 2024, primarily due to (i) a decrease of RMB74.5 million in trade and other receivables; (ii) a decrease of RMB50.4 million in FVPL, and (iii) a decrease of RMB119.9 million in cash and cash equivalents, partially offset by (i) an increase of RMB132.9 million in inventories, (ii) a decrease of RMB50.4 million in loans and borrowings, and (iii) a decrease of RMB31.2 million in trade and other payables.

Our net current assets increased to RMB615.1 million as of June 30, 2024 from RMB185.3 million as of December 31, 2023, primarily due to (i) an increase in financial assets at FVOCI of RMB201.5 million, (ii) an increase of RMB130.7 million in cash and cash equivalents, and (iii) an increase of RMB50.5 million in trade and other receivables, partially offset by an increase of RMB33.0 million in loans and borrowings.

Our net current assets decreased to RMB185.3 million as of December 31, 2023, from RMB916.1 million as of December 31, 2022, primarily due to (i) a decrease of RMB638.8 million in FVPL and (ii) a decrease of RMB381.9 million in cash and cash equivalents, partially offset by (i) a decrease of RMB155.6 million in trade and other payables, (ii) an increase of RMB186.6 million in trade and other receivables.

Our net current assets decreased from RMB1,037.8 million as of December 31, 2021 to RMB916.1 million as of December 31, 2022, primarily due to (i) a decrease of RMB567.9 million in cash and cash equivalents and (ii) a decrease of RMB341.4 million in FVPL, partially offset by (i) an increase of RMB300.1 million in inventories, (ii) a decrease of RMB283.6 million in loans and borrowings, and (iii) a decrease of RMB272.3 million in trade and other payables.

Property, Plant and Equipment

Our property, plant and equipment primarily consist of plant and buildings, equipment and machinery, vehicles, office equipment and furniture, construction in progress and leasehold improvements. Our plant and buildings primarily consist of our production bases and our global R&D center. Our equipment and machinery primarily consist of equipment used in R&D and production of GaN products. Our construction in progress primarily consist of the construction of our Suzhou production base and R&D center and equipment pending installation. The following table sets forth the net carrying amount of our property, plant and equipment as of the dates indicated:

	As of December 31,			As of June 30,
	2021	**2022**	**2023**	**2024**
	RMB	*RMB*	*RMB*	*RMB*
	(in thousands, except for percentages)			
Plant and buildings	1,400,978	1,478,167	1,435,918	1,660,347
Equipment and machinery	1,114,617	1,485,912	1,231,332	1,089,095
Vehicles	2,310	1,665	1,255	1,288
Office equipment and furniture	35,634	50,636	42,074	39,129
Construction in progress	811,088	222,695	330,520	72,973
Leasehold improvements	6,647	21,224	20,306	17,209
Total	**3,371,274**	**3,260,299**	**3,061,405**	**2,880,041**

Our property, plant and equipment decreased from RMB3,371.3 million as of December 31, 2021 to RMB3,260.3 million as of December 31, 2022, primarily due to the accrual of depreciation expenses, offset by plants and buildings that finished construction and equipment procured and installed in 2022. Our property, plant and equipment decreased to RMB3,061.4 million as of December 31, 2023, primarily due to depreciation expenses being recorded over time, which reduced the carrying amount of the property, plant and equipment. Our property, plant and equipment further decreased to RMB2,880.0 million as of June 30, 2024, primarily due to the accrual of depreciation expenses, offset by plants and buildings that finished construction.

Although we had net losses during the Track Record Period, such losses were within our expectation as we transitioned from the R&D phase to the mass production. With expanding sales, we expect to reach the break-even point in the near future. At the end of each reporting date, we considered the non-financial assets, including Property, Plant and Equipment, ROU assets and intangible assets of our Group, as a single cash-generating unit group. During the Track Record Period, we reviewed the internal and external sources of information, and no impairment indication of our non-financial assets was identified. Therefore, no impairment testing was required.

Inventories

Our inventories primarily comprise (i) raw materials, (ii) semi-finished products and WIP and (iii) finished goods. Raw materials primarily include (i) materials for production, such as monocrystalline silicon substrates, photoresists, cleaning fluids, target materials and special gases, as well as equipment parts, and (ii) components for our equipment. Semi-finished products and WIP are items that have been produced in large quantities in advance to ensure ample stock of GaN products for timely delivery to customers. Finished goods primarily consist of our GaN products that are ready for transit at our manufacturing facilities or in transit to fulfil customer orders. We prepare semi-finished products and WIP in advance due to the long production cycle under the IDM model and limited resources at the outsourced packaging factories. We prepare semi-finished products, WIP and finished goods according to confirmed customer orders and anticipated order volumes, which are primarily based on demand forecasts provided by customers. This also helps mitigate the risk of delays and ensures that we meet customer shipment deadlines.

The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,			As of June 30,
	2021	**2022**	**2023**	**2024**
	(RMB in thousands)			
Raw materials	36,352	45,077	33,317	34,926
Semi-finished products and WIP	32,418	122,851	202,156	320,084
Finished goods	13,218	214,138	181,315	85,651
Total	**81,988**	**382,066**	**416,788**	**440,661**

Our inventories increased from RMB82.0 million as of December 31, 2021 to RMB382.1 million as of December 31, 2022, primarily because of the increase in finished goods and semi-finished products and WIP, as we scaled up our production and started mass production in 2022 and were able to capture growing market demands. We also prepared for the 2023 sales of GaN modules by proactively stocking up towards the end of 2022. In addition, in 2022, we had an increase in raw materials, as we stocked up equipment spare parts to support the expansion of mass production. Our inventories increased to RMB416.8 million as of December 31, 2023, primarily due to an increase in semi-finished products and WIP as we prepared for anticipated sales increases, partially offset by a decrease in finished goods, as we had more sales. Our inventories further increased to RMB440.7 million as of June 30, 2024, primarily due to an increase in semi-finished products and WIP, as we stockpiled in advance for the anticipated demand. Meanwhile, the decrease in finished goods was primarily a result of the sales of modules produced in 2023, of which we recognized revenue in the six months ended June 30, 2024.

As of December 31, 2021, 2022, 2023 and June 30, 2024, the age of the vast majority of our inventories was less than one year. The following table sets forth our inventory turnover days for the periods indicated:

	As of December 31,			As of June 30,
	2021	**2022**	**2023**	**2024**
	(days)			
Inventory turnover days[(1)] . . .	119.8	263.0	159.3	169.1

Note:

(1) Inventory turnover days for a period equals to the ending inventories balance divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period, which is 365 days for each year and 180 days for the six months ended June 30, 2024.

Our inventory turnover days were primarily affected by production cycles, customer delivery deadlines and other related factors that we take into consideration in ensuring timely supply during regular production processes. Our inventory turnover days are closely related to the intricacies of our IDM model, under which we prepare for both confirmed customer orders and anticipated orders. Our turnover days increased from 119.8 days in 2021 to 263.0 days in 2022, decreased to 159.3 days in 2023 and then increased slightly to 169.1 days in June 30, 2024. The relatively long turnover days in 2022 was primarily as a result of (i) our stocking up for our mass production to capture growing market demands; and (ii) our preparation for the sales of GaN module products in 2023. We take inventory management measures to make sure that we achieve a production-to-sales balance to minimize inventory backlog while ensuring timely delivery to customers, which includes limiting the stockpiling period for raw materials, shortening production cycles and setting sales targets while assessing the sales completion rate.

Our 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 of completion and the estimated costs necessary to make the sale. These estimates are based on the current market condition and historical experience of selling products of similar nature. In 2021 and 2022, when we were in the initial R&D phase and the early stage of our mass production phase, we had significant costs while our production had not yet reached a critical scale. As a result, our products' production costs remained higher than their sales price, and therefore we had write down of inventories of RMB56.4 million and RMB64.3 million in 2021 and 2022, respectively. In 2023, we had reversal of inventory write-down of RMB2.0 million as we sold certain inventories that were previously subject to write down and lowered our production costs benefiting from greater economies of scale. In the six months ended June 30, 2024, we had write down of inventories of RMB45.5 million, primarily because we made provisions for potential losses on certain finished goods whose net realizable value is lower than their carry amount. See "— Critical Accounting Policies and Estimates and Judgments — Inventory."

The following table sets forth an aging analysis of our inventories as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(RMB in thousands)			
Within 1 year	81,257	376,033	363,459	396,458
Over 1 year but less than 2 years	578	5,610	50,761	41,598
Over 2 years	153	423	2,568	2,605
Total	**81,988**	**382,066**	**416,788**	**440,661**

We had a relatively large amount of inventories aged over one year but less than two years, primarily due to our operating under the IDM model, which involves strategic production and stockpiling based on future market expectations, resulting in the accumulation of inventory to meet anticipated demand. We believe we have a comprehensive and adequate system in place for identifying and accounting for inventory risks and impairment provisions. We regularly review our inventories to identify items with low sales or usage value and make impairment provisions accordingly. We further assess inventories based on the lower of cost or net realizable value to make any additional impairment provisions.

We provided provision against inventories over one year by estimating the net realizable value based on relevant input such as backlog orders, technology obsolescence, quality ratings, recent and expected sales/usage rate, among others. The semi-finished products and WIP are primarily associated with products that have relatively lengthy production processes and cycles, indicating a potential for conversion. Among raw materials, spare parts are mainly used for the maintenance and upgrading of production equipment, and are deemed durable consumables and also exhibit a longer conversion period and conversion potential. As of 30 June 2024, 77.2% of our inventories aged over one year but less than two years consists of raw materials and semi-finished products and WIP. Inventory aged over two years consists entirely of raw materials and semi-finished products and WIP. We made impairment provision of 69.3%

of the value of the finished goods aged over one year but less than two years based on expected sales and shelf life. For finished goods aged over two years, we made impairment provisions of 100% of its value. In total, we have provided provision of RMB37.7 million against inventories aged over one year of RMB59.6 million, representing a provision rate of 63.3% as of June 30, 2024, apart from the inventories of RMB22.3 million aged over one year produced for recurring orders of major customers and delivered and sold at the orders of major customers.

As of October 31, 2024, RMB156.6 million, or 35.5% of our inventories as of June 30, 2024 had been sold or utilized among which, 38.6% of inventories aged within one year as at June 30, 2024 had been sold or utilized, which the Directors believed to be reasonable considering the lengthy production processes; 7.9% of inventories aged over one year as of June 30, 2024 had been sold or utilized as of October 31, 2024, and we have provided sufficient provision for such inventories aged over one year with inventories provision amounting to RMB37.7 million, which accounts for 46.1% of the cost of such inventories of RMB81.9 million as of June 30, 2024. Such subsequent utilization was primarily a result of our strategic production and stockpiling in anticipation of future demand, coupled with our increasing production capability. During the Track Record Period, we made sufficient provisions for our inventories. While the settlement of inventories held for over one year was limited, we conduct thorough assessments and make sufficient provisions, and believe that the turnover of such inventories will not materially and adversely affect our business operations or financial performance.

Trade and Other Receivables

Our trade and other receivables mainly comprise trade receivables, prepayments, VAT recoverable and other receivables and deposits, net of loss allowance. The following table sets forth a breakdown of our trade and notes receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(RMB in thousands)			
Trade receivables, net of loss allowance	37,641	50,247	215,236	285,453
Prepayments	14,309	26,208	49,877	34,370
VAT recoverable	161,844	39,646	46,368	39,547
Other receivables and deposits, net of loss allowance	11,125	34,308	25,532	28,191
Total	**224,919**	**150,409**	**337,013**	**387,561**

Our trade and other receivables decreased from RMB224.9 million as of December 31, 2021 to RMB150.4 million as of December 31, 2022, primarily as a result of the decrease in VAT recoverables as we had a refund of excess input VAT in 2022. Our trade and other receivables then increased to RMB337.0 million and RMB387.6 million as of December 31, 2023 and June 30, 2024, primarily due to the increase in trade receivables, net of loss allowance, which is attributable to our strong sales growth.

In order to enhance the collection of overdue trade receivables, our finance team monitors overdue payments closely and prepares a monthly aging report showing customers' overdue amounts for management's review. Our sales team also evaluate such overdue invoices on a case-by-case basis and follow up with customers to collect overdue trade receivables. We generally endeavor to collect our overdue trade receivables through negotiation, in order to maintain long-term business relationships with these customers. The following table sets forth an aging analysis of our trade receivables based on recognition date as of the dates indicated:

	As of December 31,			As of June 30,
	2021	**2022**	**2023**	**2024**
	(RMB in thousands)			
Within 1 year	37,641	50,247	215,208	283,467
Over 1 year but less than 2 years	–	–	28	1,986
Total	**37,641**	**50,247**	**215,236**	**285,453**

During the Track Record Period, the majority of our trade receivables were less than one year. We maintained effective communication with our customers, and no recoverability issue was identified.

The following table sets forth the turnover days of our trade receivables for the periods indicated:

	Year Ended December 31,			Six months ended June 30,
	2021	**2022**	**2023**	**2024**
	(days)			
Trade receivable turnover days[(1)]	201.4	134.7	132.5	133.2

Note:

(1) Trade receivables turnover days for a period equals to the ending trade receivables balance divided by revenue for the relevant period and multiplied by the number of days in the relevant period, which is 365 days for each year and 180 days for the six months ended June 30, 2024.

The trade receivable turnover days indicates the average time required for us to collect payments. Our trade receivables turnover days decreased from 201.4 days in 2021 to 134.7 days in 2022 primarily as a result of our enhanced the management of trade receivables, as we ramped up sales. Our trade receivable turnover days further shortened to 132.5 days in 2023, and remained relatively stable at 133.2 days in the six months ended June 30, 2024.

As of October 31, 2024, RMB188.9 million, or 66.9% of our trade receivables as of June 30, 2024 had been settled.

To assess the adequacy of the impairment of our trade receivables, our Directors have considered the recoverability of individual customers, including, among others, the credit history, the historical settlement records, the aging analysis and forward-looking information. Based on the results of our Director's assessment, we provided the impairment losses of our trade receivables in accordance with the accounting policies in Note 2(h) to the Accountants' Report set out in Appendix I to this prospectus. On the basis of each of the factors as assessed above, our Directors considered that the impairment losses on trade receivables made as of the end of each year during the Track Record Period were sufficient.

Financial Assets at Fair Value through Profit or Loss (FVPL) and Fair Value through Other Comprehensive Income (FVOCI)

During the Track Record Period, our financial assets at FVPL primarily consisted of wealth management products in banks in the PRC and Korea with variable interest rates, which primarily consisted of structured deposits and were principal protected. Our financial assets at FVPL decreased from RMB1,000.2 million as of December 31, 2021 to RMB658.9 million as of December 31, 2022, and subsequently decreased to RMB20.1 million as of December 31, 2023, primarily because the majority of the wealth management products were redeemed upon maturity. Our financial assets at FVPL increased to RMB70.4 million as of June 30, 2024, primarily because we increased the purchase of structured deposits to make full use of our funds. As of June 30, 2024, we had financial assets at FVOCI of RMB201.5 million, which primarily consisted of negotiable certificate of deposits with banks in the PRC which were principal protected for fund management purposes.

We managed and evaluated the performance of investments on a fair value basis in accordance with our business needs and investment strategy. We endeavor to increase the return of idle cash and bank balances by placing investments in wealth management products with high liquidity and low risk such that our risk exposure arising from such investments is controlled. Our investment policy in relation to the purchase of such financial assets is to monitor our level of idle cash and bank balances and, based on the working capital required at the relevant time, utilize such idle cash to increase the return. In addition, in order to monitor and control the investment risks associated with our portfolio of low-risk wealth management products and negotiable certificate of deposits with banks, we have adopted a comprehensive set of internal policies and guidelines to manage our investments. Our finance department is responsible for proposing, analyzing and evaluating potential investment in such products. Our management, including our finance department, has extensive experience in managing the financial aspects of an enterprise's operations. Prior to making any material investments in wealth management products, negotiable certificate of deposits with banks or modifying our existing investment portfolio, the proposal submitted by the finance department shall be signed off by the vice president of the finance department and be reviewed and approved by our chief financial officer. According to our Articles of Association, such decision does not require a decision by the Board. To control our risk exposure, we make investment decisions related to wealth management products and negotiable certificate of deposits with banks after thoroughly considering a number of factors, including, but not limited to, macro-economic environment, general market conditions, risk control and credit of issuing financial institutions, our own working capital conditions and the expected profit or potential loss of the investment.

Upon Listing, we intend to continue our investments, such as wealth management products and negotiable certificate of deposits with banks, strictly in accordance with our internal policies (which include approval by the chief financial officer) and Articles of Association, and, to the extent that an investment in wealth management products is a notifiable transaction under Chapter 14 of the Listing Rules, the Company will comply with the relevant requirements under Chapter 14 of the Listing Rules, including the announcement, reporting and/or shareholders' approval requirements (if applicable).

In relation to the valuation of the financial assets at FVPL and FVOCI, we have adopted the following procedures: (i) reviewed the terms of the relevant wealth management products and negotiable certificate of deposits with banks; (ii) reviewed the fair value measurement assessment of the relevant wealth management products and negotiable certificate of deposits with banks presented by our finance department and carefully considered all information available and various applicable valuation techniques and processes in determining the valuation of the relevant wealth management products and negotiable certificate of deposits with banks; and (iii) reviewed the fair value measurement of the financial investments, taking into account the valuation techniques and assumptions of unobservable inputs in order to determine if the fair value measurement of level 3 investments is in compliance with the applicable HKFRS.

Details of the fair value measurement of financial assets at FVPL and FVOCI, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, and the relationship of unobservable inputs to fair value are disclosed in Note 28(e) to the Accountants' Report in Appendix I to this Document. The Reporting Accountant has carried out audit procedures in accordance with the Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for the purpose of expressing an opinion on our Group's Historical Financial Information for the Track Record Period as a whole in Appendix I to this document. The Reporting Accountant's opinion on the Historical Financial Information, as a whole, of the Group for the Track Record Period is set out on page I-1 to I-3 of Appendix I to the prospectus.

Trade and Other Payables

Trade and other payables mainly consist of payables for the construction of our production base, equipment and raw materials. Our trade and other payables decreased from RMB837.8 million as of December 31, 2021 to RMB565.5 million as of December 31, 2022, and further to RMB410.0 million as of December 31, 2023, primarily as a result of the decrease in other payables and accruals, as we gradually completed the substantial construction of our plants and building and the purchase of equipment, and settled the relevant payables in this process. Our trade and other payables increased to RMB418.1 million as of June 30, 2024, primarily as a result of an increase in other payables and accruals, as we made provisions for professional service expenses and listing expenses.

	At 31 December,			At June 30,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	76,561	103,306	89,376	89,111
Accrued payroll	72,045	69,846	67,130	43,733
Tax payable	8,885	11,787	10,820	18,316
Other payables and accruals	680,293	380,593	242,647	266,890
Trade and other payables	**837,784**	**565,532**	**409,973**	**418,050**

The following table sets forth an aging analysis of our trade payables based on the date of the goods and services received as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(RMB in thousands)			
Within 3 months	73,535	99,946	86,504	87,554
After 3 months but within 6 months	1,208	1,192	133	1,177
After 6 months but within 12 months	913	784	910	42
After 12 months	905	1,384	1,829	338
Total	**76,561**	**103,306**	**89,376**	**89,111**

The following table sets forth the turnover days of our trade payables for the periods indicated:

	Year Ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
		(days)		
Trade payable turnover days(1)	111.9	71.1	34.2	34.2

Note:

(1) Trade payable turnover days for a period equals to the ending trade payables balance divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period, which is 365 days for each year and 180 days for the six months ended June 30, 2024.

Our trade payable turnover days decreased from 111.9 days in 2021 to 71.1 days in 2022, and then to 34.2 days in 2023 and remained stable at 34.2 days in the six months ended June 30, 2024. Our cost of sales contain significant amount of depreciation and amortization expenses, and therefore we believe that the resulting trade payable turnover days are not indicative of our trade settlement conditions.

As of October 31, 2024, RMB67.6 million, or 75.9% of our trade payables as of June 30, 2024 had been settled.

SELECTED FINANCIAL RATIOS

The following table sets forth our key financial ratios for the periods or as of the dates indicated:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
				(Unaudited)	
Revenue growth(1)	–	99.7%	335.3%	–	25.2%
Gross margin(2)	(266.1)%	(289.4)%	(61.0)%	(76.2)%	(21.6)%
Adjusted net loss margin (non-HKFRS measure)(3)	(1,584.3)%	(937.7)%	(171.3)%	(178.2)%	(97.9)%

	As of December 31,			As of June 30,
	2021	2022	2023	2024
Current ratio *(times)*[(4)]	1.7	1.9	1.2	1.6
Quick ratio *(times)*[(5)]	1.6	1.5	0.8	1.2
Net gearing ratio[(6)]	–	45.9%	87.9%	72.7%

Notes:

(1) Revenue growth is calculated as the period-on-period growth rate of revenue.

(2) The calculation of gross margin is based on gross loss for the period divided by revenue and multiplied by 100%. See "Description of Key Components of Our Results of Operations — Gross Loss and Gross Margin."

(3) Adjusted net loss margin (non-HKFRS measure) is calculated based on adjusted net loss (non-HKFRS measure) divided by revenue and multiplied by 100%. See "— Non- HKFRS Measures" for a reconciliation from our loss for the year/period to adjusted net loss (non-HKFRS measure).

(4) Current ratio is calculated as current assets divided by current liabilities as of the relevant period end.

(5) Quick ratio is calculated as current assets less inventories divided by current liabilities as of the relevant period end.

(6) Net gearing ratio is calculated as total borrowings less cash and cash equivalents divided by the total (deficit)/equity as of the end of the respective period and multiplied by 100%.

Revenue growth

See "— Period-to-Period Comparison of results of Operations" for a discussion of the factors affecting our revenue growth during the Track Record Period.

Gross margin

See "— Description of Key Components of Our Results of Operations — Gross Loss and Gross Margin" for a discussion of the factors affecting our gross profit growth during the Track Record Period.

Adjusted net loss margin (Non-HKFRS Measure)

Our adjusted net loss margin (non-HKFRS measure) decreased from 1,584.3% for 2021 to 937.7% for 2022, and decreased to 171.3% in 2023, and decreased from 178.2% in the six months ended June 30, 2023 to 97.9% in the six months ended June 30, 2024, primarily due to the decrease in our loss for the year/period. See "— Description of Key Components of Our Results of Operations" for a discussion of the factors affecting our adjusted net profit margin (non-HKFRS measure) during the Track Record Period.

Current ratio

Our current ratio increased from 1.7 as of December 31, 2021 to 1.9 as of December 31, 2022, primarily due to the decrease in (i) current loans and borrowings and (ii) trade and other payables. Our current ratio then decreased to 1.2 as of December 31, 2023, primarily due to a decrease in financial assets at FVPL. Our current ratio increased to 1.6 in the six months ended June 30, 2024, primarily due to an increase in cash and cash equivalents.

Quick ratio

Our quick ratio remained relatively stable at 1.6 and 1.5 as of December 31, 2021 and 2022, respectively. Our quick ratio decreased to 0.8 in 2023, primarily due to a decrease in financial assets at FVPL. Our quick ratio increased to 1.2 in the six months ended June 30, 2024, primarily due to an increase in cash and cash equivalents and an increase in inventories.

Net gearing ratio

Our net gearing ratio increased from 45.9% as of December 31, 2022 to 87.9% as of December 31, 2023, primarily due to the decrease of our total equity due to our losses. Our net gearing ratio decreased to 72.7% in the six months ended June 30, 2024 due to an increase in cash and cash equivalents and an increase in total equity.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2024, we had RMB459.7 million in cash and cash equivalents. Our cash and cash equivalents primarily consist of cash at banks and on hand under RMB and USD denominations.

Our net cash used in operating activities in 2021, 2022, 2023 and June 30, 2024 was RMB562.1 million, RMB936.3 million, RMB593.6 million and RMB155.5 million, respectively.

Consolidated Statements of Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated:

	Year Ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	(RMB in thousands)				
				(unaudited)	
Net cash used in operating activities	(562,138)	(936,296)	(593,612)	(240,935)	(155,523)
Net cash (used in)/generated from investing activities	(2,114,949)	(93,795)	338,196	332,114	(308,565)
Net cash generated from/(used in) financing activities	3,824,855	460,158	(126,797)	(9,109)	594,773
Net increase/(decrease) in cash and cash equivalents	**1,147,768**	**(569,933)**	**(382,213)**	**82,070**	**130,685**
Effect of foreign exchange rate changes	(567)	2,073	350	(692)	41
Cash and cash equivalents at the beginning of the year	131,500	1,278,701	710,841	710,841	328,978
Cash and cash equivalents at the end of the year	1,278,701	710,841	328,978	792,219	459,704

Net Cash Used in Operating Activities

Net cash used in operating activities primarily comprises our loss before taxation for the period adjusted by: (i) non-cash and non-operating items and (ii) changes in working capital. We had negative cash flows from our operating activities during the Track Record Period.

In the six months ended June 30, 2024, our net cash used in operating activities was RMB155.5 million. Our net cash used in operating activities is calculated by adjusting our loss before taxation of RMB487.8 million by non-cash and other items to arrive at an operating loss before changes in working capital of RMB57.4 million. Our movements in working capital primarily reflect (i) an increase in inventories of RMB69.4 million, (ii) an increase in trade and other receivables of RMB46.0 million, partially offset by and increase in trade and other payables of RMB21.0 million.

In 2023, our net cash used in operating activities was RMB593.6 million. Our net cash used in operating activities is calculated by adjusting our loss before taxation of RMB1,101.9 million by non-cash and other items to arrive at an operating loss before changes in working capital of RMB377.5 million. Our movements in working capital primarily reflect (i) an increase in trade and other receivables of RMB189.0 million, (ii) a decrease in trade and other payables of RMB80.6 million and (iii) a increase in inventories of RMB32.8 million, partially offset by an increase in deferred income of RMB69.7 million.

In 2022, our net cash used in operating activities was RMB936.3 million. Our net cash used in operating activities is calculated by adjusting our loss before taxation of RMB2,205.4 million by non-cash and other items to arrive at an operating loss before changes in working capital of RMB638.2 million. Our movements in working capital primarily reflect (i) an increase in inventories of RMB364.4 million and (ii) an increase in pledged bank deposits of RMB7.8 million, partially offset by (i) an decrease in trade and other receivables of RMB65.1 million and (ii) an increase in trade and other payables of RMB5.1 million.

In 2021, our net cash used in operating activities was RMB562.1 million. Our net cash used in operating activities is calculated by adjusting our loss before taxation of RMB3,399.3 million by non-cash and other items to arrive at an operating loss before changes in working capital of RMB665.6 million. Our movements in working capital primarily reflect (i) an increase in trade and other payables of RMB200.0 million, and (ii) a decrease in trade and other receivables of RMB43.7 million partially offset by (i) an increase in inventories of RMB116.1 million, and (ii) a decrease in deferred income of RMB43.6 million.

Our net cash used in operating activities decreased from RMB936.3 million in 2022 to RMB593.6 million in 2023, and from RMB240.9 million in the six months ended June 30, 2023 to RMB155.5 million in the six months ended June 30, 2024. Nevertheless, in light of our net operating cash outflows during the Track Record Period, we expect to improve our cash position primarily through:

(i) continuously increasing revenue through product innovation by (a) enhancing the penetration of GaN products in downstream applications, (b) further strengthening technologies to develop a broader array of products that meet customers' evolving demands, and (c) exploring new market opportunities while deepening relationships with existing customers. As a result, our revenue increased from RMB68.2 million in 2021 to RMB592.7 million in 2023 over a CAGR of 194.8%, and our revenue increased by 25.2% from RMB308.1 million in the six months ended June 30, 2023 to RMB385.8 million in the six months ended June 30, 2024; Excluding the revenue from module, which is directly correlated with the progress of our customers' projects, and others, which consists of revenue from NRE services, our revenue increased at a CAGR of 144.2% from RMB67.2 million in 2021 to RMB400.7 million in 2023, and increased by 86.2% from RMB148.9 million in the six months ended June 30, 2023 to RMB277.4 million in the six months ended June 30, 2024.

(ii) implementing cost control measures aimed at improving cost efficiency. As we gradually scale up mass production, we have adopted measures including (a) optimizing production process and equipment use to reduce engineering and maintenance costs and depreciation and amortization costs, (b) streamlining the production process to reduce workforce and raw materials utilized, thereby lowering manufacturing labor costs and material costs, among others, and (c) improving the efficiency in sourcing and procurement of raw materials, which further lowered material consumption and costs. As a result, our cost of sales decreased by 13.6% from RMB542.8 million in the six months ended June 30, 2023 to RMB469.1 million in the six months ended June 30, 2024; and

(iii) effectively managing operating expenses through targeted promotion and marketing activities, further refining technologies and optimizing team structure and corporate management. See "Business — Path to Profitability."

In addition, with our expanding business scale, growing economies of scale, improving operating efficiency and more effective management of our working capital, we anticipate further improvement in our operating cash flow, leading to a net operating cash inflow in the near future.

Net Cash (Used in)/Generated from Investing Activities

In the six months ended June 30, 2024, our net cash used in investing activities was RMB308.6 million. This was mainly attributable to (i) payments for acquisition of financial assets measured at FVOCI of RMB330.2 million and (ii) payments for acquisition of financial assets measured at FVPL of RMB246.2 million, partially offset by proceeds from disposal of financial assets measured at FVPL of RMB196.8 million.

In 2023, our net cash generated from investing activities was RMB338.2 million. This was mainly attributable to the proceeds from the disposal of financial assets measured at FVPL of RMB2,137.7 million, partially offset by (i) payments for acquisition of financial assets measured at fair value through profit or loss of RMB1,493.3 million and (ii) payment for the purchase of property, plant and equipment and intangible assets of RMB331.3 million.

In 2022, our net cash used in investing activities was RMB93.8 million. This was mainly attributable to (i) payments for acquisition of financial assets measured at FVPL of RMB5,100.4 million, and (ii) payment for the purchase of property, plant and equipment and intangible assets of RMB464.6 million, partially offset by the proceeds from disposal of financial assets measured at fair value through profit or loss of RMB5,470.3 million.

In 2021, our net cash used in investing activities was RMB2,114.9 million. This was mainly attributable to (i) payment for the purchase of property, plant and equipment and intangible assets of RMB1,121.3 million and (ii) payments for acquisition of financial assets measured at fair value through profit or loss of RMB1,000.0 million.

Net Cash Generated from/(Used in) Financing Activities

In the six months ended June 30, 2024, our net cash generated from financing activities was RMB594.8 million, which was mainly attributable to (i) capital contributions by investors of RMB640.7 million and (ii) proceeds from loans and borrowings of RMB170.8 million, partially offset by repayment of loans and borrowings of RMB171.6 million.

In 2023, our net cash used in financing activities was RMB126.8 million, which was mainly attributable to (i) the repayment of loans and borrowings of RMB298.1 million, and (ii) interest of loans and borrowings paid of RMB105.3 million, partially offset by (i) proceeds from loans and borrowings of RMB266.2 million, and (ii) capital contributions by investors of RMB20.0 million.

In 2022, our net cash generated from financing activities was RMB460.2 million, which was mainly attributable to (i) proceeds from loans and borrowings of RMB788.4 million and (ii) proceeds from the issue of financial instruments to investors of RMB480.1 million, partially offset by (i) repayment of loans and borrowings of RMB664.9 million and (ii) interest of loans and borrowings paid of RMB133.7 million.

In 2021, our net cash generated from financing activities was RMB3,824.9 million, which was mainly attributable to (i) proceeds from the issue of financial instruments to investors of RMB3,546.5 million and (ii) proceeds from loans and borrowings of RMB492.1 million, partially offset by (i) interest of loans and borrowings paid of RMB130.8 million and (ii) repayment of loans and borrowings of RMB76.2 million.

INDEBTEDNESS

The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2021	2022	2023	2024	2024
	(RMB in thousands)				
					(Unaudited)
Loans and borrowings	1,950,393	2,070,721	2,054,573	2,062,378	2,071,009
Lease liabilities	29,003	42,880	37,417	35,886	37,524
Financial instruments issued to investors	7,878,076	–	–	–	–
Total	**9,857,472**	**2,113,601**	**2,091,990**	**2,098,264**	**2,108,533**

Loans and Borrowings

As of December 31, 2021, 2022, 2023, June 30, 2024 and October 31, 2024, we had total loans and borrowings of RMB1,950.4 million, RMB2,070.7 million, RMB2,054.6 million, RMB2,062.4 million and RMB2,071.0 million, respectively. The effective interest rates of our RMB denominated bank loans ranged from 4.30%-5.10%, 4.00%-5.10%, 3.20%-4.65%, 3.00%-4.30% and 3.00%-4.30% per annum in 2021, 2022 and 2023, the six months ended June 30, 2024 and the ten months ended October 31, 2024, respectively. 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. As of October 31, 2024, we had unutilized banking facilities of RMB1,476.0 million.

Lease Liabilities

Leases are initially recognized as right-of-use assets and corresponding liability at the date when the leased asset is available for use by our Group. As of December 31, 2021, 2022 and 2023, June 30, 2024 and October 31, 2024, we recognized total lease liabilities, including current and non-current lease liabilities, of RMB29.0 million, RMB42.9 million, RMB37.4 million, RMB35.9 million and RMB37.5 million, respectively. The total lease liabilities increased from RMB29.0 million as of December 31, 2021 to RMB42.9 million as of December 31, 2022, primarily because of new leases for equipment and overseas offices. The total lease liabilities decreased to RMB37.4 million as of December 31, 2023, primarily due to decreases in rent for offices. The total lease liabilities decreased to RMB35.9 million as of June 30, 2024, primarily as a result of payments made towards these liabilities.

Financial Instruments Issued to Investors

Our financial instruments issued to investors were primarily related to redemption rights granted to certain investors. The redemption rights of the investors constituted our redemption liability to redeem the investors' paid-in capital for cash upon specified events. We recognized our obligation to pay cash to those investors with redemption rights as financial liabilities, which were measured at the highest present value of the settlement amounts that can arise.

As of December 31, 2021, 2022, 2023, June 30, 2024 and October 31, 2024, our financial instruments issued to investors amounted to RMB7,878.1 million, nil, nil, nil and nil, respectively. In September 2022, pursuant to the supplementary agreement signed by our Company and the investors with redemption rights, the investors' redemption rights granted in previous years were terminated. Hence, the redemption liabilities were reclassified to equity thereafter. See Note 26 to the Accountants' Report in Appendix I to this prospectus.

Contingent Liabilities

As of December 31, 2021, 2022 and 2023, June 30, 2024 and October 31, 2024, we did not have any significant contingent liabilities. Our Directors confirmed that there had not been any material change in the contingent liabilities of our Company since October 31, 2024 and up to the Latest Practicable Date.

Indebtedness Statement

Our Directors confirm that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and that our Group did not experience any difficulty in obtaining bank loans and other borrowings, material default in payment of trade and non-trade payables, bank loans and other borrowings or breach of covenants during the Track Record Period and up to the date of this prospectus.

Except as disclosed above, as of October 31, 2024, being the most recent practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors have confirmed that there had been no material change in our indebtedness since October 31, 2024 and up to the Date of this Prospectus.

CAPITAL EXPENDITURES

Our capital expenditures, which comprises payment for the purchase of property, plant and equipment and intangible assets, were RMB1,121.3 million, RMB464.6 million, RMB331.3 million, RMB201.6 million and RMB71.4 million in 2021, 2022, 2023 and June 30, 2023 and 2024, respectively. In these periods, our capital expenditures were primarily used for the construction of our production base. For details of our expansion plans, see "Business — Our Strategies — Further Expansion of Production Capacity." We expect to finance such capital expenditures through existing cash on hand, bank loans and the net proceeds from the Global Offering. We may adjust our capital expenditures for any given year according to our development plans or in light of market conditions and other factors we believe to be appropriate.

CAPITAL COMMITMENTS

Our capital commitments as of December 31, 2021, 2022, 2023 and June 30, 2024 were related to property, plant and equipment. See Note 29 to the Accountants' Report in Appendix I to this document. The following table sets forth our capital commitments as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(RMB in thousands)			
Property, plant and equipment	131,713	160,411	85,091	52,457
Total	**131,713**	**160,411**	**85,091**	**52,457**

FINANCIAL RISK DISCLOSURE

Our Group's activities expose it to a variety of financial risks, including credit risk, liquidity risk, interest rate risk and currency risk. Our Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our Group's financial performance.

Our management regularly manages and monitors the financial risks of our Group to ensure appropriate measures are implemented in a timely and effective manner. During the Track Record Period, no hedging activity was undertaken by our Group.

Market Risk

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in a financial loss to our Group. Our credit risk is primarily attributable to trade and other receivables.

Our 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 which we consider to have low credit risk.

Trade receivables

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 billing. Normally, we do not obtain collateral from customers.

Significant concentrations of credit risk primarily arise when we have significant exposure to individual customers. The trade receivables from our five largest customers in each period during the Track Record Period as of December 31, 2021, 2022, 2023 and June 30, 2024 represented 75%, 32%, 39% and 51% of the total trade receivables, respectively, while 48.08%, 7.26%, 15.91% and 35.02% of the total trade receivables were due from the largest single customer for the respective periods.

We measure loss allowances for trade receivables at an amount equal to lifetime expected credit losses ("ECLs"), which is calculated using a provision matrix. As our 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 our different customer bases.

The following table provides information about our exposure to credit risk and ECLs for trade receivables:

	2021		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Within 1 year	1%	38,021	380

	2022		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Within 1 year	1%	50,755	508

	2023		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Within 1 year	1%	217,274	2,066
Over 1 year but less than 2 years	5%	29	1
		217,303	2,067

	As at June 30, 2024		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Within 1 year	1%	286,272	2,805
Over 1 year but less than 2 years	5%	2,090	104
		288,362	2,909

ECL 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 our view of economic conditions over the expected lives of the receivables. We estimated the ECL rates with reference to the provision matrix approach and historical actual credit losses, which was nil for the Track Record Period. At the same time, we considered any material changes in customer mix, customer credit risk and market risk compared to each of previous years and concluded that these factors remained basically consistent in the previous years, and the customers are generally of good credit rating. Based on above assessment of historical and prevailing risks from time to time, we determined that the ECL rate remained constant at 1% for the Track Record Period. Such rate is also consistent with market players which also have low ECL rate and are quite constant over last few years.

Other receivables and deposits

Credit risk in respect of other receivables and deposits is limited since the balance mainly includes prepayments to suppliers.

We measure loss allowances for 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. We assessed that there is no significant loss allowance recognized in accordance with HKFRS 9 for other receivables and deposits as of December 31, 2021, 2022, 2023 and June 30, 2024.

Liquidity Risk

Our policy is to regularly monitor liquidity requirements and to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term.

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.

Our interest rate risk arises primarily from cash at bank, pledged bank deposits and interest-bearing borrowings. Borrowings issued at variable rates and fixed rates expose us to cash flow interest rate risk and fair value interest rate risk respectively. Our interest-bearing financial instruments at variable rates as of December 31, 2021, 2022, 2023 and June 30, 2024 are primarily cash at bank, and the cash flow interest rate risk arising from the change of market interest rate.

Currency Risk

We are exposed to currency risk primarily through purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars and European Monetary Unit.

Fair Value Measurement

i. Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of our financial instruments measured at the end of each reporting period on a recurring basis, categorized 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

We have a team performing valuations for the financial instruments categories in Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer. Valuation assessment with analysis of changes in fair value measurement is prepared by the team at each reporting date and is reviewed and approved by the chief financial officer.

During the Relevant Periods, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. Our policy is to recognize transfers between levels of the fair value hierarchy at the end of each reporting period in which they occur.

Information about Level 3 Fair Value Measurements

The fair values of wealth management products and negotiable certificate of deposits with banks have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires our directors to make estimates about the expected future cash flows including the expected future interest return on the maturity of wealth management products and negotiable certificate of deposits with banks. Our directors believe that the estimated fair values resulting from the valuation technique are reasonable, and that they were the most appropriate values at the end of each reporting period.

ii. Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of our financial instruments carried at cost or amortized cost were not materially different from their fair values as of December 31, 2021, 2022, 2023 and June 30, 2024.

See Note 28 to the Accountants' Report in Appendix I to this document.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

For details about our related party transactions during the Track Record Period, see Note 30 to the Accountants' Report in Appendix I to this document.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm's-length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

NO DIVIDEND POLICY

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 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 and 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, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make.

DISTRIBUTABLE RESERVES

As of June 30, 2024, we did not have any distributable reserves.

WORKING CAPITAL SUFFICIENCY

Our Directors are of the view, and the Joint Sponsors concur, that, taking into account our available resources including cash and cash equivalents on hand and unutilized bank facilities, we have sufficient working capital for our present requirements and for the next 12 months from the date of this prospectus.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

See Unaudited Pro Forma Financial Information in Appendix II to this document for details.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commission and other fees incurred in connection with the Global Offering. We estimate that our listing expenses will be approximately HK$99.7 million (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised and based on the Offer Price of HK$32.26), which accounts for approximately 6.8% of the gross proceeds from the Global Offering. We estimate the listing expenses to consist of approximately HK$51.2 million in underwriting fees and HK$48.5 million in non-underwriting fees (which consist of fees and expenses of legal advisors and our Reporting Accountant of approximately HK$30.8 million and other fees and expenses of approximately HK$17.7 million). Among the total listing expenses, approximately HK$55.6 million will be directly attributable to the issue of our Shares, which will be deducted from equity upon the completion of the Global Offering, and the remaining approximately HK$44.1 million will be expensed in our consolidated statements of comprehensive loss.

PROPERTY INTERESTS AND PROPERTY VALUATION

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, or JLL, an independent property valuer, valued our selected property interests as of October 31, 2024 and is of the opinion that the aggregate value of the selected property interests as of such date was RMB1,598.4 million. The letter and summary disclosure of property valuation with regard to such property interests are set out in Appendix III to this prospectus.

A reconciliation of the net book value of the selected property as of June 30, 2024, as set out in the Accountants' Report in Appendix I to this prospectus, to their fair value as of October 31, 2024 as stated in the property valuation report set out in Appendix III to this prospectus is set out below:

	(RMB in thousands)
Net book value of the property as of June 30, 2024	**1,456,014**
Less: Depreciation	(25,883)
Net book value of the property as of October 31, 2024 *(unaudited)*	1,430,130
Net valuation surplus	168,270
Market value of the property as of October 31, 2024 as set out in the property valuation report in Appendix III to this prospectus	**1,598,400**

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work that our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since June 30, 2024, being the end date of the periods reported on in the Accountants' Report in Appendix I to this document, and there is no event since June 30, 2024 that would materially affect the information as set out in the Accountants' Report in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there was no circumstance 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" in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$1,363.7 million, after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Global Offering, assuming an Offer Price of HK$32.26 per H Share, being the mid-point of the indicative Offer Price range stated in this prospectus.

Assuming that the Offer Price is fixed at HK$32.26 per H Share (being the mid-point of the indicative Offer Price range), we intend to use the net proceeds for the following intended purposes in the amounts set forth below:

- Approximately 60.0% of the net proceeds, or HK$818.3 million, will be used as one of the sources to expand our production capacity of the 8-inch GaN wafer from 12,500 wafers per month as of June 30, 2024 to 70,000 wafers per month over the next five years, purchase and upgrade equipment and machinery for production and recruit manufacturing personnel. Driven by the increasing penetration of GaN power semiconductors, the GaN power semiconductor market is projected to grow exponentially from RMB3,227.7 million in 2024 to RMB50,141.9 million in 2028, at a CAGR of 98.5%. In the meantime, the markets of GaN downstream applications including consumer electronics, EVs, renewable energy and industrial applications and data centers are growing rapidly at CAGRs of 71.1%, 216.4%, 69.1% and 81.0%, respectively, from 2024 to 2028. As we take up a market share of 33.7% of the global GaN power semiconductor industry in 2023 in terms of revenue and in response to the growing demand in the end markets that adopt our products, we plan to further expand our production capacity prudently and efficiently. In particular:

  (i) Approximately 38.1% of the net proceeds, or HK$519.6 million, will be used to purchase and upgrade equipment and machinery for the expansion of production lines at our production bases. We plan to utilize such net proceeds with expected allocations of approximately HK$32.3 million, HK$84.2 million, HK$252.2 million, HK$139.7 million and HK$11.2 million, respectively, in each year over the next five years.

  We develop production expansion plans primarily based on (i) the anticipated supply and demand for our products, (ii) the current and anticipated prices for these products, (iii) the utilization of the existing production facilities and the feasibility of their expansion, (iv) the estimated cost of development, and (v) capital resources.

(ii) Approximately 21.9% of the net proceeds, or HK$298.7 million, will be used to recruit approximately 200 manufacturing personnel for our production bases over the next five years. Specifically, we plan to recruit approximately 75 manufacturing personnel in 2025, 50 in 2026 and 25 annually from 2027 to 2029. We plan to utilize the aforementioned net proceeds with expected allocations of approximately HK$27.6 million, HK$46.0 million, HK$64.3 million, HK$75.0 million and HK$85.7 million, respectively, in each year over the next five years.

- Approximately 20.0% of the net proceeds, or HK$272.8 million, will be used for R&D and expansion of our product portfolio to increase the penetration rate of GaN products in end markets, such as consumer electronics, renewable energy and industrial applications, automotive electronics and data center. We plan to introduce new products including low- and high-voltage GaN wafers, discrete chips and ICs. In particular:

(i) Approximately 13.5% of the net proceeds, or HK$184.1 million, will be used to recruit approximately 80 R&D personnel for our production bases over the next five years. Specifically, we plan to recruit approximately 20 R&D personnel annually from 2025 to 2027 and 10 annually in 2028 and 2029. We plan to utilize the aforementioned net proceeds with expected allocations of approximately HK$12.3 million, HK$24.6 million, HK$36.8 million, HK$51.6 million and HK$58.9 million, respectively, in each year over the next five years.

(ii) Approximately 6.5% of the net proceeds, or HK$88.6 million, will be used to purchase and upgrade R&D equipment and machinery at our production bases, as well as for other research and development expenses. We plan to utilize such net proceeds with expected allocations of approximately HK$14.8 million, HK$14.8 million, HK$18.4 million, HK$19.1 million and HK$21.6 million, respectively, in each year over the next five years.

- Approximately 10.0% of the net proceeds, or HK$136.4 million, will be used for expanding the global distribution network of our GaN products. In particular:

(i) Approximately 7.0% of the net proceeds, or HK$95.5 million, will be used to scale up our sales and marketing teams in the PRC and overseas including South Korea and the United States. We will identify target regions for future development through comprehensive market research, focusing on market size, potential customers and R&D resources. In addition, given that we have generated revenue from Japan during the Track Record Period and considering the positive prospects for the Japanese market, we plan to establish a regional office in Japan as part of our exploratory initiative to drive market expansion and increase the penetration rate of GaN power semiconductors. We believe that Japan presents significant growth potential due to its advanced electronics industry, established ecosystem for semiconductor innovation and increasing demand for efficient power solutions. Establishing a presence there will not only facilitate deeper engagement with local customers but also strengthen partnerships with key industry players. The expansion of the global distribution network is instrumental in enabling us to explore further cooperation with well-known customers worldwide and signals our commitment to long-term growth and development in the relevant regions. We believe that establishing a regional presence enhances customer service, enabling swift market penetration and responsiveness to local needs. We intend to recruit local employees in our regional office locations, as they are ideally positioned to engage in local customer acquisition and support.

a. approximately 5.4% of the net proceeds, or HK$73.6 million, will be used to recruit approximately 50 sales and marketing personnel in the next five years. Recruiting sales and marketing personnel for our sales and marketing teams in the PRC and overseas with industry insights will not only expand the geographical coverage of our sales network, but also attract and develop more customers involved in the relevant downstream applications of GaN products, particularly in the industries of EVs, data centers, consumer electronics and renewable energy. Specifically, we plan to recruit approximately 10 sales and marketing personnel annually from 2025 to 2029. We plan to utilize the aforementioned net proceeds with expected allocations of approximately HK$4.9 million, HK$9.8 million, HK$14.7 million, HK$19.6 million and HK$24.6 million, respectively, in each year over the next five years.

b. approximately 1.6% of the net proceeds, or HK$21.8 million, will be used for other expenses related to the sales centers, including expenses of property leasing, marketing activities, as well as travelling and transportation. We plan to utilize such net proceeds progressively with expected allocations of approximately HK$1.4 million, HK$2.9 million, HK$4.4 million, HK$5.8 million and HK$7.3 million, respectively, in each year over the next five years.

(ii) Approximately 3.0% of the net proceeds, or HK$36.3 million, will be used for marketing activities, such as holding and participating in exhibitions and forums. We believe that engaging in these marketing activities will enable us to establish connections with potential customers and demonstrate the technical superiority of GaN products, thereby facilitating and accelerating the market penetration rate of our products. We plan to utilize such net proceeds progressively with expected allocations of approximately HK$5.0 million, HK$6.2 million, HK$7.4 million, HK$9.9 million and HK$12.4 million, respectively, in each year over the next five years.

- Approximately 10.0% of the net proceeds, or HK$136.4 million, will be used for working capital and other general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range.

If the Offer Price is determined at HK$33.66 per H Share, being the high end of the indicative Offer Price range, after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Global Offering, we will receive net proceeds of approximately HK$1,425.0 million.

If the Offer Price is determined at HK$30.86 per H Share, being the low end of the indicative Offer Price range, after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Global Offering, we will receive net proceeds of approximately HK$1,302.5 million.

We do not expect to rely on the net proceeds of the Global Offering to carry on our ordinary business operations. To the extent that the net proceeds of the Global Offering are not sufficient to fund our development plan, we intend to fund the shortfall through a variety of means, including proceeds from banking facilities and cash generated from operation.

To the extent that the net proceeds of the Global Offering are not immediately used for the above purposes, we will only deposit those net proceeds into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the SFO or applicable laws and regulations in other jurisdictions). In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

We will issue an appropriate announcement if there is any material change to the above proposed use of proceeds.

HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited
CMB International Capital Limited
Jefferies Hong Kong Limited
CLSA Limited
Huatai Financial Holdings (Hong Kong) Limited
BOCI Asia Limited
Hong Tai Securities Limited
ABCI Securities Company Limited
Patrons Securities Limited
Long Bridge HK Limited
Futu Securities International (Hong Kong) Limited
Tiger Brokers (HK) Global Limited
TradeGo Markets Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters or the Over-allotment Underwriters, as applicable.

The Global Offering comprises the Hong Kong Public Offering of initially 4,536,400 Hong Kong Offer Shares and the International Offering of initially 40,827,600 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed "**Structure of the Global Offering**" in this prospectus as well as to the Offer Size Adjustment Option and the Over-Allotment Option (in the case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of the Hong Kong Underwriting Agreement and this prospectus.

Subject to (a) the Stock Exchange granting approval for the listing of, and permission to deal in, our H Shares in issue and to be issued pursuant to the Global Offering on the Main Board as mentioned in this prospectus (including any additional H Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option) and such approval not having been withdrawn; and (b) certain other conditions set out in the Hong Kong Underwriting Agreement (including, among others, the

Joint Representatives (for themselves and on behalf of the Underwriters) and the Company, agreeing upon the Offer Price), the Hong Kong Underwriters have agreed, severally but not jointly, to subscribe, or procure subscribers to subscribe, for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions set out in this prospectus and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. If at any time prior to 8:00 a.m. on the Listing Date if:

(1) there develops, occurs, exists or comes into effect:

(a) any new law or regulation or any change or development involving a prospective change or any event or series of events or circumstances likely to result in a change or a development involving a prospective change in existing laws or regulations, or the interpretation or application thereof by any court or any competent Governmental Authority in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof), or other jurisdictions relevant to the Group or the Global Offering (each a "**Relevant Jurisdiction**" and collectively, the "**Relevant Jurisdictions**"); or

(b) any change or development involving a prospective change, or any event or series of events or circumstances likely to result in a change or prospective change, in any local, national, regional or international financial, political, military, industrial, economic, fiscal, legal, regulatory, currency, credit or market conditions or sentiments, Taxation (as defined in the Hong Kong Underwriting Agreement), equity securities or currency exchange rate or controls or any monetary or trading settlement system, or foreign investment regulations (including, without limitation, a devaluation of the Hong Kong dollar, United States dollar or Renminbi against United States dollars, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or the Renminbi is linked to any foreign currency or currencies) or other financial markets (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets, the inter-bank markets and credit markets) in or affecting any Relevant Jurisdictions, or affecting an investment in the Offer Shares; or

(c) any event or series of events, or circumstances in the nature of force majeure (including, without limitation, any acts of government, declaration of a regional, national or international emergency or war, calamity, crisis, economic sanctions, strikes, labor disputes, other industrial actions, lock-outs, fire, explosion, flooding, tsunami, earthquake, volcanic eruption, civil commotion, riots, rebellion, public disorder, paralysis in government operations, acts of war, epidemic, pandemic, outbreak or escalation, mutation or aggravation of diseases, (including without limitation COVID-19, SARS, MERS, H5N1, H1N1, swine or avian influenza or such related/mutated forms), accident or interruption or delay in transportation) in or affecting any of the Relevant Jurisdictions, or without limiting the foregoing, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared), act of God or act of terrorism (whether or not responsibility has been claimed), or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or

(d) any moratorium, suspension or limitation (including without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on (i) the trading in shares or securities generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Singapore Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market or the London Stock Exchange; or (ii) the trading in any securities of our Company listed or quoted on a stock exchange or an over-the-counter market; or

(e) any general moratorium on commercial banking activities in or affecting any of the Relevant Jurisdictions or any disruption in commercial banking or foreign exchange trading or securities settlement or clearing services, procedures or matters in or affecting any of the Relevant Jurisdictions; or

(f) other than with the prior written consent of the Joint Representatives, the issue or requirement to issue by our Company of a supplement or amendment to this prospectus or other documents in connection with the offer and sale of the Offer Shares pursuant to the Companies (Winding up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange and/or the SFC; or

(g) the commencement by any Governmental Authority (as defined in the Hong Kong Underwriting Agreement) or other regulatory or political body or organization of any public action or investigation against a Group company or a director, a supervisor or a senior management member of any Group company in his/her capacity as such or announcing an intention to take any such action; or

(h) the imposition of sanctions or export controls on any Group company or any of the Controlling Shareholders, or the withdrawal of trading privileges which existed on the date of the Hong Kong Underwriting Agreement, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction; or

(i) any valid demand by creditors for repayment of indebtedness of any member of our Group or in respect of which any member of the Group is liable prior to its stated maturity; or

(j) any non-compliance of this prospectus (or any other documents used in connection with the contemplated offering, allotment, issue, subscription or sale of any of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or

(k) any litigation, dispute, legal action or claim or regulatory or administrative investigation or action being threatened, instigated or announced against any member of our Group or any Controlling Shareholder or any Director, Supervisor or senior management members as named in this prospectus; or

(l) any contravention by our Company, any Director or any Supervisor of the Listing Rules or applicable laws; or

(m) any change or prospective change, or a materialization of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

which, in any such case individually or in the aggregate, in the sole and absolute opinion of the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters):

i. has or will or is likely to have a material adverse effect on the profits, losses, results of operations, assets, liabilities, general affairs, business, management, performance, prospects, shareholders' equity, position or condition (financial, trading or otherwise) of our Group, taken as a whole; or

ii. has or will or is likely or is reasonably expected to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of indications of interest under the International Offering; or

iii. makes or will make or is likely to make or is reasonably expected to make it impracticable, inadvisable, inexpedient or incapable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by the Offering Documents; or

iv. has or will or is likely or is reasonably expected to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(2) there has come to the notice of the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) that:

(a) any statement contained in any of the Offering Documents (as defined in the Hong Kong Underwriting Agreement), the CSRC filings and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) (the "**Global Offering Documents**") was, when it was issued, or has become untrue, incorrect, inaccurate in any material respect or misleading; or that any estimate, forecast, expression of opinion, intention or expectation contained in any such documents, was, when it was issued, or has become unfair or misleading in any respect or based on untrue, dishonest or unreasonable assumptions or given in bad faith; or

(b) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission or misstatement in any Global Offering Document; or

(c) any breach of, or any event or circumstance rendering untrue or incorrect or misleading in any respect, any of the warranties given by our Company or the Controlling Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(d) any event, act or omission which gives rise or is likely to give rise to any liability of any of the Indemnifying Parties (as defined in the Hong Kong Underwriting Agreement) pursuant to the indemnities in the Hong Kong Underwriting Agrement; or

(e) any material breach of any of the obligations or undertakings imposed upon our Company or any member of the Controlling Shareholders to the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(f) there is any change or development involving a prospective change, having a Material Adverse Effect; or

(g) that the Chairman of the Board, any Director, any Supervisor or any member of senior management of our Company named in this prospectus seeks to retire, or is removed from office or vacating his/her office; or

(h) any Director, any Supervisor or any member of senior management of the Company named in the Prospectus is being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management or taking directorship of a company; or

(i) our Company withdraws this prospectus (and/or any other documents used in connection with the subscription or sale of any of the Offer Shares pursuant to the Global Offering) or the Global Offering; or

(j) that the approval by the Listing Committee of the listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering (including pursuant to any exercise of the Offer Size Adjustment Option and the Over-allotment Option) is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or

(k) any prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering; or

(l) any person (other than the Joint Sponsors) has withdrawn or sought to withdraw its consent to being named in any of the Offering Documents or to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be); or

(m) an order or petition is presented for the winding-up or liquidation of any member of our Group, or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

(n) (A) the notice of acceptance of the CSRC filings issued by the CSRC and/or the results of the CSRC filings published on the website of the CSRC is rejected, withdrawn, revoked or invalidated; or (B) other than with the prior written consent of the Joint Representatives, the issue or requirement to issue by our Company of a supplement or amendment to the CSRC filings pursuant to the CSRC rules or upon any requirement or request of the CSRC; or (C) any non-compliance of the CSRC filings with the CSRC rules or any other applicable laws; or

(o) that a material portion of the orders placed or confirmed in the bookbuilding process, or investment commitments made by any cornerstone investors under the Cornerstone Investment Agreements signed with such cornerstone investors, have been withdrawn, terminated or cancelled;

then the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters), may in their sole and absolute discretion upon giving notice in writing to our Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings to the Stock Exchange Pursuant to the Listing Rules

(A) Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange, that that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or the securities of our Company will be completed within six months from the Listing Date) except for: (a) any capitalization issue, capital reduction or consolidation or sub-division of shares; or (b) issue of shares or securities pursuant to the Global Offering; or (c) any other applicable circumstances provided under rule 10.08 of the Listing Rules.

(B) Undertakings by our Controlling Shareholders

By virtue of Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to our Company that, except pursuant to the Global Offering, the Offer Size Adjustment Option and the Over-allotment Option, he/she it will not and will procure that the relevant registered holder(s) will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with the requirements of the Listing Rules:

(a) in the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-Month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner (the "**Relevant Securities**");

(b) in the period of six months from the expiry of the First Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares referred to in paragraph (a) above if, immediately following such disposal or upon exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be the controlling shareholder of our Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to our Company that within the period commencing from the date by reference to which disclosure of his/her/its shareholdings in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it will:

(i) when he/she/it pledges or charges any Relevant Securities or interests in any of the Relevant Securities, whether directly or indirectly, in favor of any authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform our Company of such pledge or charge together with the number of the Relevant Securities so pledged or charged; and

(ii) when he/she/it receives indications, either verbal or written, from the pledgee or chargee of any Relevant Securities that any of the pledged or charged securities of our Company will be disposed of, immediately inform our Company in writing of such indications.

Our Company will inform the Stock Exchange in writing as soon as we have been informed of matters referred in above by any of our Controlling Shareholders and disclose such matters by way of announcement pursuant to the requirements under the Listing Rules as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

(A) Undertakings by our Company

Our Company has undertaken to each of the Joint Sponsors, the Sponsor-Overall Coordinator, the Joint Representatives, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries, that except pursuant to the Global Offering (including pursuant to the Offer Size Adjustment Option and the Over-allotment Option), at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling the First Six-Month Period, our Company will not, without the prior written consent of the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, or purchase, any legal or beneficial interest in the share capital or any other equity securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any share capital or other equity securities of our Company, as applicable, or any interest in any of the foregoing), or deposit any H Shares or other equity securities of our Company, as applicable, with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of the Shares or any other securities of our Company, or any interest in any of the foregoing (including, without limitation, any equity securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares; or

(iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or

(iv) offer to or agree to do any of the foregoing specified in (i), (ii) or (iii) or announce any intention to do so,

in each case, whether any of the foregoing transactions is to be settled by delivery of share capital or such other equity securities of our Company, or in cash or otherwise (whether or not the issue of such share capital or other equity securities of our Company will be completed within the First Six-month Period).

Our Company has further agreed that, in the event our Company is allowed to enter into any of the transactions described in paragraph (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction during the period of six months commencing on the date on which the First Six Month Period expires (the "Second Six Month Period"), we will take all reasonable steps to ensure that such an issue or disposal will not, and no other act of our Company will, create a disorderly or false market for any H Shares or other securities of our Company.

Our Controlling Shareholders have undertaken to each of the Joint Sponsors, the Joint Representatives, the Overall Coordinators, the Sponsor-Overall Coordinator, the Joint Global Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters that it/he/she shall procure our Company to comply with the above undertakings.

Our Company has agreed and undertaken to each of the Joint Sponsors, the Joint Representatives, the Overall Coordinators, the Sponsor-Overall Coordinator, the Joint Global Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters that we will, and the Controlling Shareholders undertake to procure that our Company will, comply with the minimum public float requirements specified in the Listing Rules (the "Minimum Public Float Requirement"), and we will not effect any purchase of the H Shares, or agree to do so, which may reduce the holdings of the H Shares held by the public (as defined in Rule 8.24 of the Listing Rules) to below the Minimum Public Float Requirement or any waiver granted and not revoked by the Stock Exchange prior to the expiration of the First Six Month Period without first having obtained the prior written consent of the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters).

(B) Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has undertaken to each of the Company, the Joint Sponsors, the Joint Representatives, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that, without the prior written consent of the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) it/he/she will not, and will procure that the relevant registered holder(s), any nominee or trustee holding on trust for it/him/her and the companies controlled by it/him/her will not, at any time during the First Six Month Period, (i) sell, offer to sell, accept subscription for, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing), or deposit any Shares or other securities of our Company with a depositary in connection with the issue of depositary receipts, or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing), or (iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (a)(i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a)(i), (ii) or (iii) above, in each case, whether any of the transactions specified in paragraph (a)(i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company or in cash or otherwise, and whether or not the transactions will be completed within the First Six Month Period; and

(b) it/he/she will not, during the Second Six Month Period, enter into any of the transactions specified in paragraph (a)(i), (ii) or (iii) above or offer to or agree to contract to or publicly announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a Controlling Shareholder of our Company or a member of a group of the Controlling Shareholders of our Company or would together with the other Controlling Shareholders cease to be "controlling shareholders" of our Company as defined in the Listing Rules; and

(c) until the expiry of the Second Six Month Period, in the event that it/he/she enters into any of the transactions specified in paragraph (a)(i), (ii) or (iii) or offer to or agrees to or contract to or publicly announce any intention to effect any such transaction, it/he/she will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market in the securities of our Company.

Indemnity

We and our Controlling Shareholders have agreed to indemnify, among others, the Joint Sponsors, the Joint Representatives, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries for certain losses which they may suffer, including, among others, losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company and our Controlling Shareholders of the Hong Kong Underwriting Agreement.

The International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that our Company and our Controlling Shareholders will enter into the International Underwriting Agreement with the Joint Sponsors, the Joint Representatives and the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters would severally and not jointly agree to purchase, or procure purchasers to purchase, the Offer Shares being offered pursuant to the International Offering (subject to, among others, any reallocation between the International Offering and the Hong Kong Public Offering). It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed.

It is expected that each of our Controlling Shareholders will undertake to the International Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of the H Shares held by it in our Company for a period similar to such undertakings given by them pursuant to the Hong Kong Underwriting Agreement, which is described in "— Underwriting Arrangements and Expenses — Undertakings pursuant to the Hong Kong Underwriting Agreement — (B) Undertakings by our Controlling Shareholders" above.

Over-allotment Option and Stabilization

We expect to grant to the Over-allotment Underwriters, exercisable in whole or in part by the Joint Representatives an absolute discretion (for themselves and on behalf of the Over-allotment Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until up to (and including) the date which is the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, pursuant to which the Company may be required to issue up to an aggregate of 6,804,600 additional H Shares (representing not more than 15% of the Offer Shares initially available under the Global Offering assuming the Offer Size Adjustment Option is not exercised at all) or up to an aggregate of 7,825,200 additional H Shares (representing not more than 15% of the Offer Shares being offered under the Global Offering assuming the Offer Size Adjustment Option is exercised in full) at the Offer Price under the International Offering to cover over-allocations in the International Offering, if any.

For more details of the arrangements relating to the Over-allotment Option and stabilization, see "Structure of the Global Offering."

Commission and Expenses

Our Company will pay an underwriting commission of 2.5% of the aggregate Offer Price of all the Offer Shares (including H Shares to be issued pursuant to the Offer Size Adjustment Option and the Over-allotment Option) (the "**Fixed Fees**"). Our Company may also in our sole and absolute discretion pay any one or all of the Underwriters an additional incentive fee in aggregate of up to 1% of the aggregate Offer Price for all of the Offer Shares (including H Shares to be issued pursuant to the Offer Size Adjustment Option and the Over-allotment Option) (the "**Discretionary Fees**"). The ratio of the Fixed Fees and Discretionary Fees payable is therefore approximately 71.4%:28.6% (on the basis that the Discretionary Fees will be fully paid). For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters and not the Hong Kong Underwriters.

Assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised, the aggregate commissions and fees, together with Stock Exchange listing fees, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565%, AFRC transaction levy of 0.00015%, legal and other professional fees and printing and all other expenses payable by us relating to the Global Offering are currently estimated to amount in aggregate to approximately HK$99.7 million (assuming an Offer Price of HK$32.26 per Offer Share, being the mid-point of the indicative Offering Price range stated in this prospectus).

INDEPENDENCE OF THE JOINT SPONSORS

China International Capital Corporation Hong Kong Securities Limited satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

CMB International Capital Limited is not considered independent under Rule 3A.07 of the Listing Rules as members of the sponsor group (as defined in the Listing Rules) of CMB International Capital Limited hold more than 5% of the total number of issued shares of our Company in aggregate.

UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for the obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement and as disclosed in this prospectus, as at the Latest Practicable Date, none of the Underwriters has any shareholding or beneficial interests in any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Global Offering.

Following the completion of the Global Offering, the Joint Representatives and the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "Syndicate Members") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group's loans and other debt.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

Such activities may affect the market price or value of our H Shares, the liquidity or trading volume in our H Shares and the volatility of the price of our H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and our affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(a) the Hong Kong Public Offering of initially 4,536,400 H Shares (subject to reallocation and the Offer Size Adjustment Option) in Hong Kong, as described in "— The Hong Kong Public Offering" below; and

(b) the International Offering of initially 40,827,600 H Shares (subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option) outside the United States in offshore transactions in reliance on Regulation S, as described in "— The International Offering" below.

The 45,364,000 H Shares initially being offered in the Global Offering will represent approximately 5.2% of the total number of issued Shares immediately after completion of the Global Offering, assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised. The underwriting arrangements, and the respective Underwriting Agreements, are summarized in "Underwriting" in this prospectus.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering, or, if qualified to do so, apply for or indicate an interest in International Offer Shares under the International Offering, but may not do both.

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

We are initially offering 4,536,400 Hong Kong Offer Shares, representing 10% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price for subscription by the public in Hong Kong. Subject to the reallocation of H Shares between (i) the International Offering, and (ii) the Hong Kong Public Offering, the Hong Kong Offer Shares will represent 10% of the total number of Offer Shares initially available under the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a several basis under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Representatives (for themselves and on behalf of the Underwriters) agreeing on the Offer Price. Completion of the Hong Kong Public Offering is subject to the conditions as set out in "— Conditions of the Global Offering" below.

Allocation

Allocation of the Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of the Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Offering referred to below) will be divided equally into two pools (with any odd lots being allocated to pool A): pool A and pool B. Pool A will comprise 2,268,200 Hong Kong Offer Shares and pool B will comprise 2,268,200 Hong Kong Offer Shares initially. Both of which are available on an equitable basis to successful applicants. All valid applications that have applied for Hong Kong Offer Shares with a total price (excluding brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% payable) of HK$5 million or below will fall into pool A. All valid applications that have applied for Hong Kong Offer Shares with a total price (excluding brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% payable) of over HK$5 million and up to the total value of pool B will fall into pool B.

For the purpose of this sub-section only, the "price" for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Applicants should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the two pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in the other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B, but not from both pools. Multiple or suspected multiple applications and any application for more than 2,268,200 Hong Kong Offer Shares (being 50% of the 4,536,400 Offer Shares initially available under the Hong Kong Public Offering) will be rejected.

Reallocation

Assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised, the allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation on the following basis:

(a) where the International Offer Shares are fully subscribed or oversubscribed and:

(i) if the Hong Kong Offer Shares are undersubscribed, the Joint Representatives (for themselves and on behalf of the Underwriters) have the authority (but not the obligation) in their absolute discretion to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Representatives deem appropriate to satisfy demand under the International Offering;

(ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 4,536,400 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering in accordance with Chapter 4.14 of the Guide for New Listing Applicants issued by the Stock Exchange, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 9,072,800 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Offer Size Adjustment Option and the Over-allotment Option);

(iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 9,072,800 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 13,609,200 Offer Shares, representing 30% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Offer Size Adjustment Option and the Over-allotment Option);

(iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 13,609,200 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 18,145,600 Offer Shares, representing 40% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Offer Size Adjustment Option and the Over-allotment Option); and

(v) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 18,145,600 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 22,682,000 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Offer Size Adjustment Option and the Over-allotment Option).

(b) where the International Offer Shares are undersubscribed and:

(i) if the Hong Kong Offer Shares are undersubscribed, the Global Offering will not proceed unless fully underwritten by the Underwriters; and

(ii) if the Hong Kong Offer Shares are oversubscribed, irrespective of the number of times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 4,536,400 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 9,072,800 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Offer Size Adjustment Option and the Over-allotment Option).

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the sole and absolute discretion of the Joint Representatives. If either the Hong Kong Public Offering or the International Offering is not fully subscribed for, the Joint Representatives have the authority (but not the obligation) in its sole and absolute discretion to reallocate all or any unsubscribed Offer Shares from such offering to the other, in such proportion as the Joint Representatives deem appropriate.

In addition to any mandatory reallocation required as described above, the Joint Representatives (for themselves and on behalf of the Underwriters) may reallocate the Offer Shares from the International Offering to the Hong Kong Public Offering. In accordance with Chapter 4.14 of the Guide for New Listing Applicants issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, (i) the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 9,072,800 Offer Shares), and (ii) the final Offer Price shall be fixed at HK$30.86 per Offer Share, the low-end of the Offer Price range stated in this prospectus.

In the event of a reallocation of the Offer Shares from the International Offering to the Hong Kong Public Offering in the circumstances under paragraphs (a)(ii), (a)(iii), (a)(iv), (a)(v) or (b)(ii) above, the number of Offer Shares allocated to the International Offering will be correspondingly reduced.

Applications

The Joint Representatives (for themselves and on behalf of the Underwriters) may require any investor who has been offered H Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Representatives so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for H Shares under the Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application has not applied for or taken up, or indicated an interest in, and will not apply for or take up, or indicate an interest in, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering may be required to pay, on application (subject to application channels), the maximum price of HK$33.66 per Offer Share in addition to the brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy payable on each Offer Share. If the Offer Price, as finally determined in the manner described in "— Pricing and Allocation" below, is less than the maximum price of HK$33.66 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy attributable to the surplus application monies) will be made to successful applicants (subject to application channels), without interest. Further details are set out in "How to Apply for Hong Kong Offer Shares."

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares Offered

Subject to the reallocation, the Offer Size Adjustment Option and the Over-allotment Option as described above, the number of Offer Shares to be initially offered under the International Offering will be 40,827,600, representing 90% of the total number of Offer Shares initially available under the Global Offering. The International Offering is expected to be fully underwritten by the International Underwriters or the Over-allotment Underwriters, as applicable, subject to the terms and conditions of the International Underwriting Agreement, and is subject to the Hong Kong Public Offering becoming unconditional.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in "— Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely hold or sell, H Shares, after the Listing. Such allocation is intended to result in a distribution of the H Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Representatives (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Representatives (for themselves and on behalf of the Underwriters) so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the reallocation arrangement described in "— The Hong Kong Public Offering — Reallocation" above, the exercise of the Offer Size Adjustment Option and/or the Over-allotment Option in whole or in part described in "— Over-allotment Option" below and any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OFFER SIZE ADJUSTMENT OPTION

In connection with the Global Offering, the Company has an Offer Size Adjustment Option under the Hong Kong Underwriting Agreement, which provides flexibility to increase the number of Offer Shares available for purchase under the Global Offering to cover additional market demand, if any. The Offer Size Adjustment Option may be exercised by the Company after consultation with the Joint Representatives (for themselves and on behalf of the Underwriters) on or before the Price Determination Date and will expire upon execution of the Price Determination Agreement.

Under the Offer Size Adjustment Option, the Company may issue up to an aggregate of 6,804,000 additional Offer Shares at the Offer Price. These Offer Size Adjustment Option Shares, if any, will be allocated in such manner as closely as practicable to maintain the proportionality between the Hong Kong Public Offering and the International Offering following the application of the reallocation arrangement described in "— Reallocation" in this section and the Joint Representatives shall allocate additional H Shares to be offered by the Company pursuant to the International Offering to the Hong Kong Public Offering in order to maintain such proportionality and the relevant number of Offer Size Adjustment Option Shares shall be allocated to the International Offering to maintain such proportionality.

If the Offer Size Adjustment Option is exercised in full, the Offer Size Adjustment Option Shares to be issued pursuant thereto will represent approximately 0.8% of our issued share capital immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised) and the exercise of the Offer Size Adjustment Option.

The table below sets forth the dilution effect of the Offer Size Adjustment Option (assuming the Over-allotment Option is not exercised):

Number of H Shares issued under the Global Offering before the exercise of the Offer Size Adjustment Option ("Original Subscribers")	Approximate percentage of total issued share capital held by the Original Subscribers before the exercise of the Offer Size Adjustment Option	Number of H Shares issued under the Global Offering after the exercise of the Offer Size Adjustment Option	Approximate percentage of total issued share capital held by the Original Subscribers after the exercise of the Offer Size Adjustment Option
45,364,000	5.2%	52,168,000	5.1%

The Offer Size Adjustment Option will not be used for price stabilization purposes and will not be subject to the provisions of the Securities and Futures (Price Stabilization) Rules (Chapter 571W of the Laws of Hong Kong). The Offer Size Adjustment Option will be in addition to the Over-allotment Option.

The Company will disclose in its allotment results announcement if and to what extent the Offer Size Adjustment Option has been exercised, or will confirm that if the Offer Size Adjustment Option has not been exercised by the Price Determination Date, it will lapse and cannot be exercised on any future date.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that our Company will grant the Over-allotment Option to the Over-allotment Underwriters, which will be exercisable by the Joint Representatives (for themselves and on behalf of the Over-allotment Underwriters).

Pursuant to the Over-allotment Option, the Over-allotment Underwriters have the right, exercisable by the Joint Representatives (for themselves and on behalf of the Over-allotment Underwriters) at any time from the Listing Date to the 30th day after the last day for lodging applications under the Hong Kong Public Offering, pursuant to which the Company may be required to issue up to an aggregate of 6,804,600 additional H Shares (representing not more than 15% of the Offer Shares initially available under the Global Offering assuming the Offer Size Adjustment Option is not exercised at all) or up to an aggregate of 7,825,200 additional H Shares (representing not more than 15% of the Offer Shares being offered under the Global Offering assuming the Offer Size Adjustment Option is exercised in full), at the Offer Price under the International Offering, to cover over-allocations in the International Offering, if any.

If the Offer Size Adjustment is not exercised the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 0.8% of the total number of Shares in issue immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, *inter alia*, to curb and, if possible, prevent any decline in the market price of the securities below the offer price. It may be effected in jurisdictions where it is permissible to do so and subject to all applicable laws and regulatory requirements. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager or any person acting for it, on behalf of the Over-allotment Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilizing Manager of a greater number of H Shares than the Over-allotment Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Offer Shares or purchasing H Shares in the open market. In determining the source of the Offer Shares to close out the covered short position, the Stabilizing Manager will consider, among other things, the price of Offer Shares in the open market as compared to the price at which they may purchase additional Offer Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or curbing a decline in the market price of the Offer Shares while the Global Offering is in progress. Any market purchases of the H Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing action. Such stabilizing activity, if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time.

Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of the Offer Shares that may be over-allocated will not exceed the number of the H Shares that may be issued under the Over-allotment Option, namely, 6,804,600 Offer Shares which is 15% of the number of Offer Shares initially available under the Global Offering (assuming the Offer Size Adjustment Option is not exercised at all) or 7,825,200 Offer Shares which is 15% of the number of Offer Shares initially available under the Global Offering (assuming the Offer Size Adjustment Option is exercised in full), and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through delayed delivery arrangements with investors who have been offered Offer Shares under the International Offering or a combination of these means.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules include:

(a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our H Shares;

(b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares;

(c) purchasing or subscribing for, or agreeing to purchase or subscribe for, our H Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;

(d) purchasing, or agreeing to purchase, any of the H Shares for the sole purpose of preventing or minimizing any reduction in the market price;

(e) selling or agreeing to sell any of our H Shares in order to liquidate any position established as a result of those purchases; and

(f) offering or attempting to do anything as described in (b), (c), (d) or (e) above.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

Prospective applications for investors in the Offer Shares should note that:

(a) as a result of effecting transactions to stabilize or maintain the market price of the H Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in the H Shares;

(b) the size of the long position, and the period for which the Stabilizing Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain;

(c) liquidation of any such long position by the Stabilizing Manager and selling in the open market may lead to a decline in the market price of the H Shares;

(d) no stabilizing action can be taken to support the price of the H Shares for longer than the stabilizing period, which begins on the Listing Date, and is expected to expire on Wednesday, January 22, 2025, being the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the H Shares, and their market price, could fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the H Shares. As a result, the price of the H Shares may be higher than the price that otherwise may exist in the open market;

(e) any stabilizing action taken by the Stabilizing Manager, or any person acting for it, may not necessarily result in the market price of the H Shares staying at or above the Offer Price either during or after the stabilizing period; and

(f) stabilizing bids or transactions effected in the course of the stabilizing action may be made at a price at or below the Offer Price and therefore at or below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilizing period.

PRICING AND ALLOCATION

Determining the Offer Price

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Tuesday, December 24, 2024, by agreement between the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

Offer Price Range

The Offer Price per Offer Share under the Hong Kong Public Offering will be identical to the Offer Price per Offer Share under the International Offering based on the Hong Kong dollar price per Offer Share, as determined by the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company.

The Offer Price will not be more than HK$33.66 per Offer Share and is expected to be not less than HK$30.86 per Offer Share, unless otherwise announced by our Company no later than the morning of the last day for lodging applications under the Hong Kong Public Offering, which is Monday, December 23, 2024, as further explained below. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

If, for any reason, our Company and the Joint Representatives (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before 12:00 noon on Tuesday, December 24, 2024, the Global Offering will not proceed and will lapse.

Reduction in Indicative Offer Price Range and/or Number of Offer Shares

The Joint Representatives (for themselves and on behalf of the other Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be announced on the website of our Company at **www.innoscience.com** and the website of the Stock Exchange at **www.hkexnews.hk**, notices of the reduction, and the cancellation of the Global Offering and relaunch of the offer at the revised number of Offer Shares and/or the revised Offer Price.

As soon as practicable after such reduction of the number of Offer Shares and/or the Offer Price, we will also issue a supplemental prospectus or a new prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price, and giving investors at least three business days to consider the new information. The supplemental or new prospectus should include at least the following: updated (i) Offer Price and market capitalization; (ii) listing timetable and underwriting obligations; (iii) price/earning multiple, unaudited pro forma and adjusted net tangible assets; and (iv) use of proceeds and working capital adequacy confirmation based on the revised proceeds.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering, which is which is Monday, December 23, 2024. In the absence of any such supplemental or new prospectus so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If there is any change to the offer size due to change in the number of Offer Shares offered in the Global Offering (other than pursuant to the reallocation mechanism as disclosed in this prospectus), or change to the Offer Price which leads to the resulting price falling outside the indicative Offer Price range as stated in this prospectus, or if the Company becomes aware that there has been a significant change affecting any matter contained in this prospectus or a significant new matter has arisen, the inclusion of information in respect of which would have been required to be in this prospectus if it had arisen before this prospectus was issued, after the issue of this prospectus and before the commencement of dealings in our Offer Shares as prescribed under Rule 11.13 of the Listing Rules, our Company is required to cancel the Global Offering and issue a supplemental prospectus or a new prospectus and subsequently relaunched on FINI pursuant to the supplemental prospectus.

In the event of a reduction in the number of Offer Shares, the Joint Representatives (for themselves and on behalf of the Underwriters) may, at its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Representatives (for themselves and on behalf of the Underwriters).

Announcement of Offer Price and Basis of Allocations

The final Offer Price, the results of indications of interest in the International Offering, the results of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations are expected to be announced on Friday, December 27, 2024 on the website of our Company at **www.innoscience.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Representatives (for themselves and on behalf of the Underwriters) agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptances of all applications for Offer Shares pursuant to the Global Offering will be conditional on, among others:

(a) the Stock Exchange granting approval for the listing of, and permission to deal in, the H Shares in issue and the H Shares to be issued pursuant to the (i) Global Offering, (ii) the exercise of the Offer Size Adjustment Option and (iii) the exercise of the Over-allotment Option, and such approval not subsequently having been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(b) the Offer Price having been duly agreed between our Company and the Joint Representatives (for themselves and on behalf of the Underwriters) on the Price Determination Date;

(c) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(d) the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Representatives (for themselves and on behalf of the Underwriters) by 12:00 noon on Tuesday, December 24, 2024, the Global Offering will not proceed and will lapse immediately.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the website of the Stock Exchange at **www.hkexnews.hk** and the website of our Company at **www.innoscience.com** on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest (subject to application channels), on the terms set out in "How to Apply for Hong Kong Offer Shares — D. Dispatch/Collection of H Share Certificates and Refund of Application Monies." In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

H Share certificates will only become valid evidence of title at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" has not been exercised.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the listing of, and permission to deal in, the H Shares in issue and to be issued by us pursuant to the Global Offering (including the H Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option).

No part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR CCASS

Subject to the granting of the listing of, and permission to deal in, the H Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our H Shares to be admitted into CCASS.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, December 30, 2024, it is expected that dealings in the H Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, December 30, 2024. The H Shares will be traded in board lots of 100 H Shares. The stock code of the H Shares will be 2577.

IMPORTANT NOTICE TO INVESTORS
OF HONG KONG OFFER SHARES

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering and below are the procedures for application.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "HKEXnews > New Listings > New Listing Information" section, and our website at www.innoscience.com.

The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

A. APPLICATION FOR HONG KONG OFFER SHARES

1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older; and
- have a Hong Kong address *(for the **HK eIPO White Form** service only).*

Unless permitted by the Listing Rules or a waiver and/or consent has been granted by the Stock Exchange to us, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing Shareholder or its close associates; or
- are a Director, Supervisor or any of his/her close associates.

2. Application Channels

The Hong Kong Public Offering period will begin at 9:00 a.m. on Wednesday, December 18, 2024 and end at 12:00 noon on Monday, December 23, 2024 (Hong Kong time).

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
HK eIPO White Form service	**www.hkeipo.hk**	Investors who would like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Wednesday, December 18, 2024 to 11:30 a.m. on Monday, December 23, 2024, Hong Kong time. The latest time for completing full payment of application monies will be 12:00 noon on Monday, December 23, 2024, Hong Kong time.
HKSCC EIPO channel	Your broker or custodian who is a HKSCC Participant will submit a **HKSCC EIPO** application on your behalf through HKSCC's FINI system in accordance with your instruction.	Investors who would not like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

The **HK eIPO White Form** service and the **HKSCC EIPO** channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

For those applying through the **HK eIPO White Form** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the **electronic application instructions** are given, you shall be deemed to have declared that only one set of **electronic application instructions** has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of **electronic application instructions** for the benefit of the person for whom you are an agent and that you are duly authorized to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **HK eIPO White Form** service, you are deemed to have authorized the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** Channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through **HKSCC EIPO** channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offering.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

3. Information Required to Apply

You must provide the following information with your application:

For Individual Applicants

- Full name(s)[2] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. HKID card; or
  - ii. National identification document; or
  - iii. Passport; and
- Identity document number

For Corporate Applicants

- Full name(s)[2] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. LEI registration document; or
  - ii. Certificate of incorporation; or
  - iii. Business registration certificate; or
  - iv. Other equivalent document; and
- Identity document number

Notes:

1. If you are applying through the **HK eIPO White Form** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card. The number of joint applicants may not exceed four. If you are a firm, the applicant must be in the individual members' names.

2. The applicant's full name as shown on their identity document must be used. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card, the HKID number must be used when making an application to subscribe for shares in a public offer. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.

3. If the applicant is a trustee, the client identification data ("CID") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.

4. The maximum number of joint account holders on FINI[(1)] is capped at four in accordance with market practice.

(1) Subject to change, if the Company's Articles of Incorporation and applicable company law prescribe a lower cap.

5. If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii), the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

6. If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

   "Unlisted company" means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

   "Statutory control" means you:

   - control the composition of the board of directors of the company;
   - control more than half of the voting power of the company; or
   - hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through **HKSCC EIPO** channel, and making an application under a power of attorney, we and the Joint Representatives, as our agent, have discretion to consider whether to accept it on any conditions we think fit, including evidence of the attorney's authority.

Failing to provide any required information may result in your application being rejected.

4. Permitted Number of Hong Kong Offer Shares for Application

Board lot size	:	100 Shares
Permitted number of Hong Kong Offer Shares for application and amount payable on application/successful allotment	:	Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below. The maximum Offer Price is HK$33.66 per H Share. If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** Channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the final Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the designated bank for your broker or custodian.

If you are applying through the **HK eIPO White Form** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective amount payable on application in full upon application for Hong Kong Offer Shares.

No. of Hong Kong Offer Shares applied for	Maximum Amount payable(2) on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable(2) on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable(2) on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable(2) on application/ successful allotment
	HK$		*HK$*		*HK$*		*HK$*
100	3,399.95	2,500	84,998.65	30,000	1,019,983.82	600,000	20,399,676.65
200	6,799.89	3,000	101,998.39	40,000	1,359,978.44	700,000	23,799,622.76
300	10,199.84	3,500	118,998.12	50,000	1,699,973.05	800,000	27,199,568.88
400	13,599.78	4,000	135,997.85	60,000	2,039,967.67	900,000	30,599,514.99
500	16,999.73	4,500	152,997.58	70,000	2,379,962.28	1,000,000	33,999,461.10
600	20,399.68	5,000	169,997.30	80,000	2,719,956.89	1,500,000	50,999,191.66
700	23,799.63	6,000	203,996.76	90,000	3,059,951.49	2,268,200(1)	77,117,577.67
800	27,199.57	7,000	237,996.22	100,000	3,399,946.11		
900	30,599.52	8,000	271,995.68	200,000	6,799,892.22		
1,000	33,999.46	9,000	305,995.15	300,000	10,199,838.34		
1,500	50,999.19	10,000	339,994.61	400,000	13,599,784.45		
2,000	67,998.92	20,000	679,989.23	500,000	16,999,730.56		

Notes:

(1) Maximum number of Hong Kong Offer Shares you may apply for and this is 50% of the Hong Kong Offer Shares initially offered.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** Service Provider) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed "*— A. Application for Hong Kong Offer Shares — 3. Information Required to Apply*" in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **HK eIPO White Form** service, (ii) **HKSCC EIPO** channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **HK eIPO White Form** service or **HKSCC EIPO** channel, you or the person(s) for whose benefit you have made the application shall not apply further for any Offer Shares.

The H Share Registrar would record all applications into its system and identify suspected multiple applications with identical names and identification document numbers according to the Best Practice Note on Treatment of Multiple/Suspected Multiple Applications ("**Best Practice Note**") issued by the Federation of Share Registrars Limited.

Since applications are subject to personal information collection statements, identification documents numbers displayed are redacted.

6. Terms and Conditions of An Application

By applying for Hong Kong Offer Shares through the **HK eIPO White Form** service or **HKSCC EIPO** channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

(i) undertake to execute all relevant documents and instruct and authorize us and/or the Joint Representatives, as our agent, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the **HKSCC EIPO** channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant's stock account on your behalf;

(ii) confirm that you have read and understand the terms and conditions and application procedures set out in this prospectus and the designated website of the **HK eIPO White Form** service (or as the case may be, the agreement you entered into with your broker or custodian), and agree to be bound by them;

(iii) (if you are applying through the **HKSCC EIPO** channel) agree to the arrangements, undertakings and warranties under the participant agreement between your broker or custodian and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;

(iv) confirm that you are aware of the restrictions on offers and sales of shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;

(v) confirm that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;

(vi) agree that our Company, the Joint Sponsors, the Joint Representatives, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, and any of their or our Company's respective directors, officers, employees, partners, agents, advisers, and representatives, and any other parties involved in the Global Offering (collectively, the "**Relevant Persons**"), the H Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;

(vii) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, the H Share Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraph headed "*— G. Personal Data — 3. Purposes and 4. Transfer of personal data*" in this section;

(viii) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees' application) has been accepted) that you will not rescind it because of an innocent misrepresentation;

(ix) agree that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the H Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed "*— B. Publication of Results*" in this section;

(x) confirm that you are aware of the situations specified in the paragraph headed "— *C. Circumstances In Which You Will Not Be Allocated Hong Kong Offer Shares*" in this section;

(xi) agree that your application or HKSCC Nominees' application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

(xii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither we nor the Relevant Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

(xiii) confirm that (a) your application or HKSCC Nominees' application on your behalf is not financed directly or indirectly by our Company, any of the directors, chief executives, substantial Shareholder(s) or existing shareholder(s) of our Company or any of our subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from our Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of our Company or any of our subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the H Shares registered in your name or otherwise held by you;

(xiv) warrant that the information you have provided is true and accurate;

(xv) confirm that you understand that we and the Joint Representatives will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xvi) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;

(xvii) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the application channel of the **HK eIPO White Form** Service Provider or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (1) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC and the **HK eIPO White Form** Service Provider and (2) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

B. PUBLICATION OF RESULTS

Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

Platform		Date/Time
Applying through the **HK eIPO White Form** service or **HKSCC EIPO** channel:		
Website . . .	From the "Allotment Results" page at **www.hkeipo.hk/IPOResult** (or **www.tricor.com.hk/ipo/result**) with a "search by ID" function.	24 hours, from 11:00 p.m. on Friday, December 27, 2024 to 12:00 midnight Thursday, January 2, 2025 (Hong Kong time).
	The full list of (i) wholly or partially successful applicants using the **HK eIPO White Form** service and **HKSCC EIPO** channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed at **www.hkeipo.hk/IPOResult** or **www.tricor.com.hk/ipo/result**.	
	The Stock Exchange's website at **www.hkexnews.hk** and our website at **www.innoscience.com** which will provide links to the above mentioned websites of the H Share Registrar.	No later than 11:00 p.m. on Friday, December 27, 2024 (Hong Kong time).

Platform		Date/Time
Telephone. .	+852 3691 8488 — the allocation results telephone enquiry line provided by the H Share Registrar.	Between 9:00 a.m. and 6:00 p.m., from Monday, December 30, 2024 to Friday, January 3, 2025 (Hong Kong time) on a business day.

For those applying through **HKSCC EIPO** channel, you may also check with your broker or custodian from 6:00 p.m. on Tuesday, December 24, 2024 (Hong Kong time).

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Tuesday, December 24, 2024 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

Allocation Announcement

We expect to announce the results of the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Hong Kong Offer Shares on the Stock Exchange's website at **www.hkexnews.hk** and our website at **www.innoscience.com** by no later than 11:00 p.m. on Friday, December 27, 2024 (Hong Kong time).

C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

1. If your application is revoked:

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

2. If we or our agents exercise our discretion to reject your application:

We, the Joint Representatives, the H Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

3. If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

4. If:

- you make multiple applications or suspected multiple applications. You may refer to the paragraph headed "*— A. Application for Hong Kong Offer Shares — 5. Multiple Applications Prohibited*" in this section on what constitutes multiple applications;
- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- we or the Joint Representatives believe that by accepting your application, it or we would violate applicable securities or other laws, rules or regulations.

5. If there is money settlement failure for allotted H Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their designated bank before balloting. After balloting of Hong Kong Offer Shares, the Receiving Bank will collect the portion of these funds required to settle each HKSCC Participant's actual Hong Kong Offer Share allotment from their designated bank.

There is a risk of money settlement failure. In the extreme event of money settlement failure by a HKSCC Participant (or its designated bank), who is acting on your behalf in settling payment for your allotted H Shares, HKSCC will contact the defaulting HKSCC Participant and its designated bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the International Offering. Hong Kong Offer Shares applied for by you through the broker or custodian may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the H Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

D. DISPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **HKSCC EIPO** channel where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application.

H Share certificates will only become valid at 8:00 a.m. on the Listing Date, provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting — Underwriting Arrangements — Hong Kong Public Offering — Grounds for Termination" has not been exercised. Investors who trade the H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid evidence of title do so entirely at their own risk.

The right is reserved to retain any H Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

The following sets out the relevant procedures and time:

	HK eIPO White Form service	HKSCC EIPO channel
Dispatch/collection of H Share certificate[1]		
For application of 1,000,000 Hong Kong Offer Shares or more	Collection in person at the H Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.	H Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant's stock account.
	Time: from 9:00 a.m. to 1:00 p.m. on Monday, December 30, 2024 (Hong Kong time).	No action by you is required.

	HK eIPO White Form service	HKSCC EIPO channel
	If you are an individual, you must not authorize any other person to collect for you. If you are a corporate applicant, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop.	
	Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.	
	Note: If you do not collect your H Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk.	
For application of less than 1,000,000 Hong Kong Offer Shares	Your H Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk.	
	Date: Friday, December 27, 2024.	

	HK eIPO White Form service	HKSCC EIPO channel
Refund mechanism for surplus application monies paid by you		
Date	Monday, December 30, 2024.	Subject to the arrangement between you and your broker or custodian.
Responsible party	H Share Registrar.	Your broker or custodian.
Application monies paid through single bank account	**HK eIPO White Form** e-Auto Refund payment instructions to your designated bank account.	Your broker or custodian will arrange refund to your designated bank account subject to the arrangement between you and it.
Application monies paid through multiple bank accounts	Refund cheque(s) will be dispatched to the address as specified in your application instructions by ordinary post at your own risk.	

1. Except in the event of a tropical cyclone warning signal number 8 or above, a black rainstorm warning and/or Extreme Conditions in the morning on Friday, December 27, 2024 rendering it impossible for the relevant H Share certificates to be dispatched to HKSCC in a timely manner, the Company shall procure the H Share Registrar to arrange for delivery of the supporting documents and H Share certificates in accordance with the contingency arrangements as agreed between them. You may refer to "— E. Bad Weather Arrangements" in this section.

E. BAD WEATHER ARRANGEMENTS

The Opening and Closing of the Application Lists

The application lists will not open or close on Monday, December 23, 2024 if, there is/are:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or
- Extreme Conditions,

(collectively, "**Bad Weather Signals**"),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, December 23, 2024.

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have **Bad** Weather Signals in force at any time between 9:00 a.m. and 12:00 noon.

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the listing date. Should there be any changes to the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made and published on the Stock Exchange's website at **www.hkexnews.hk** and our website at **www.innoscience.com** of the revised timetable.

If a **Bad** Weather Signal is hoisted on Friday, December 27, 2024, the H Share Registrar will make appropriate arrangements for the delivery of the H Share certificates to the HKSCC Depository's service counter so that they would be available for trading on Monday, December 30, 2024.

If a **Bad** Weather Signal is hoisted on Friday, December 27, 2024, for application of less than 1,000,000 Offer Shares, the despatch of physical H Share certificate(s) will be made by ordinary post when the post office re-opens after the **Bad** Weather Signal is lowered or cancelled (e.g. in the afternoon of Friday, December 27, 2024 or on Monday, December 30, 2024).

If a **Bad** Weather Signal is hoisted on Monday, December 30, 2024, for application of 1,000,000 Offer Shares or more, physical H Share certificate(s) will be available for collection in person at the H Share Registrar's Office after the **Bad** Weather Signal is lowered or cancelled (e.g. in the afternoon of Monday, December 30, 2024 or on Tuesday, December 31, 2024).

Prospective investors should be aware that if they choose to receive physical H Share certificates issued in their own name, there may be a delay in receiving the H Share certificates.

F. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

You should seek the advice of your broker or other professional advisor for details of the settlement arrangement as such arrangements may affect your rights and interests.

G. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by our Company, the H Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

1. Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of our Company and the H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

2. Reasons for the collection of your personal data

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to our Company or its agents and the H Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in the delay or the inability of our Company or the H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of H Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform our Company and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

3. Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and **HK eIPO White Form** e-Auto Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;

- registering new issues or transfers into or out of the names of the holders of the H Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of our Company;
- verifying identities of applicants for and holders of the H Shares and identifying any duplicate applications for the Shares;
- facilitating Hong Kong Offer Shares balloting;
- establishing benefit entitlements of holders of the H Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from our Company and our subsidiaries;
- compiling statistical information and profiles of the holder of the H Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and the H Share Registrar to discharge their obligations to applicants and holders of the H Shares and/or regulators and/or any other purposes to which applicants and holders of the H Shares may from time to time agree.

4. Transfer of personal data

Personal data held by our Company and the H Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but our Company and the H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our Company's appointed agents such as financial advisers, receiving bank and overseas principal share registrar;
- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the H Share Registrar, in each case for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company or the H Share Registrar in connection with their respective business operation;

- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and

- any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

5. Retention of personal data

Our Company and the H Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

6. Access to and correction of personal data

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether our Company or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. Our Company and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to our Company and the H Share Registrar, at their registered address disclosed in the section headed "Corporate information" in this prospectus or as notified from time to time, for the attention of our joint company secretaries, or the H Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report set out on pages I-1 to I-64, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF INNOSCIENCE (SUZHOU) TECHNOLOGY HOLDING CO., LTD. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND CMB INTERNATIONAL CAPITAL LIMITED.

Introduction

We report on the historical financial information of InnoScience (Suzhou) Technology Holding Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-64, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2021, 2022 and 2023 and 30 June 2024, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024 (the "Relevant Periods"), and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-64 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 18 December 2024 (the "Prospectus") in connection with the initial listing 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 and the Group's financial position as at 31 December 2021, 2022 and 2023 and 30 June 2024, and of the Group'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.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the six months ended 30 June 2023 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, 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 27 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

18 December 2024

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 Group 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").

Consolidated statements of profit or loss and other comprehensive income

	Note	Year ended 31 December			Six months ended 30 June	
		2021	2022	2023	2023	2024
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue	*4*	68,215	136,174	592,717	308,113	385,811
Cost of sales		(249,749)	(530,280)	(954,785)	(542,755)	(469,051)
Gross loss		(181,534)	(394,106)	(362,068)	(234,642)	(83,240)
Other net income	*5*	43,557	67,961	64,962	19,408	37,648
Selling and marketing costs		(28,434)	(69,317)	(90,097)	(44,843)	(50,650)
Administrative expenses		(179,097)	(199,231)	(247,068)	(88,923)	(202,015)
Research and development costs		(661,699)	(581,092)	(348,749)	(167,884)	(145,453)
Loss from operations		(1,007,207)	(1,175,785)	(983,020)	(516,884)	(443,710)
Changes in the carrying amount of liabilities recognized for financial instruments issued to investors	*25*	(2,298,862)	(897,996)	–	–	–
Other finance costs		(93,273)	(131,628)	(118,912)	(62,812)	(44,124)
Finance costs	*6(a)*	(2,392,135)	(1,029,624)	(118,912)	(62,812)	(44,124)
Loss before taxation	*6*	(3,399,342)	(2,205,409)	(1,101,932)	(579,696)	(487,834)
Income tax	*7(a)*	–	(67)	(14)	–	(169)
Loss for the year/period		(3,399,342)	(2,205,476)	(1,101,946)	(579,696)	(488,003)
Loss per share						
Basic and Diluted (RMB)	*10*	N/A	N/A	N/A	N/A	N/A
Loss for the year/period		(3,399,342)	(2,205,476)	(1,101,946)	(579,696)	(488,003)
Other comprehensive income for the year/period						
Item that is or may be reclassified subsequently to profit or loss:						
Exchange differences on translation of:						
– financial statements of overseas subsidiaries		(436)	4,195	(609)	(91)	(1,181)
Total comprehensive income for the year/period		(3,399,778)	(2,201,281)	(1,102,555)	(579,787)	(489,184)

Consolidated statements of financial position

	Note	At 31 December 2021	At 31 December 2022	At 31 December 2023	At 30 June 2024
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	11	3,371,274	3,260,299	3,061,405	2,880,041
Right-of-use assets	12	81,122	92,269	85,026	82,303
Intangible assets	13	402,002	345,186	272,640	236,075
Other non-current assets	14	164,013	69,826	60,652	74,635
		4,018,411	3,767,580	3,479,723	3,273,054
Current assets					
Inventories	16	81,988	382,066	416,788	440,661
Trade and other receivables	17	224,919	150,409	337,013	387,561
Financial assets at fair value through profit or loss ("FVPL")	18(a)	1,000,211	658,857	20,074	70,394
Financial assets at fair value through other comprehensive income ("FVOCI")	18(b)	–	–	–	201,533
Pledged bank deposits	19	17,534	25,323	8,828	22,789
Cash and cash equivalents	20	1,278,701	710,841	328,978	459,704
		2,603,353	1,927,496	1,111,681	1,582,642
Current liabilities					
Trade and other payables	21	837,784	565,532	409,973	418,050
Loans and borrowings	22	721,968	438,370	508,489	541,440
Lease liabilities	23	5,767	7,445	7,927	8,098
		1,565,519	1,011,347	926,389	967,588
Net current assets		1,037,834	916,149	185,292	615,054
Total assets less current liabilities		5,056,245	4,683,729	3,665,015	3,888,108
Non-current liabilities					
Loans and borrowings	22	1,228,425	1,632,351	1,546,084	1,520,938
Lease liabilities	23	23,236	35,435	29,490	27,788
Deferred income	24	51,880	55,828	125,518	135,863
Financial instruments issued to investors	25	7,878,076	–	–	–
		9,181,617	1,723,614	1,701,092	1,684,589
NET (LIABILITIES)/ASSETS		(4,125,372)	2,960,115	1,963,923	2,203,519
Paid-in capital	27(c)	3,951,770	4,046,027	–	–
Share capital	27(d)	–	–	800,711	833,788
Reserves	27(e)	(8,077,142)	(1,085,912)	1,163,212	1,369,731
TOTAL (DEFICIT)/EQUITY		(4,125,372)	2,960,115	1,963,923	2,203,519

Statements of financial position of the Company

	Note	At 31 December 2021	At 31 December 2022	At 31 December 2023	At 30 June 2024
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment		5,517	–	–	–
Intangible assets		–	2,611	2,112	1,785
Investments in subsidiaries	*15*	4,762,234	5,347,634	5,957,134	7,002,479
Other non-current assets	*14*	107,580	833,861	1,210,088	483,242
		4,875,331	6,184,106	7,169,334	7,487,506
Current assets					
Trade and other receivables		3,919	1,500	3,146	10,525
Financial assets at fair value through profit or loss ("FVPL")	*18(a)*	1,000,211	642,208	–	70,394
Financial assets at fair value through other comprehensive income ("FVOCI")	*18(b)*	–	–	–	146,154
Pledged bank deposits		–	–	–	5,207
Cash and cash equivalents	*20*	919,780	467,974	115,001	168,818
		1,923,910	1,111,682	118,147	401,098
Current liability					
Trade and other payables	*21*	3,800	6,874	37,421	81,282
Net current assets		1,920,110	1,104,808	80,726	319,816
Total assets less current liability		6,795,441	7,288,914	7,250,060	7,807,322
Non-current liability					
Financial instruments issued to investors	*25*	7,878,076	–	–	–
NET (LIABILITIES)/ASSETS		(1,082,635)	7,288,914	7,250,060	7,807,322
Paid-in capital	*27(c)*	3,951,770	4,046,027	–	–
Share capital	*27(d)*	–	–	800,711	833,788
Reserves	*27(e)*	(5,034,405)	3,242,887	6,449,349	6,973,534
TOTAL (DEFICIT)/EQUITY		(1,082,635)	7,288,914	7,250,060	7,807,322

Consolidated statements of changes in equity

	Note	Paid-in capital	Capital reserve	Share capital	Share premium	Exchange reserve	Accumulated losses	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note 27(c))	(Note 27(e)(ii))	(Note 27(d))	(Note 27(e)(i))	(Note 27(e)(iii))		
Balance at 1 January 2021		3,001,816	(1,150,667)	–	–	–	(2,596,459)	(745,310)
Loss for the year		–	–	–	–	–	(3,399,342)	(3,399,342)
Other comprehensive income		–	–	–	–	(436)	–	(436)
Total comprehensive income		–	–	–	–	(436)	(3,399,342)	(3,399,778)
Issuance of financial instruments to investors	25, 27(c)	949,954	2,596,546	–	–	–	–	3,546,500
Recognition of financial instruments issued to investors as current liabilities	25	–	(3,546,500)	–	–	–	–	(3,546,500)
Equity-settled share-based transactions	26	–	19,716	–	–	–	–	19,716
Balance at 31 December 2021 and 1 January 2022		3,951,770	(2,080,905)	–	–	(436)	(5,995,801)	(4,125,372)
Loss for the year		–	–	–	–	–	(2,205,476)	(2,205,476)
Other comprehensive income		–	–	–	–	4,195	–	4,195
Total comprehensive income		–	–	–	–	4,195	(2,205,476)	(2,201,281)
Issuance of financial instruments to investors	25, 27(c)	94,257	385,843	–	–	–	–	480,100
Recognition of financial instruments issued to investors as current liabilities	25	–	(480,100)	–	–	–	–	(480,100)
Termination of financial instruments issued to investors	25	–	9,256,172	–	–	–	–	9,256,172
Equity-settled share-based transactions	26	–	30,596	–	–	–	–	30,596
Balance at 31 December 2022		4,046,027	7,111,606	–	–	3,759	(8,201,277)	2,960,115

	Note	Paid-in capital	Capital reserve	Share capital	Share premium	Exchange reserve	Accumulated losses	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Note 27(c))	*(Note 27(e)(ii))*	*(Note 27(d))*	*(Note 27(e)(i))*	*(Note 27(e)(iii))*		
Balance at 1 January 2023		4,046,027	7,111,606	–	–	3,759	(8,201,277)	2,960,115
Loss for the year		–	–	–	–	–	(1,101,946)	(1,101,946)
Other comprehensive income		–	–	–	–	(609)	–	(609)
Total comprehensive income		–	–	–	–	(609)	(1,101,946)	(1,102,555)
Capital reduction and conversion to a joint stock company	*27(c)*	(4,046,027)	(6,749,263)	800,000	9,707,737	–	287,553	–
Capital injection from shareholders	*27(d)*	–	–	711	19,289	–	–	20,000
Equity-settled share-based transactions	*26*	–	86,363	–	–	–	–	86,363
Balance at 31 December 2023 and at 1 January 2024		–	448,706	800,711	9,727,026	3,150	(9,015,670)	1,963,923
Loss for the period		–	–	–	–	–	(488,003)	(488,003)
Other comprehensive income		–	–	–	–	(1,181)	–	(1,181)
Total comprehensive income		–	–	–	–	(1,181)	(488,003)	(489,184)
Capital injection from shareholders	*27(d)*	–	–	33,077	607,600	–	–	640,677
Equity-settled share-based transactions	*26*	–	88,103	–	–	–	–	88,103
Balance at 30 June 2024		–	536,809	833,788	10,334,626	1,969	(9,503,673)	2,203,519
Unaudited:								
Balance at 1 January 2023		4,046,027	7,111,606	–	–	3,759	(8,201,277)	2,960,115
Loss for the year		–	–	–	–	–	(579,696)	(579,696)
Other comprehensive income		–	–	–	–	(91)	–	(91)
Total comprehensive income		–	–	–	–	(91)	(579,696)	(579,787)
Equity-settled share-based transactions	*26*	–	30,722	–	–	–	–	30,722
Balance at 30 June 2023 (unaudited)		4,046,027	7,142,328	–	–	3,668	(8,780,973)	2,411,050

Consolidated statements of cash flows

	Note	Year ended 31 December			Six months ended 30 June	
		2021	2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Operating activities:						
Cash used in operations	20(b)	(562,138)	(936,229)	(593,598)	(240,935)	(155,354)
Income tax paid		–	(67)	(14)	–	(169)
Net cash used in operating activities		(562,138)	(936,296)	(593,612)	(240,935)	(155,523)
Investing activities:						
Payment for the purchase of property, plant and equipment and intangible assets		(1,121,280)	(464,620)	(331,307)	(201,555)	(71,384)
Payments for acquisition of financial assets measured at FVPL		(1,000,000)	(5,100,408)	(1,493,324)	(1,324,071)	(246,226)
Payments for acquisition of financial assets measured at FVOCI		–	–	–	–	(330,246)
Proceeds from disposal of property, plant and equipment		6,331	885	25,130	–	11,708
Proceeds from disposal of financial assets measured at FVPL		–	5,470,348	2,137,697	1,857,740	196,783
Proceeds from disposal of financial assets measured at FVOCI		–	–	–	–	130,000
Interest of financial assets measured at FVOCI received		–	–	–	–	800
Net cash (used in)/generated from investing activities		(2,114,949)	(93,795)	338,196	332,114	(308,565)
Financing activities:						
Capital element of lease rentals paid	20(c)	(5,770)	(7,721)	(7,823)	(3,671)	(4,279)
Interest element of lease rentals paid	20(c)	(1,010)	(1,973)	(1,747)	(907)	(782)
Proceeds from loans and borrowings	20(c)	492,117	788,351	266,155	178,135	170,764
Repayment of loans and borrowings	20(c)	(76,172)	(664,859)	(298,112)	(131,147)	(171,601)
Capital contributions by investors	27(d)	–	–	20,000	–	640,677
Proceeds from the issue of financial instruments to investors	20(c)	3,546,500	480,100	–	–	–
Interest of loans and borrowings paid	20(c)	(130,810)	(133,740)	(105,270)	(51,519)	(37,929)
Listing expense paid		–	–	–	–	(2,077)
Net cash generated from/(used in) financing activities		3,824,855	460,158	(126,797)	(9,109)	594,773
Net increase/(decreased) in cash and cash equivalents		1,147,768	(569,933)	(382,213)	82,070	130,685
Effect of foreign exchange rate changes		(567)	2,073	350	(692)	41
Cash and cash equivalents at 1 January	20(a)	131,500	1,278,701	710,841	710,841	328,978
Cash and cash equivalents at 31 December/30 June	20(a)	1,278,701	710,841	328,978	792,219	459,704

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

InnoScience (Suzhou) Technology Holding Co., Ltd.* (the "Company") (英諾賽科(蘇州)科技股份有限公司), formerly known as InnoScience (Suzhou) Technology Holding Co., Ltd.* (英諾賽科(蘇州)科技有限公司) was incorporated in Suzhou, Jiangsu Province, People's Republic of China (the "PRC") on 21 July 2017 as a limited liability company. In September 2023, the Company was converted from a limited liability company into a joint stock limited liability company.

During the Relevant Periods, the Company and its subsidiaries (together, "the Group") are principally engaged in design, research and development and manufacture of various types of Gallium Nitride ("GaN") power semiconductor products.

The financial statements of the Company and the subsidiaries of the Group for which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated and/or established. The statutory financial statements of the Company for the years ended 31 December 2021 and 2023 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 Grant Thornton Zhitong Certified Public Accountants LLP* (致同會計師事務所(特殊普通合夥)) and Suzhou Wanlong Yongding Certified Public Accountants Co., Ltd.* (蘇州萬隆永鼎會計師事務所有限公司). The statutory financial statements of the Company for the year ended 31 December 2022 has not been issued as at the date of this report.

As at 30 June 2024, the Company has direct or indirect interests in the following subsidiaries, all of which are private and limited liability companies:

Company name	Place and date of incorporation/ establishment	Particulars of registered and paid-up capital	Proportion of ownership interest		Principal activities
			Directly held by the Company	Indirectly held by the Company	
Innoscience (Suzhou) Semiconductor Co., Ltd.* 英諾賽科(蘇州)半導體有限公司 .	The PRC 23 October 2017	RMB3,200,000,000/ RMB3,200,000,000	100.00%	–	Design, manufacture, research and development of Wafer
Innoscience (Zhuhai) Technology Co., Ltd.* 英諾賽科(珠海)科技有限公司 . . .	The PRC 17 December 2015	RMB2,479,654,900/ RMB2,479,654,900	100.00%	–	Design, manufacture, research and development of Wafer
Innoscience (Shanghai) Technology Semiconductor Co., Ltd.* 英諾賽科(上海)半導體科技有限公司 *(i)*	The PRC 13 July 2017	RMB142,000,000/ RMB142,000,000	100.00%	–	Design, research and development of technology
Suzhou Xuyao Technology Co., Ltd.* 蘇州煦垚科技有限公司	The PRC 7 December 2021	RMB35,000,000/ RMB35,000,000	100.00%	–	Investment holding

Company name	Place and date of incorporation/ establishment	Particulars of registered and paid-up capital	Proportion of ownership interest		Principal activities
			Directly held by the Company	Indirectly held by the Company	
Innoscience (Nanjing) Technology Co., Ltd.* 英諾賽科(南京)科技有限公司 *(i)* .	The PRC 23 November 2023	RMB20,000,000/ RMB20,000,000	100.00%	–	Distribution of Chip and development of application
Shuidi (Guangzhou) Semiconductor Co., Ltd.* 水滴(廣州)半導體有限公司 *(i)* . . .	The PRC 30 December 2022	RMB15,000,000/ Nil	100.00%	–	No substantial business activities
Innoscience (Shenzhen) Semiconductor Co., Ltd.* 英諾賽科(深圳)半導體有限公司 .	The PRC 9 November 2020	RMB10,000,000/ RMB10,000,000	100.00%	–	Distribution of Chip and development of application
Innoscience (Guangdong Hengqin) Technology Co., Ltd.* 英諾賽科(廣東橫琴)科技有限公司 *(ii)*	The PRC 23 August 2021	RMB5,000,000/ Nil	100.00%	–	No substantial business activities
Innoscience (Wuhan) Technology Co., Ltd.* 英諾賽科(武漢)科技有限公司 . . .	The PRC 29 March 2024	RMB20,000,000/ RMB5,000,000	100.00%	–	Design, manufacture, research and development of Wafer
Innoscience America Inc. *(i)*	United States 1 July 2021	USD5,000,000/ USD5,000,000	–	100.00%	Distribution of Chip
Innoscience Korea Inc. *(i)*	Korea 14 January 2022	USD5,000,000/ USD5,000,000	–	100.00%	Distribution, research and development of Chip
Innoscience Europe NV *(i)*	Belgium 21 October 2021	EUR4,108,858/ EUR4,108,858	–	100.00%	Distribution of Chip

Notes:

(i) No audited financial statements for the years ended 31 December 2021 and 2023 have been prepared.

(ii) In October 2023, the subsidiary was de-registered.

* The English translation of all above companies is for reference only. The official names of the companies established in the PRC are in Chinese.

All companies comprising the Group have adopted 31 December as their 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 material 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 Group 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 30 June 2024. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning 1 July 2024 are set out in Note 33.

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.

The Group incurred loss from operations of RMB1,007,207,000, RMB1,175,785,000 and RMB983,020,000 and RMB443,710,000 for the year ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024 with net current assets of RMB615,054,000, including cash and cash equivalent of RMB459,704,000 as at 30 June 2024. The directors of the Company have reviewed the latest financial position of the Group, its business plan, available financial resources and cash flow forecast for the 12 months ending 30 June 2025 and concluded that the Group is able to continue as a going concern for at least the next twelve months from the end of the Relevant Periods.

2 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of measurement

As the Group's operations are primarily located in the PRC and most of the Group's transactions are conducted and denominated in Renminbi ("RMB"), the Historical Financial Information is presented in 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 financial assets and liabilities stated at their fair value as explained in the accounting policies set out in Note 2(d).

(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 estimates and underlying assumptions are reviewed on an ongoing 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.

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) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealized income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(h)(ii)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

(d) Other investments

The Group's policies for investments, other than investments in subsidiaries are set out below.

Investments are recognized/derecognized on the date the Group 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 recognized directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 28(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group 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(s)(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 recognized 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 derecognized, 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 recognized in profit or loss.

(e) Property, plant and equipment

Property, plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see Note 2(g)), are stated at cost less accumulated depreciation and any accumulated impairment losses (see Note 2(h)(ii)). If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

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(u)).

Any gain or loss 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 recognized 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 and is generally recognized in profit or loss. The estimated useful lives for the current and comparative periods are as follows:

– Plant and buildings	5 - 20 years
– Equipment and machinery	5 - 10 years
– Vehicles	5 years
– Office equipment and furniture	3 - 5 years
– Leasehold improvements	Shorter of useful lives or lease term

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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(h)(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.

(f) Intangible assets

Expenditure on research activities is recognized in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognized in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(h)(ii)).

Amortisation is calculated to write-off the cost of intangible assets less their estimated residual values using the straight line method over their estimated useful lives, if any, and is generally recognized in profit or loss.

The estimated useful life for non-patented technology and software were decided with reference to the shortest period among the expected service life, the expected beneficial life and the effective life stipulated by the applicable law. The estimated useful lives for the current and comparative periods are as follows:

Non-patented technology	10 years
Software	5 - 10 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(g) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case 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 Group 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 Group 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 items which, for the Group are primarily vehicles and staff dormitories. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognized in profit or loss on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognized 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 recognized 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 incurred.

The right-of-use asset recognized when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and 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, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2(h)(ii)). Depreciation is calculated using the straight-line method over the unexpired term of lease.

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost (see Notes 2(d)(i), 2(s)(ii) and 2(h)(i)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will 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 lease modification, which means 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"), if such modification 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.

In the consolidated 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 Group 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.

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group 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).

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. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

– fixed-rate financial assets and other receivables: effective interest rate determined at initial recognition or an approximation thereof; and

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group 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 the following bases:

– 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

– lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

– financial instruments that are determined to have low credit risk at the reporting date; and

– other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when (i) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due.

The Group considers a financial instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

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 recognized as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Credit-impaired financial assets

At each reporting date, the Group 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 being more than 90 days past due;

– the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

– it is probable that the debtor will enter bankruptcy or other financial reorganisation; 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 to the extent that there is no realistic prospect of recovery. This is generally the case when the Group 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 recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

(i) Inventories and other contract costs

(i) Inventories

Inventories are measured 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 of completion and the estimated costs necessary to make the sale.

(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(i)(i)), property, plant and equipment (see Note 2(e)) or intangible assets (see Note 2(f)), are expensed as incurred.

(j) Contract liabilities

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(s)). A contract liability is also recognized if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognized (see Note 2(k)).

(k) Trade and other receivables

A receivable is recognized when the Group has an unconditional right to receive consideration and 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 (see Note 2(h)(i)).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks 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 Group'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 ECL in accordance with the policy set out in Note 2(h)(i).

(m) Trade and other payables

Trade and other payables are initially recognized 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.

(n) Financial instruments issued to investors with preferred rights

The Group recognises as a financial liability its obligation to purchase its own equity instruments for cash or another financial asset. The financial liability is measured at the highest present value of the settlement amounts that can arise. Any changes in the carrying amount of the financial liability arising from the remeasurement of the redemption amount is recognized in profit or loss as Finance cost.

The Group derecognises the financial liability when, and only when, the Group's obligation is discharged, cancelled or has expired.

(o) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognized in accordance with Note 2(u).

(p) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Share-based payments

The Company grant share options or restricted share units ("RSUs") as incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of such share-based payments, whereby employees render services in exchange for equity instruments ("equity- settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value of the share options or restricted share units at the grant date. The fair value of share options or restricted share units granted is recognized as expenses with a corresponding increase in capital reserve within equity. The fair value is measured at grant date using the option or restricted share unit pricing model, taking into account the terms and conditions upon which the options or restricted share units were granted. Service and non-market performance conditions are not taken into account when determining the grant date fair value of options or restricted share units, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of options or restricted share units that will ultimately vest.

Where the grantees have to meet vesting conditions before becoming unconditionally entitled to the options or restricted share units, the total estimated fair value of the options or restricted share units is expensed over the vesting period, taking into account the probability that the options or restricted share units will vest. During the vesting period, the number of share options or restricted share units that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior years is charged/credited to the profit or loss for the year of the review, unless the original expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve.

On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of equity-settled share-based payments award that vest with a corresponding adjustment to the capital reserve.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified and if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and it is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

(iii) Termination benefits

Termination benefits are recognized at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises costs for a restructuring.

(q) Income tax

Income tax expense comprises current tax and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income ("OCI").

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

– temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

– taxable temporary differences arising on the initial recognition of goodwill; and

– those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognized deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

(r) Provisions and contingent liabilities

Provisions are recognized when the Group 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.

(s) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods and the provision of services in the ordinary course of the Group's business.

The Group is the principal for its revenue transactions and recognises revenue on a gross basis, including the sale of products that are sourced externally. In determining whether the Group 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 Group's 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 the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) ***Sale of goods and provision of services***

Sales of the Group's products are recognized as follows:

– Sale of GaN power semiconductor products

Revenue is recognized when the customer takes possession of and accepts the products and/or services.

– Revenue from rendering of services

Revenue from rendering of services is recognized over time by measuring the progress of that performance obligation.

(ii) ***Interest income***

Interest income is recognized using the effective interest method. The "effective interest rate" is 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. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(iii) ***Government grants***

Government grants are recognized in the statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognized 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.

(t) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions. Foreign currency differences are recognized in OCI and accumulated in the exchange reserve.

(u) 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.

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group 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 Group or an entity related to the Group.

(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 Group or to the Group'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.

(w) 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 Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group'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

Notes 26 and 28(e) contains information about the assumptions and risk factors relating to fair value of equity-settled share-based transactions and other financial assets. Other key sources of estimation uncertainty are as follows:

(i) Allowance for impairment of trade and other receivables

The Group'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 Group's management reassesses the loss allowance at each reporting period end.

(ii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Special consideration is given to estimate the selling price of those technically obsolete and/or slow-moving inventory items.

Management reassesses these estimations at the end of reporting period to ensure inventory is shown at the lower of cost and net realisable value.

(iii) Useful life of intangible assets and property, plant and equipment

Intangible assets are amortised and property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the respective assets, after taking into account the estimated residual values. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expenses to be recorded during the reporting period. The useful lives are based on the industry experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(iv) Impairment of intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts have been determined based on the higher of value-in-use calculations and fair value less cost to sell. These calculations require the use of judgments and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related assets values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections and whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value in the impairment test and as a result affect the Group's financial position and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated statement of comprehensive income.

(v) Principal versus agent considerations

The Group determines whether the nature of its performance obligation is to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for the other party to provide those goods or services (i.e. the Group is an agent) based on the transaction model and its economic substance. The Group is a principal if it controls a promised goods or services before it transfers the goods or services to a customer. The Group recognises revenue at gross amount of consideration to which it expects to be entitled in exchange for those goods or services transferred. The Group is an agent if its performance obligation is to arrange for the provision of goods or services by another party. The Group recognises revenue at the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services.

The Group engages third-party subcontractors to assemble and test GaN modules to be sold by providing subcontractors with the Group's chips, designs as well as substantial involvement in the critical decisions of the assembly and testing activities of the subcontractors. While one of the Group's subcontractors was a subsidiary of the Group's customer of GaN modules, the Group has determined that the nature of its performance obligation has always been sales of GaN modules regardless of whichever subcontractor it chooses and that it has the ability to direct the critical decisions involved in the assembly and testing activities of the subcontractors in view of the nature of the designs and the frequent upgrade cycles of the products. The Group is fully exposed to the fulfilment risks related to sales of GaN modules considering the payment terms and pricing bases with the relevant parties. As a result, the Group recognises revenue on a gross basis, recognising the corresponding subcontracting fees as costs of sales.

(vi) Share-based compensation expense

The Company's share-based payment uses the option or restricted share unit pricing model to estimate the fair value of options or restricted share units on the grant date. The option or restricted share unit pricing model requires highly subjective assumptions, including risk-free rate and the expected fluctuation of the share price. The fair value of the options or restricted share units are affected by assumptions and judgments. Further details on share-based compensation are disclosed in Note 26 to the consolidated financial statements.

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			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15					
Disaggregated by major products					
– Sales of GaN Discrete Chips and GaN ICs	27,769	86,138	192,066	57,293	138,443
– Sales of GaN Wafers	39,412	50,036	208,666	91,653	138,928
– Sales of GaN Modules	–	–	190,420	159,167	106,470
– Others	1,034	–	1,565	–	1,970
	68,215	136,174	592,717	308,113	385,811

Disaggregation of the Group's revenue from contracts with customers by the timing of revenue recognition is set out below:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Point-in-time	68,215	136,174	592,717	308,113	384,302
Over-time	–	–	–	–	1,509
	68,215	136,174	592,717	308,113	385,811

(ii) Revenue expected to be recognized in the future arising from contracts with customers in existence at the reporting date.

The Group has applied the practical expedient in paragraph 121(a) of HKFRS 15 to its sales contracts for GaN power semiconductor products that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of GaN power semiconductor 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 Group's chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the sales of GaN power semiconductor products.

(i) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the GaN power semiconductor products were sold.

	Years ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Mainland of the PRC	68,034	130,028	534,764	299,019	345,454
Overseas	181	6,146	57,953	9,094	40,357
	68,215	136,174	592,717	308,113	385,811

(ii) Information about major customers

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

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Customer A	N/A*	N/A*	189,998	159,149	104,413
Customer B	22,323	N/A*	N/A*	N/A*	N/A*
Customer C	N/A*	13,947	N/A*	N/A*	N/A*
Customer D	9,571	N/A*	N/A*	N/A*	N/A*

* Less than 10% of the Group's revenue in the respective year/period.

5 OTHER NET INCOME

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Bank interest income	11,676	18,917	14,046	8,516	1,468
Interest income from financial assets measured at FVOCI	–	–	–	–	2,087
Net (loss)/gain on disposal of property, plant and equipment	(225)	(1,418)	9,112	–	3,756
Net realized and unrealized gains on financial assets measured at FVPL	211	28,586	5,590	4,840	877
Government grants *(Note)*	46,669	17,813	38,834	7,807	26,731
Net foreign exchange (loss)/gain	(8,832)	4,063	(3,582)	(2,375)	2,618
Others	(5,942)	–	962	620	111
	43,557	67,961	64,962	19,408	37,648

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

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs:

	Note	Year ended 31 December			Six months ended 30 June	
		2021	2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Changes in the carrying amount of liabilities recognized for financial instruments issued to investors		2,298,862	897,996	–	–	–
Interest on						
– loans and borrowings		96,424	130,576	121,079	63,432	46,571
– lease liability		1,010	1,973	1,747	907	782
Less: interest expense capitalised into construction in progress		(4,161)	(921)	(3,914)	(1,527)	(3,229)
Total interest expense		2,392,135	1,029,624	118,912	62,812	44,124

(b) Staff costs:

	Note	Year ended 31 December			Six months ended 30 June	
		2021	2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, wages and other benefits		326,296	456,420	468,912	236,581	199,569
Contributions to defined contribution retirement plans *(i)*		16,873	23,509	27,603	14,029	12,410
Equity-settled share-based payment expenses	26	19,716	30,596	86,363	30,722	88,103
		362,885	510,525	582,878	281,332	300,082

(i) Defined contribution retirement plans

Employees of the Company and its subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Company and its subsidiaries 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 Group 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 2021 RMB'000	2022 RMB'000	2023 RMB'000	Six months ended 30 June 2023 RMB'000 (unaudited)	2024 RMB'000
Cost of inventories sold	16(b)	235,012	515,309	939,242	536,613	461,105
Depreciation:						
– owned property, plant and equipment	11	184,130	382,322	445,109	233,165	213,536
– right-of-use assets	12	9,003	10,759	9,631	4,766	5,050
Research and development expenses *(i)*		661,699	581,092	348,749	167,884	145,453
Amortisation of intangible assets	13	72,105	76,700	79,575	40,018	39,970
Listing expenses		–	–	–	–	22,159
Auditors' remuneration		240	48	57	–	–

(i) During the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, research and development expenses include staff costs, depreciation expenses and amortisation expenses of RMB322,536,000, RMB348,844,000, RMB301,169,000, RMB146,206,000 (unaudited) and RMB131,875,000, respectively, which amounts are also included in the respective total amounts disclosed separately above.

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income represents:

	Year ended 31 December 2021 RMB'000	2022 RMB'000	2023 RMB'000	Six months ended 30 June 2023 RMB'000 (unaudited)	2024 RMB'000
Current tax:					
Provision for PRC income tax for the year/period	–	67	14	–	169
Deferred tax:					
Origination and reversal of temporary differences	–	–	–	–	–
	–	67	14	–	169

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

	Year ended 31 December 2021 RMB'000	2022 RMB'000	2023 RMB'000	Six months ended 30 June 2023 RMB'000 (unaudited)	2024 RMB'000
Loss before taxation	(3,399,342)	(2,205,409)	(1,101,932)	(579,696)	(487,834)
Notional tax on loss before taxation, calculated at the rates applicable to the jurisdictions concerned *(i)*	(849,715)	(547,424)	(269,818)	(142,054)	(119,702)

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Effect of preferential tax rate *(ii)*	51,443	73,232	85,233	48,839	31,193
Effect of additional deduction on research and development expenses *(iii)*	(92,701)	(70,553)	(39,681)	(21,544)	(15,863)
Tax effect of non-deductible interest on financial instruments issued to investors	574,716	224,499	–	–	–
Tax effect of non-deductible share-based payment expenses	3,726	5,980	15,563	5,523	15,645
Tax effect of other non-deductible expenses	108	161	100	25	54
Effect of deferred tax assets in respect of temporary differences and tax losses not recognized	312,423	314,172	208,617	109,211	88,842
Actual tax expense	–	67	14	–	169

(i) Pursuant to the Enterprise Income Tax (the "EIT") Law of the PRC (the "EIT Law"), the Company and it's subsidiaries established and operated in the PRC are liable to EIT at a rate of 25% unless otherwise specified.

The Company's subsidiary Innoscience Korea Inc. incorporated in South Korea is liable to South Korea Profits tax at progressive tax rates from 9% to 24% of annual taxable profits. The Company's subsidiary Innoscience America Inc. incorporated in the United States is liable to the federal corporate tax at a rate of 21% and the state income tax at a rate from 8% to 8.87%. The Company's subsidiary Innoscience Europe NV incorporated in Belgium is liable to the Belgium Profits tax at a rate of 25%.

(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's subsidiaries Innoscience (Zhuhai) Technology Co., Ltd. obtained the certificate of high-technology enterprise in 2019 and renewed in 2022 and is subject to income tax rate at 15% in the Relevant Periods. The Company's subsidiaries Innoscience (Suzhou) Semiconductor Co., Ltd. obtained the certificate of high-technology enterprise on 12 December 2022 and is subject to income tax rate at 15% from 1 January 2023 to 31 December 2025.

(iii) Under the PRC EIT Law and its relevant regulations, 100% additional tax deduction is allowed for qualified research and development costs in the Relevant Periods.

(c) Deferred tax assets not recognized:

In accordance with the accounting policy set out in note 2(q), as at 31 December 2021, 2022 and 2023 and 30 June 2024, the Company and its subsidiaries have not recognized deferred tax assets in respect of their cumulative tax losses of RMB3,204,894,000, RMB4,864,010,000 and RMB6,143,556,000 and RMB6,648,823,000 and temporary differences of RMB186,162,000, RMB281,384,000 and RMB359,813,000 and RMB481,839,000, respectively as they have been loss-making for years and it is not considered probable that taxable profits in foreseeable future will be available against which the tax losses can be utilised. The tax losses arising from operations in Mainland China can be carried forward to offset against taxable profits of subsequent years for up to ten years from the year in which they arose.

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 2021

2021	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Equity-settled share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
Weiwei Luo	–	2,172	660	18	2,850	–	2,850
Jay Hyung Son	–	2,172	660	18	2,850	–	2,850
Shan Zhong (鍾山)	–	1,847	660	35	2,542	2,181	4,723
Non-executive directors							
Zuoyi Wu (吳作義) *(a)*	–	–	–	–	–	–	–
Hongbo Wang (王紅波) *(b)*	–	–	–	–	–	–	–
Ke Tang (唐科) *(c)*	–	–	–	–	–	–	–
Chengzhou Liao (廖承洲) *(d)*	–	–	–	–	–	–	–
Supervisors							
Xiaoqing Fei (費曉青) *(e)*	–	151	25	13	189	–	189
Huajun Yang (楊華君) *(f)*	–	–	–	–	–	–	–
Xingguo Peng (彭星國)	–	–	–	–	–	–	–
Shaolong Huang (黃少龍) *(g)*	–	–	–	–	–	–	–
Gang Huang (黃罡) *(h)*	–	–	–	–	–	–	–
	–	6,342	2,005	84	8,431	2,181	10,612

Year ended 31 December 2022

2022	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Equity-settled share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
Weiwei Luo	–	2,170	660	19	2,849	–	2,849
Jay Hyung Son	–	2,169	660	18	2,847	–	2,847
Shan Zhong (鍾山)	–	1,844	660	42	2,546	–	2,546
Di Han (韓迪) *(i)*	–	3,502	2,221	44	5,767	–	5,767
Non-executive directors							
Zuoyi Wu (吳作義) *(a)*	–	–	–	–	–	–	–
Hongbo Wang (王紅波) *(b)*	–	–	–	–	–	–	–
Ke Tang (唐科) *(c)*	–	–	–	–	–	–	–
Can Wang (汪燦) *(j)*	–	–	–	–	–	–	–
Yanhong Zhang (張彥紅) *(k)*	–	–	–	–	–	–	–
Supervisors							
Xiaoqing Fei (費曉青) *(e)*	–	240	27	17	284	–	284
Huajun Yang (楊華君) *(f)*	–	–	–	–	–	–	–
Xingguo Peng (彭星國)	–	–	–	–	–	–	–
Shaolong Huang (黃少龍) *(g)*	–	–	–	–	–	–	–
Gang Huang (黃罡) *(h)*	–	–	–	–	–	–	–
	–	9,925	4,228	140	14,293	–	14,293

Year ended 31 December 2023

2023	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Equity-settled share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
Weiwei Luo	–	2,168	660	18	2,846	–	2,846
Jay Hyung Son	–	2,163	658	–	2,821	–	2,821
Shan Zhong (鍾山)	–	1,859	660	46	2,565	–	2,565
Jingang Wu (吳金剛) *(l)*	–	4,004	2,191	43	6,238	26,405	32,643
Non-executive directors							
Zuoyi Wu (吳作義) *(a)*	–	–	–	–	–	–	–
Can Wang (汪燦) *(j)*	–	–	–	–	–	–	–
Yanhong Zhang (張彥紅) *(k)*	–	–	–	–	–	–	–
Mizi Cui (崔米子) *(n)*	–	–	–	–	–	–	–
Supervisors							
Xiaoqing Fei (費曉青) *(e)*	–	300	22	23	345	–	345
Huajun Yang (楊華君) *(f)*	–	–	–	–	–	–	–
Xingguo Peng (彭星國)	–	–	–	–	–	–	–
Shaolong Huang (黃少龍) *(g)*	–	–	–	–	–	–	–
Gang Huang (黃罡) *(h)*	–	–	–	–	–	–	–
Dianquan Jiao (焦殿權) *(m)*	–	1,371	660	43	2,074	1,267	3,341
Xi Huang (黃喜) *(o)*	–	–	–	–	–	–	–
	–	11,865	4,851	173	16,889	27,672	44,561

Six months ended 30 June 2024

30 June 2024	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Equity-settled share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
Weiwei Luo	–	1,084	330	10	1,424	–	1,424
Jay Hyung Son	–	1,081	329	–	1,410	–	1,410
Shan Zhong (鍾山)	–	875	330	23	1,228	–	1,228
Jingang Wu (吳金剛) *(l)*	–	2,000	700	23	2,723	28,878	31,601
Non-executive directors							
Zuoyi Wu (吳作義) *(a)*	–	–	–	–	–	–	–
Can Wang (汪燦) *(j)*	–	–	–	–	–	–	–
Yanhong Zhang (張彥紅) *(k)*	–	–	–	–	–	–	–
Mizi Cui (崔米子) *(n)*	–	–	–	–	–	–	–
Supervisors							
Xingguo Peng (彭星國)	–	–	–	–	–	–	–
Xi Huang (黃喜) *(o)*	–	–	–	–	–	–	–
Weifeng Ren (任衛峰) *(p)*	–	–	–	–	–	–	–
Guangyi Lai (賴廣禕) *(q)*	–	155	16	15	186	102	288
Shanyong Ke (柯善勇) *(r)*	–	353	150	25	528	473	1,001
	–	5,548	1,855	96	7,499	29,453	36,952

(Unaudited)
Six months ended 30 June 2023

30 June 2023	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Equity-settled share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
Weiwei Luo	–	1,084	330	9	1,423	–	1,423
Jay Hyung Son	–	1,081	329	–	1,410	–	1,410
Shan Zhong (鍾山)	–	922	330	23	1,275	–	1,275
Jingang Wu (吳金剛) *(l)*	–	2,002	1,096	21	3,119	12,002	15,121
Non-executive directors							
Zuoyi Wu (吳作義) *(a)*	–	–	–	–	–	–	–
Can Wang (汪燦) *(j)*	–	–	–	–	–	–	–
Yanhong Zhang (張彥紅) *(k)*	–	–	–	–	–	–	–
Mizi Cui (崔米子) *(n)*	–	–	–	–	–	–	–
Supervisors							
Xiaoqing Fei (費曉青) *(e)*	–	140	11	11	162	–	162
Huajun Yang (楊華君) *(f)*	–	–	–	–	–	–	–
Xingguo Peng (彭星國)	–	–	–	–	–	–	–
Shaolong Huang (黃少龍) *(g)*	–	–	–	–	–	–	–
Gang Huang (黃罡) *(h)*	–	–	–	–	–	–	–
Dianquan Jiao (焦殿權) *(m)*	–	681	330	21	1,032	283	1,315
Xi Huang (黃喜) *(o)*	–	–	–	–	–	–	–
	–	5,910	2,426	85	8,421	12,285	20,706

Notes:

(a) Zuoyi Wu (吳作義) was appointed as a non-executive director of the Company in January 2021 and resigned in July 2023.

(b) Hongbo Wang (王紅波) was appointed as a non-executive director of the Company in January 2021 and resigned in February 2022.

(c) Ke Tang (唐科) was appointed as a non-executive director of the Company in May 2021 and resigned in February 2022.

(d) Chengzhou Liao (廖承洲) was appointed as a non-executive director of the Company in January 2021 and resigned in May 2021.

(e) Xiaoqing Fei (費曉青) was appointed as a supervisor of the Company in January 2021 and resigned in July 2023. She was also the employee of the Group during the year ended 31 December 2023 and her remuneration disclosed above include those for services rendered by her as employee.

(f) Huajun Yang (楊華君) was appointed as a supervisor of the Company in January 2021 and resigned in July 2023.

(g) Shaolong Huang (黃少龍) was appointed as a supervisor of the Company in January 2021 and resigned in July 2023.

(h) Gang Huang (黃罡) was appointed as a supervisor of the Company in January 2021 and resigned in July 2023.

(i) Di Han (韓迪) was appointed as an executive director of the Company in February 2022 and resigned in December 2022. He was also the employee of the Group during the year ended 31 December 2022 and his remuneration disclosed above include those for services rendered by her as employee.

(j) Can Wang (汪燦) was appointed as a non-executive director of the Company in January 2022.

(k) Yanhong Zhang (張彥紅) was appointed as a non-executive director of the Company in January 2022.

(l) Jingang Wu (吳金剛) was appointed as an executive director of the Company in January 2023. He was also the employee of the Group during the year ended 31 December 2023 and his remuneration disclosed above include those for services rendered by him as employee.

(m) Dianquan Jiao (焦殿權) was appointed as a supervisor of the Company in July 2023 and resigned in December 2023. He was also the employee of the Group during the year ended 31 December 2023 and his remuneration disclosed above include those for services rendered by him as employee.

(n) Mizi Cui (崔米子) was appointed as an non-executive director of the Company in September 2023.

(o) Xi Huang (黃喜) was appointed as a supervisor of the Company in September 2023.

(p) Weifeng Ren (任衛峰) was appointed as a supervisor of the Company in April 2024.

(q) Guangyi Lai (賴廣禕) was appointed as a supervisor of the Company in May 2024. She was also the employee of the Group during the period ended 30 June 2024 and her remuneration disclosed above include those for services rendered by her as employee.

(r) Shanyong ke (柯善勇) was appointed as a supervisor of the Company in May 2024. He was also the employee of the Group during the period ended 30 June 2024 and his remuneration disclosed above include those for services rendered by him as employee.

In May 2024, Hin Wing Wong (黃顯榮), Jiming Yi (易繼明), Simon Shi-Ning Yang (楊士寧) and Philip Ching Ho Chan (陳正豪) were appointed as independent non-executive directors which will be effective upon the date of the listing.

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.

These represent the estimated value of the share options or restricted share units (Note 26) granted to the directors of the Company under the Company's share options scheme or restricted share units scheme. The value of these share options or restricted share units is measured according to the Group's accounting policy for share-based payment transactions as set out in Note 2(p)(ii). The details of the share options or restricted share units, including the principal arrangements are disclosed in Note 26.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the five individuals with the highest emoluments of the Group for the years ended 31 December 2021, 2022 and 2023 and six month ended 30 June 2023 and 2024, three, zero, one, one and one individuals' emoluments are disclosed in Note 8 and the emoluments in respect of the remaining two, five, four, four and four individuals during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries, allowance and benefits in kind	2,139	14,937	13,036	5,320	3,571
Discretionary bonuses	600	1,133	822	1,015	465
Retirement scheme contributions	12	246	474	291	273
Equity-settled share-based payments	1,641	10,460	11,223	4,885	8,835
	4,392	26,776	25,555	11,511	13,144

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

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals* *(unaudited)*	*Number of individuals*
HK$					
1,500,001 – 2,000,000	–	–	–	1	–
2,500,001 – 3,000,000	2	–	–	2	1
3,000,001 – 3,500,000	–	–	–	–	1
3,500,001 – 4,000,000	–	–	–	–	1
4,000,001 – 4,500,000	–	2	–	–	1
4,500,001 – 5,000,000	–	–	–	1	–
5,000,001 – 5,500,000	–	1	1	–	–
6,000,001 – 6,500,000	–	1	1	–	–
6,500,001 – 7,000,000	–	–	1	–	–
9,500,001 – 10,000,000	–	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

	Plant and Buildings	Equipment and machinery	Office equipment and furniture	Vehicles	Construction in progress	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At 1 January 2021	1,029,704	490,978	19,496	2,608	1,050,031	1,175	2,593,992
Additions	118,780	34,158	17,859	900	909,475	7,290	1,088,462
Transfer	340,817	798,196	8,903	394	(1,148,418)	108	–
Disposals	(707)	(6,930)	–	–	–	–	(7,637)
At 31 December 2021 and 1 January 2022	1,488,594	1,316,402	46,258	3,902	811,088	8,573	3,674,817
Additions	215	73,440	18,114	–	181,035	13,490	286,294
Transfer	153,743	582,504	8,093	13	(769,428)	12,327	(12,748)
Disposals	–	(14,246)	(1,120)	(2)	–	–	(15,368)
Exchange adjustments	–	95	18	–	–	10	123
At 31 December 2022 and 1 January 2023	1,642,552	1,958,195	71,363	3,913	222,695	34,400	3,933,118
Additions	22,508	30,380	2,491	53	209,453	3,875	268,760
Transfer	17,310	70,997	2,424	43	(101,628)	4,299	(6,555)
Disposals	–	(18,465)	(57)	–	–	–	(18,522)
Exchange adjustments	–	25	9	–	–	6	40
At 31 December 2023 and 1 January 2024	1,682,370	2,041,132	76,230	4,009	330,520	42,580	4,176,841
Additions	2,731	–	3,066	265	30,604	294	36,960
Transfer	263,099	20,170	814	–	(288,151)	691	(3,377)
Disposals	–	(6,185)	–	–	–	–	(6,185)
Exchange adjustments	–	(89)	(5)	–	–	(29)	(123)
At 30 June 2024	1,948,200	2,055,028	80,105	4,274	72,973	43,536	4,204,116

	Plant and Buildings	Equipment and machinery	Office equipment and furniture	Vehicles	Construction in progress	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation:							
At 1 January 2021	(21,224)	(93,330)	(4,938)	(1,002)	–	–	(120,494)
Charge for the year	(66,518)	(109,410)	(5,686)	(590)	–	(1,926)	(184,130)
Written back on disposals	126	955	–	–	–	–	1,081
At 31 December 2021 and 1 January 2022	(87,616)	(201,785)	(10,624)	(1,592)	–	(1,926)	(303,543)
Charge for the year	(76,769)	(282,968)	(10,686)	(657)	–	(11,242)	(382,322)
Written back on disposals	–	12,479	585	1	–	–	13,065
Exchange adjustments	–	(9)	(2)	–	–	(8)	(19)
At 31 December 2022 and 1 January 2023	(164,385)	(472,283)	(20,727)	(2,248)	–	(13,176)	(672,819)
Charge for the year	(82,067)	(339,991)	(13,449)	(506)	–	(9,096)	(445,109)
Written back on disposals	–	2,481	23	–	–	–	2,504
Exchange adjustments	–	(7)	(3)	–	–	(2)	(12)
At 31 December 2023 1 January 2024	(246,452)	(809,800)	(34,156)	(2,754)	–	(22,274)	(1,115,436)
Charge for the period	(41,401)	(161,023)	(6,822)	(232)	–	(4,058)	(213,536)
Written back on disposals	–	4,882	–	–	–	–	4,882
Exchange adjustments	–	8	2	–	–	5	15
At 30 June 2024	(287,853)	(965,933)	(40,976)	(2,986)	–	(26,327)	(1,324,075)
Net book value:							
At 31 December 2021	1,400,978	1,114,617	35,634	2,310	811,088	6,647	3,371,274
At 31 December 2022	1,478,167	1,485,912	50,636	1,665	222,695	21,224	3,260,299
At 31 December 2023	1,435,918	1,231,332	42,074	1,255	330,520	20,306	3,061,405
At 30 June 2024	1,660,347	1,089,095	39,129	1,288	72,973	17,209	2,880,041

Property, plant and equipment with net book value of RMB1,316,922,000, RMB1,877,676,000 and RMB1,735,254,000 and RMB1,467,261,000 were pledged as security for bank loans (see Note 22(c)(i)) as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively.

12 RIGHT-OF-USE ASSETS

	Land use rights (a)	Office building (b)	Equipment and machinery	Passenger vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:					
At 1 January 2021	58,154	440	20,541	–	79,135
Additions	–	15,079	14,830	190	30,099
Disposals	–	(440)	(65)	–	(505)
Exchange adjustments	–	(47)	–	–	(47)
At 31 December 2021 and 1 January 2022	58,154	15,032	35,306	190	108,682
Additions	–	1,305	19,754	539	21,598
Disposals	–	–	(20,476)	–	(20,476)
Exchange adjustments	–	382	–	18	400

	Land use rights (a)	Office building (b)	Equipment and machinery	Passenger vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2022 and 1 January 2023	58,154	16,719	34,584	747	110,204
Additions	–	1,623	737	–	2,360
Disposals	–	(1,221)	–	–	(1,221)
Exchange adjustments	–	75	–	3	78
At 31 December 2023 and 1 January 2024	58,154	17,196	35,321	750	111,421
Additions	–	2,431	317	–	2,748
Disposals	–	(323)	–	(750)	(1,073)
Exchange adjustments	–	(87)	–	–	(87)
At 30 June 2024	58,154	19,217	35,638	–	113,009
Accumulated depreciation:					
At 1 January 2021	(3,774)	(323)	(14,968)	–	(19,065)
Charge for the year	(1,358)	(2,241)	(5,372)	(32)	(9,003)
Written back on disposals	–	440	65	–	505
Exchange adjustments	–	3	–	–	3
At 31 December 2021 and 1 January 2022	(5,132)	(2,121)	(20,275)	(32)	(27,560)
Charge for the year	(1,358)	(4,391)	(4,897)	(113)	(10,759)
Written back on disposals	–	–	20,476	–	20,476
Exchange adjustments	–	(85)	–	(7)	(92)
At 31 December 2022 and 1 January 2023	(6,490)	(6,597)	(4,696)	(152)	(17,935)
Charge for the year	(1,358)	(4,546)	(3,544)	(183)	(9,631)
Written back on disposals	–	1,221	–	–	1,221
Exchange adjustments	–	(46)	–	(4)	(50)
At 31 December 2023 and 1 January 2024	(7,848)	(9,968)	(8,240)	(339)	(26,395)
Charge for the period	(679)	(2,518)	(1,817)	(36)	(5,050)
Written back on disposals	–	323	–	375	698
Exchange adjustments	–	41	–	–	41
At 30 June 2024	(8,527)	(12,122)	(10,057)	–	(30,706)
Net book value:					
At 31 December 2021	53,022	12,911	15,031	158	81,122
At 31 December 2022	51,664	10,122	29,888	595	92,269
At 31 December 2023	50,306	7,228	27,081	411	85,026
At 30 June 2024	49,627	7,095	25,581	–	82,303

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

	At 31 December			At 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:					
Land use rights	(1,358)	(1,358)	(1,358)	(679)	(679)
Properties leased for own use	(7,645)	(9,401)	(8,273)	(4,087)	(4,371)
	(9,003)	(10,759)	(9,631)	(4,766)	(5,050)

	At 31 December			At 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest on lease liabilities *(Note 6(a))*	1,010	1,973	1,747	907	782
Expense relating to short-term leases	2,771	2,654	2,655	1,307	1,551

During the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024, additions to right-of-use assets of the Group were RMB30,099,000, RMB21,598,000 and RMB2,360,000 and RMB2,748,000 respectively. This amount was primarily related to the capitalised lease payments payable under new tenancy agreements and lease of machines and equipment.

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(d), 23 and 28(b), respectively.

(a) Land use rights

Land in respect of land use rights are all located in the PRC with a lease period of 30 to 50 years when granted.

Land use rights with net book value of RMB53,022,000, RMB51,664,000 and RMB50,306,000 and RMB38,220,000 are pledged as security for bank loans (see Note 22(c)(i)) as at 31 December 2021 and 2022 and 2023 and 30 June 2024, respectively.

(b) Properties and land leased for own use

The Group has obtained the right to use properties and land through tenancy agreements. The leases typically run for an initial period of 2 to 10 years.

Some leases include an option to terminate the lease before the end of the contract term. The Group considers it reasonably certain not to exercise the option to early terminate at lease commencement date.

13 INTANGIBLE ASSETS

	Non-patented technology	Software	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January 2021	700,000	9,212	709,212
Additions	–	22,069	22,069
At 31 December 2021 and 1 January 2022	700,000	31,281	731,281
Additions	–	7,136	7,136
Transfer from construction in progress	–	12,748	12,748
At 31 December 2022 and 1 January 2023	700,000	51,165	751,165
Additions	–	474	474
Transfer from construction in progress	–	6,555	6,555
At 31 December 2023 and 1 January 2024	700,000	58,194	758,194
Additions	–	28	28
Transfer from construction in progress	–	3,377	3,377
At 30 June 2024	700,000	61,599	761,599
Accumulated amortisation:			
At 1 January 2021	(256,667)	(507)	(257,174)
Charge for the year	(70,000)	(2,105)	(72,105)
At 31 December 2021 and 1 January 2022	(326,667)	(2,612)	(329,279)
Charge for the year	(70,000)	(6,700)	(76,700)
At 31 December 2022 and 1 January 2023	(396,667)	(9,312)	(405,979)
Charge for the year	(70,000)	(9,575)	(79,575)
At 31 December 2023 and 1 January 2024	(466,667)	(18,887)	(485,554)
Charge for the period	(35,000)	(4,970)	(39,970)
At 30 June 2024	(501,667)	(23,857)	(525,524)

	Non-patented technology	Software	Total
	RMB'000	*RMB'000*	*RMB'000*
Net book value:			
At 31 December 2021	373,333	28,669	402,002
At 31 December 2022	303,333	41,853	345,186
At 31 December 2023	233,333	39,307	272,640
At 30 June 2024	198,333	37,742	236,075

14 OTHER NON-CURRENT ASSETS

The Group

	At 31 December			At 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments for property, plant and equipment	160,263	56,782	46,757	64,094
Deposits for leaseback assets	3,750	13,044	13,895	10,541
	164,013	69,826	60,652	74,635

The Company

	At 31 December			At 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from subsidiaries *(i)*	88,732	833,861	1,210,088	483,242
Prepayments for property, plant and equipment	18,848	–	–	–
	107,580	833,861	1,210,088	483,242

(i) The amounts are interest-free and have no fixed repayment terms which are deemed to be net investments in the subsidiaries.

15 INVESTMENTS IN SUBSIDIARIES

The Company

	At 31 December			At 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investment in subsidiaries, at cost	4,762,234	5,347,634	5,957,134	7,002,479

Details of the subsidiaries are set out in Note 1.

16 INVENTORIES

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

	At 31 December			At 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	36,352	45,077	33,317	34,926
Semi-finished products and WIP	32,418	122,851	202,156	320,084
Finished products	13,218	214,138	181,315	85,651
	81,988	382,066	416,788	440,661

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

	At 31 December			At 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount of inventories used	178,566	451,017	941,210	415,603
Write-down/(reversal) of inventories	56,446	64,292	(1,968)	45,502
	235,012	515,309	939,242	461,105

17 TRADE AND OTHER RECEIVABLES

	At 31 December			At 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables, net of loss allowance	37,641	50,247	215,236	285,453
Prepayments	14,309	26,208	49,877	34,370
VAT recoverable	161,844	39,646	46,368	39,547
Other receivables and deposits, net of loss allowance	11,125	34,308	25,532	28,191
	224,919	150,409	337,013	387,561

All of trade and other receivables are due from third parties and are expected to be recovered or recognized as expenses 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			At 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	37,641	50,247	215,208	283,467
Over 1 year but less than 2 years	–	–	28	1,986
	37,641	50,247	215,236	285,453

Details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 28(a).

18 FINANCIAL ASSETS MEASURED AT FAIR VALUE

(a) Financial assets measured at FVPL

The Group

	At 31 December			At 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Wealth management products	1,000,211	658,857	20,074	70,394

The Company

	At 31 December			At 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Wealth management products	1,000,211	642,208	–	70,394

The Group's wealth management products were purchased from banks in the PRC and Korea with variable interest rate during the Relevant Periods and were fully recovered subsequently.

(b) Financial assets measured at FVOCI:

The Group

	At 31 December			At 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Negotiable certificate of deposits with banks	–	–	–	201,533

The Company

	At 31 December			At 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Negotiable certificate of deposits with banks	–	–	–	146,154

The Group invested in certain negotiable certificate of deposits with banks in the PRC. The negotiable certificate of deposits were transferable and carried at fixed interest rate ranged from 2.35% to 2.70% per annum. The directors of the Group determine such negotiable certificate of deposits are mainly for the purpose of short-term fund management to collect contractual payments, which will be sold in the secondary market within one year, depending on the cash needs. Therefore, the negotiable certificate of deposits are classified as current financial assets at FVOCI.

19 PLEDGED BANK DEPOSITS

	At 31 December			At 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Pledged bank deposits	17,534	25,323	8,828	22,789

As at 31 December 2021, 2022 and 2023 and 30 June 2024, the Group's pledged bank deposits include frozen deposit accounts and deposits for letters of credits or guarantees, such as customs deposits, foreign exchange settlement deposits and suppliers' guarantee deposits.

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group

	At 31 December			At 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	1,278,701	710,841	328,978	447,690
Non-negotiable certificate of deposits with banks *(Note)*	–	–	–	12,014
	1,278,701	710,841	328,978	459,704

The Company

	At 31 December			At 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	919,780	467,974	115,001	168,818

Note: Non-negotiable certificate of deposits with banks carried at a fixed interest rate of 1.7% per annum and have a maturity of less than three months.

(b) Reconciliation of loss before taxation to cash generated from operations:

		Year ended 31 December			At 30 June	
	Note	2021	2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Loss before taxation		(3,399,342)	(2,205,409)	(1,101,932)	(579,696)	(487,834)
Adjustments for:						
– Depreciation of property, plant and equipment	6(c)	184,130	382,322	445,109	233,165	213,536
– Depreciation of right-of-use assets	6(c)	9,003	10,759	9,631	4,766	5,050
– Amortisation of intangible assets	6(c)	72,105	76,700	79,575	40,018	39,970

	Note	Year ended 31 December 2021	2022	2023	At 30 June 2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
– Net loss/(gain) on disposal of property, plant and equipment	5	225	1,418	(9,112)	–	(3,756)
– Write-down/(reversal) of inventories		56,446	64,292	(1,968)	(5,188)	45,502
– Finance costs	6(a)	2,392,135	1,029,624	118,912	62,812	44,124
– Interest income from financial assets measured at FVOCI	5	–	–	–	–	(2,087)
– Net realized and unrealized gains on financial assets measured at FVPL	5	(211)	(28,586)	(5,590)	(4,840)	(877)
– Impairment loss on trade and other receivables		241	128	1,559	597	842
– Equity-settled share-based transactions		19,716	30,596	86,363	30,722	88,103
Changes in working capital:						
(Increase)/decrease in inventories		(116,069)	(364,370)	(32,754)	38,111	(69,375)
Decrease/(Increase) in pledged bank deposits		19,466	(7,789)	16,495	11,523	(13,961)
Decrease/(Increase) in trade and other receivables		43,665	65,088	(189,014)	(47,989)	(45,960)
Increase/(decrease) in trade and other payables		199,997	5,050	(80,562)	(45,743)	21,024
(Decrease)/increase in deferred income		(43,645)	3,948	69,690	20,807	10,345
Cash used in operations		(562,138)	(936,229)	(593,598)	(240,935)	(155,354)

(c) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group'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 Group's cash flow statement as cash flows from financing activities.

	Loans and borrowings	Lease liabilities	Financial instruments issue to investors	Total
	RMB'000 (Note 22)	RMB'000 (Note 23)	RMB'000 (Note 25)	RMB'000
At 1 January 2021	1,568,834	4,674	2,032,714	3,606,222
Changes from financing cash flows:				
Capital element of lease rentals paid	–	(5,770)	–	(5,770)
Interest element of lease rentals paid	–	(1,010)	–	(1,010)
Proceeds from loans and borrowings	492,117	–	–	492,117
Repayment of loans and borrowings	(76,172)	–	–	(76,172)
Proceeds from the issue of financial instruments to investors	–	–	3,546,500	3,546,500
Interest of loans and borrowings paid	(130,810)	–	–	(130,810)
Total changes from financing cash flows	285,135	(6,780)	3,546,500	3,824,855

	Loans and borrowings	Lease liabilities	Financial instruments issue to investors	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 22)	*(Note 23)*	*(Note 25)*	
Other changes:				
Increase in lease liabilities from entering into new leases during the year *(Note 12)*	–	30,099	–	30,099
Changes in the carrying amount of liabilities recognized for financial instruments issued to investors *(Note 25)*	–	–	2,298,862	2,298,862
Interest expenses *(Note 6(a))*	96,424	1,010	–	97,434
Total other changes	96,424	31,109	2,298,862	2,426,395
At 31 December 2021	1,950,393	29,003	7,878,076	9,857,472

	Loans and borrowings	Lease liabilities	Financial instruments issue to investors	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 22)	*(Note 23)*	*(Note 25)*	
At 1 January 2022	1,950,393	29,003	7,878,076	9,857,472
Changes from financing cash flows:				
Capital element of lease rentals paid	–	(7,721)	–	(7,721)
Interest element of lease rentals paid	–	(1,973)	–	(1,973)
Proceeds from loans and borrowings	788,351	–	–	788,351
Repayment of loans and borrowings	(664,859)	–	–	(664,859)
Proceeds from the issue of financial instruments to investors	–	–	480,100	480,100
Interest of loans and borrowings paid	(133,740)	–	–	(133,740)
Total changes from financing cash flows	(10,248)	(9,694)	480,100	460,158
Other changes:				
Increase in lease liabilities from entering into new leases during the year *(Note 12)*	–	21,598	–	21,598
Changes in the carrying amount of liabilities recognized for financial instruments issued to investors *(Note 25)*	–	–	897,996	897,996
Interest expenses *(Note 6(a))*	130,576	1,973	–	132,549
Termination of financial instruments issued to investors	–	–	(9,256,172)	(9,256,172)
Total other changes	130,576	23,571	(8,358,176)	(8,204,029)
At 31 December 2022	2,070,721	42,880	–	2,113,601

	Loans and borrowings	Lease liabilities	Total
	RMB'000 (Note 22)	RMB'000 (Note 23)	RMB'000
At 1 January 2023	2,070,721	42,880	2,113,601
Changes from financing cash flows:			
Capital element of lease rentals paid	–	(7,823)	(7,823)
Interest element of lease rentals paid	–	(1,747)	(1,747)
Proceeds from loans and borrowings	266,155	–	266,155
Repayment of loans and borrowings	(298,112)	–	(298,112)
Interest of loans and borrowings paid	(105,270)	–	(105,270)
Total changes from financing cash flows	(137,227)	(9,570)	(146,797)
Other changes:			
Increase in lease liabilities from entering into new leases during the year *(Note 12)*	–	2,360	2,360
Interest expenses *(Note 6(a))*	121,079	1,747	122,826
Total other changes	121,079	4,107	125,186
At 31 December 2023	2,054,573	37,417	2,091,990

	Loans and borrowings	Lease liabilities	Total
	RMB'000 (Note 22)	RMB'000 (Note 23)	RMB'000
At 1 January 2024	2,054,573	37,417	2,091,990
Changes from financing cash flows:			
Capital element of lease rentals paid	–	(4,279)	(4,279)
Interest element of lease rentals paid	–	(782)	(782)
Proceeds from loans and borrowings	170,764	–	170,764
Repayment of loans and borrowings	(171,601)	–	(171,601)
Interest of loans and borrowings paid	(37,929)	–	(37,929)
Total changes from financing cash flows	(38,766)	(5,061)	(43,827)
Other changes:			
Increase in lease liabilities from entering into new leases during the period *(Note 12)*	–	2,748	2,748
Interest expenses *(Note 6(a))*	46,571	782	47,353
Total other changes	46,571	3,530	50,101
At 30 June 2024	2,062,378	35,886	2,098,264
Unaudited:			
At 1 January 2023	2,070,721	42,880	2,113,601
Changes from financing cash flows:			
Capital element of lease rentals paid	–	(3,671)	(3,671)
Interest element of lease rentals paid	–	(907)	(907)
Proceeds from loans and borrowings	178,135	–	178,135
Repayment of loans and borrowings	(131,147)	–	(131,147)
Interest of loans and borrowings paid	(51,519)	–	(51,519)
Total changes from financing cash flows	(4,531)	(4,578)	(9,109)

	Loans and borrowings	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Note 22)	*(Note 23)*	
Other changes:			
Increase in lease liabilities from entering into new leases during the year	–	2,360	2,360
Interest expenses *(Note 6(a))*	63,432	907	64,339
Total other changes	63,432	3,267	66,699
At 30 June 2023 (unaudited)	2,129,622	41,569	2,171,191

(d) Total cash outflow for leases

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

	At 31 December			At 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Within operating cash flows	2,771	2,654	2,655	1,307	1,551
Within financing cash flows	6,780	9,694	9,570	4,578	5,061
	9,551	12,348	12,225	5,885	6,612

These amounts are related to lease rentals paid.

21 TRADE AND OTHER PAYABLES

The Group

	At 31 December			At 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	76,561	103,306	89,376	89,111
Accrued payroll	72,045	69,846	67,130	43,733
Tax payable	8,885	11,787	10,820	18,316
Other payables and accruals	680,293	380,593	242,647	266,890
Trade and other payables	837,784	565,532	409,973	418,050

The Company

	At 31 December			At 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accrued payroll	1,122	1,806	1,189	813
Tax payable	968	127	86	59
Other payables and accruals	1,710	4,941	36,146	80,410
Trade and other payables	3,800	6,874	37,421	81,282

(a) All trade and other payables are due to third parties expected to be settled or recognized 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 (which are included in trade and other payables), based on the invoice date, is as follows:

The Group

	At 31 December			At 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	73,535	99,946	86,504	87,554
After 3 months but within 6 months	1,208	1,192	133	1,177
After 6 months but within 12 months	913	784	910	42
After 12 months	905	1,384	1,829	338
	76,561	103,306	89,376	89,111

22 LOANS AND BORROWINGS

(a) Loans and borrowings comprise:

	At 31 December			At 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	1,521,595	1,854,939	1,922,454	1,983,026
Loan from a shareholder of the Company *(i)*	364,950	–	–	–
Other loans *(ii)*	63,848	215,782	132,119	79,352
	1,950,393	2,070,721	2,054,573	2,062,378

(i) As at 31 December 2021, the Group had a short-term interest-bearing loan of RMB364,950,137 from Suzhou Wujiang Industrial Investment Co., Ltd., a shareholder of the Company, bearing interest at 8% per annum and the loan was repaid in 2022.

(ii) In June 2018, the Group signed sale and leaseback agreements with Xinjiang Hengtai Finance Leasing Co., Ltd. (hereinafter referred to as "Xinjiang Hengtai") to sell and lease back certain machinery and equipment amounting to RMB40,000,000 to Xinjiang Hengtai. The rent will be paid in instalments within the next three years. It is considered as a mortgage loan in substance with an annual effective interest rate of 7.25%.

In April 2021 and May 2022, the Group signed sale and leaseback agreements with Xinxin Finance Leasing Co., Ltd. (hereinafter referred to as "Xinxin Finance Leasing") to sell and lease back certain machinery and equipment amounting to RMB75,000,000 and RMB200,000,000 to Xinxin Finance Leasing respectively. The rents will be paid in instalments within the next three years. It is considered as a mortgage loan in substance with an annual effective interest rate of LPR rate plus 137.5 basis points and LPR rate plus 130 basis points respectively.

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

	At 31 December			At 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year or on demand	721,968	438,370	508,489	541,440
After 1 year but within 2 years	241,636	356,840	400,812	424,851
After 2 years but within 5 years	692,922	1,162,451	1,063,080	1,034,436
More than 5 years	293,867	113,060	82,192	61,651
	1,228,425	1,632,351	1,546,084	1,520,938
	1,950,393	2,070,721	2,054,573	2,062,378

(c) As of the end of each reporting period, loans and borrowings were guaranteed and secured as follows:

	At 31 December			At 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured bank loans *(i)*	1,237,923	1,034,788	928,819	850,967
Unsecured bank loans	712,470	1,035,933	1,125,754	1,211,411
	1,950,393	2,070,721	2,054,573	2,062,378

(i) Loans and borrowings of the Group were secured by the following assets of the Group:

	At 31 December			At 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	1,316,922	1,877,676	1,735,254	1,467,261
Right-of-use assets	53,022	51,664	50,306	38,220
	1,369,944	1,929,340	1,785,560	1,505,481

As at 30 June 2024, the Group has certain bank loan agreements that include covenants relating to requirements of specific financial performance indicators on the borrowers, such as debt-to-asset ratio, current ratio for each fiscal year. Failure to achieve the requirements may cause the lenders to demand immediate repayment of the loans.

As at 30 June 2024, the aggregate amount of bank loan balances with such covenants is RMB1,564,200,000, RMB230,940,000 will mature within 1 year, RMB324,927,000 will mature after 1 year but within 2 years, RMB946,682,000 will mature after 2 years but within 5 years and RMB61,651,000 will mature after 5 years.

There was no non-compliance with loan covenants as at 30 June 2024.

23 LEASE LIABILITIES

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

	At 31 December			At 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	5,767	7,445	7,927	8,098
After 1 year but within 2 years	5,085	7,276	7,520	6,522
After 2 years but within 5 years	11,137	13,630	11,434	14,059
After 5 years	7,014	14,529	10,536	7,207
	23,236	35,435	29,490	27,788
	29,003	42,880	37,417	35,886

24 DEFERRED INCOME

	Year ended 31 December			At 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Government grants	51,880	55,828	125,518	135,863

Government grants are related to assets which were obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets in relation to research and development projects.

25 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS

Pursuant to the agreements between the Company and its investors, certain investors were granted the right to require the Company to redeem their paid-in capital for cash upon specified events, including: (i) a qualified IPO does not occur before specified dates; (ii) a material breach on the Agreement by the Company or the founders, of any of their representations, warranties or undertakings under the Agreement; (iii) the Company or the founders commit certain acts so that the Company can no longer operate; and (iv) a change in the actual controllers of the Company (the "Redemption Right").

The redemption price of the shares shall equal to the higher amount of (i) the aggregate of the original issue price plus an amount accruing annually at 8% or 10% of the original issue price per annum plus all accumulated undistributed dividends; or (ii) the fair market price of the original issue shares at the date of the redemption.

The Company recognized its obligation to pay cash to those investors with Redemption Right as financial liabilities, because not all triggering events are within the control of the Company. The financial liabilities are measured at the highest present value of the settlement amounts that can arise.

The movements of the redemption liabilities during the Relevant Periods are as follows:

	Year ended 31 December			At 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	2,032,714	7,878,076	–	–
Recognition of financial instruments issued to investors	3,546,500	480,100	–	–
Changes in the carrying amount	2,298,862	897,996	–	–
Termination of financial instruments issued to investors *(Note)*	–	(9,256,172)	–	–
At the end of the year/period	7,878,076	–	–	–

Note: In September 2022, pursuant to the supplementary agreement signed by the Company and the investors with Redemption Right, the investors' Redemption Right granted in previous years were terminated. Hence, the redemption liabilities were reclassified to equity thereafter.

26 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

(a) Share options schemes

54,861,000 share options were issued to employees of the Group on the date of respective employees joining the Group from 2016 until the end of the Relevant Periods. On 1 January 2023, the shareholders of the Company approved an option scheme and authorized the Board of Directors and Chairman of the Board for further implementation. Following the shareholders' approval, certain modifications were made by the Board mainly to vesting conditions and exercise price of options granted and to be granted as detailed below.

In February 2024, all the 42,092,000 outstanding share options as at 31 December 2023 were replaced with 42,092,000 restricted share units of the Company under a new restricted share units (the "RSU") scheme adopted by the Group as detailed in Note 26(b).

(i) The terms and conditions of the grants are as follows:

	Number of options	Vesting conditions
Options granted to employees during:		
from 1 February 2016 to 31 December 2022	39,788,200	over four years with 75% vested at the end of the third year and 25% at the end of the fourth year, or over four years with every 25% vested at each year end of the four years
from 1 January 2023 to 31 December 2023	15,072,800	over four years with 75% vested at the end of the third year and 25% at the end of the fourth year
	54,861,000	

(ii) The number and weighted average exercise prices of share options are as follows:

	31 December			As at 30 June
	2021	2022	2023	2024
	Number of options	*Number of options*	*Number of options*	*Number of options*
Outstanding at the beginning of the year/period	21,681,200	27,999,400	34,719,400	42,092,200
Granted during the year/period	6,838,200	7,020,000	15,072,800	–
Forfeited during the year/period	(280,000)	(150,000)	(1,830,000)	–
Cancelled during the year/period	(240,000)	(150,000)	(5,870,000)	–
Replaced by RSUs during the year/period	–	–	–	(42,092,200)
Outstanding at the end of the year/period	27,999,400	34,719,400	42,092,200	–
Exercisable at the end of the year/period	16,568,300	21,190,100	23,371,100	–

(iii) Fair value of share options and assumptions

The fair value of services received in return for share options is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial tree model. Expectations of early exercise are incorporated into the binomial tree model.

Fair value of share options and assumptions	Years ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
				(Unaudited)	
Fair value at measurement date	RMB7.25 to RMB13.70	RMB13.70 to RMB16.09	RMB16.09 to RMB25.88	RMB16.09	–
Exercise price	RMB0.00	RMB0.00/ RMB0.25	RMB0.00/ RMB0.25	RMB0.00/ RMB0.25	–
Expected volatility (expressed as weighted average volatility used in the modelling under binomial tree model)	56.06% to 56.63%	54.12% to 55.45%	51.30% to 53.47%	52.79% to 54.12%	–
Expected dividend yield	0%	0%	0%	0%	–
Average risk-free interest rate	2.77% to 3.19%	2.76% to 2.83%	2.55% to 2.85%	2.64% to 2.85%	–

Share options were granted under a service condition. This condition has been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. The valuation of the options is based on the best estimates from Company by taking into account a number of assumptions and is subject to limitation of the valuation model. Changes in the subjective input assumptions could materially affect the fair value estimate.

(b) Restricted Share Unit Scheme

In February 2024, the Group adopted a RSU scheme ("the Scheme") to replace the share options schemes for purpose of providing incentives to eligible employees of the Group. And this replacement was deemed as a modification as the type of equity instrument granted was modified from share options to RSU, the exercise price was increased and the service condition was revised as detailed below. The participant of the RSU Scheme invested in the Company by the way of acquiring share capital of the Company from the existing shareholder through an employee share purchase platform (the "Platform").

The Scheme contains certain service conditions and non-market performance conditions. The RSUs shall vest over four years with 75% at the end of the third year and 25% at the end of the fourth year or vest over the years before the completion of initial public offering ("IPO") of the Company subject to the later one of the two. If employments relationship of the grantees is terminated before the RSUs become vested, these employees have to transfer out their equity interests to the person designed by the general partner of the Platform at the initial purchase price paid by the grantees. Such term is a non-market condition and represents a service period over three or four years respectively.

(i) ***The number and weighted average exercise prices of RSUs are as follows:***

	As at 30 June
	2024
	Number of RSUs
Outstanding at the beginning of the period	–
Share options replaced by RSUs during the period	42,092,200
Granted during the period	7,921,142
Forfeited during the period	(454,000)
Cancelled during the period	(190,000)
Outstanding at the end of the period	49,369,342

(ii) ***Fair value of RSUs***

The fair value of services received in return for RSUs is measured by reference to the fair value of RSUs granted. The estimate of the fair value of the newly granted RSUs is measured based on an equity allocation model.

Fair value of RSUs and assumptions	Six months ended 30 June
	2024
Fair value at measurement date	RMB26.11 to RMB26.55
Exercise price	RMB1.00
Expected dividend yield	0%

27 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Note	Paid-in capital	Capital reserve	Share capital	Share premium	Accumulated losses	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Note 27(c))	*(Note 27(e)(ii))*	*(Note 27(d))*	*(Note 27(e)(i))*		
Balance at 1 January 2021		3,001,816	(1,056,137)	–	–	(709,099)	1,236,580
Loss for the year		–	–	–	–	(2,321,397)	(2,321,397)
Other comprehensive income		–	–	–	–	–	–
Total comprehensive income		–	–	–	–	(2,321,397)	(2,321,397)
Issuance of financial instruments to investors	25, 27(c)	949,954	2,596,546	–	–	–	3,546,500
Recognition of financial instruments issued to investors as current liabilities	25	–	(3,546,500)	–	–	–	(3,546,500)
Equity-settled share-based transactions	26	–	2,182	–	–	–	2,182

	Note	Paid-in capital RMB'000 (Note 27(c))	Capital reserve RMB'000 (Note 27(e)(ii))	Share capital RMB'000 (Note 27(d))	Share premium RMB'000 (Note 27(e)(i))	Accumulated losses RMB'000	Total equity RMB'000
Balance at 31 December 2021 and 1 January 2022		3,951,770	(2,003,909)	–	–	(3,030,496)	(1,082,635)
Loss for the year		–	–	–	–	(884,623)	(884,623)
Other comprehensive income		–	–	–	–	–	–
Total comprehensive income		–	–	–	–	(884,623)	(884,623)
Issuance of financial instruments to investors	*25, 27(c)*	94,257	385,843	–	–	–	480,100
Recognition of financial instruments issued to investors as current liabilities	*25*	–	(480,100)	–	–	–	(480,100)
Termination of financial instruments issued to investors	*25*	–	9,256,172	–	–	–	9,256,172
Balance at 31 December 2022		4,046,027	7,158,006	–	–	(3,915,119)	7,288,914
Balance at 1 January 2023		4,046,027	7,158,006	–	–	(3,915,119)	7,288,914
Loss for the year		–	–	–	–	(59,175)	(59,175)
Other comprehensive income		–	–	–	–	–	–
Total comprehensive income		–	–	–	–	(59,175)	(59,175)
Capital reduction and conversion to a joint stock company	*27(c)*	(4,046,027)	(6,749,263)	800,000	9,707,737	287,553	–
Capital injection from shareholders	*27(d)*	–	–	711	19,289	–	20,000
Equity-settled share-based transactions	*26*	–	321	–	–	–	321
Balance at 31 December 2023 and 1 January 2024		–	409,064	800,711	9,727,026	(3,686,741)	7,250,060
Loss for the period		–	–	–	–	(83,722)	(83,722)
Other comprehensive income		–	–	–	–	–	–
Total comprehensive income		–	–	–	–	(83,722)	(83,722)
Capital injection from shareholders	*27(d)*	–	–	33,077	607,600	–	640,677
Equity-settled share-based transactions	*26*	–	307	–	–	–	307
Balance at 30 June 2024		–	409,371	833,788	10,334,626	(3,770,463)	7,807,322

(b) Dividends

No dividends were paid or declared by the Company or any of its subsidiaries during the Relevant Periods.

(c) Paid-in capital

	Total
	RMB'000
Balance at 1 January 2021	3,001,816
Issuance of financial instruments to investors	949,954
Balance at 31 December 2021 and 1 January 2022	3,951,770
Issuance of financial instruments to investors	94,257
Balance at 31 December 2022 and 1 January 2023	4,046,027
Conversion into a joint stock company *(Note 27(d))*	(4,046,027)
Balance at 31 December 2023, 1 January 2024 and 30 June 2024	–

(d) Share capital

Issued and fully paid:

	Numbers of ordinary shares	Share capital	Share premium	Total
	'000	*RMB'000*	*RMB'000*	*RMB'000*
Issued and fully paid				
At 1 January 2021, 31 December 2021, 31 December 2022 and 1 January 2023	–	–	–	–
Issue of ordinary shares upon conversion into a joint stock company *(i)*	800,000	800,000	9,707,737	10,507,737
Capital injection from shareholders	711	711	19,289	20,000
At 31 December 2023 and 1 January 2024	800,711	800,711	9,727,026	10,527,737
Capital injection from shareholders	33,077	33,077	607,600	640,677
At 30 June 2024	833,788	833,788	10,334,626	11,168,414

(i) In September 2023, 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 800,000,000 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.

(e) 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 mainly comprises the following:

– the fair value of unexercised share options or restricted share units;

– amounts in relation to the recognition of the financial instruments issued to investors (see Note 25);

– the excess of the net contributions from the shareholders of the Company over the total paid-in capital issued;

(iii) Exchange reserve

The exchange reserve comprises the foreign exchange differences arising from the translation of the financial statements of foreign operations.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group'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 Group 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.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group 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 Group. The Group's credit risk is primarily attributable to trade and other receivables.

The Group'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 Group considers to have low credit risk.

Trade receivables

The Group 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 Group does not obtain collateral from customers.

Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. The trade receivables from the Group's five largest customers at 31 December 2021, 2022 and 2023 and 30 June 2024 represented 75%, 32% and 39% and 51% of the total trade receivables respectively, while 48.08%, 7.26% and 15.91% and 35.02% of the total trade receivables were due from the largest single customer respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group'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 Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	2021		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Within 1 year	1%	38,021	380

	2022		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Within 1 year	1%	50,755	508

	2023		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Within 1 year	1%	217,274	2,066
Over 1 year but less than 2 years	5%	29	1
		217,303	2,067

	As at 30 June 2024		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Within 1 year	1%	286,272	2,805
Over 1 year but less than 2 years	5%	2,090	104
		288,362	2,909

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 Group'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			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January	139	380	508	508	2,067
Impairment losses recognized during the year/period	241	128	1,559	597	842
	380	508	2,067	1,105	2,909

Other receivables and deposits

Credit risk in respect of other receivables and deposits is limited since the balance mainly includes deposits to suppliers.

The Group measures loss allowances for 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 Group assessed that there is no significant loss allowance recognized in accordance with HKFRS 9 for other receivables and deposits as at 31 December 2021, 2022 and 2023 and 30 June 2024.

(b) Liquidity risk

The Group'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 Group'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 Group can be required to pay.

	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	821,545	298,174	738,613	307,817	2,166,149	1,950,393
Trade and other payables	837,784	–	–	–	837,784	837,784
Lease liabilities	6,926	6,021	12,722	7,774	33,443	29,003
Financial instruments issued to investors	7,878,076	–	–	–	7,878,076	7,878,076
	9,544,331	304,195	751,335	315,591	10,915,452	10,695,256

	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	527,704	429,876	1,219,160	118,256	2,294,996	2,070,721
Trade and other payables	565,532	–	–	–	565,532	565,532
Lease liabilities	9,116	8,640	16,439	15,575	49,770	42,880
	1,102,352	438,516	1,235,599	133,831	2,910,298	2,679,133

	At 31 December 2023					
	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	596,250	464,178	1,141,152	83,324	2,284,904	2,054,573
Trade and other payables	409,973	–	–	–	409,973	409,973
Lease liabilities	9,256	7,712	14,069	11,523	42,560	37,417
	1,015,479	471,890	1,155,221	94,847	2,737,437	2,501,963

	At 30 June 2024					
	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	604,761	474,917	1,093,240	62,575	2,235,493	2,062,378
Trade and other payables	418,050	–	–	–	418,050	418,050
Lease liabilities	9,428	7,543	16,525	9,444	42,940	35,886
	1,032,239	482,460	1,109,765	72,019	2,696,483	2,516,314

(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 Group's interest rate risk arises primarily from cash at bank, pledged bank deposits and interest-bearing borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest-bearing financial instruments at variable rates as at 31 December 2021, 2022 and 2023 and 30 June 2024 are primarily the cash at bank, and the cash flow interest rate risk arising from the change of market interest rate.

The Group's interest rate profile as monitored by management is set out below.

The Group'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						At 30 June	
	2021		2022		2023		2024	
	Effective interest rate	*RMB'000*	Effective interest rate	*RMB'000*	Effective interest rate	*RMB'000*	Effective interest rate	*RMB'000*
Fixed rate instruments								
Cash and cash equivalents	–	–	–	–	–	–	1.70%	12,014
Bank loans	0.71%-5.10%	(391,992)	4.00%-5.10%	(342,439)	3.20%-3.90%	(359,754)	3.20%-4.10%	(318,113)
Loans from a shareholder of the Company	8.00%	(364,950)	–	–	–	–	–	–
Lease liabilities	4.20%-4.65%	(29,003)	4.20%-4.65%	(42,880)	4.20%-4.65%	(37,417)	4.20%-4.65%	(35,886)
		(785,945)		(385,319)		(397,171)		(341,985)

	At 31 December						At 30 June	
	2021		2022		2023		2024	
	Effective interest rate		Effective interest rate		Effective interest rate		Effective interest rate	
		RMB'000		*RMB'000*		*RMB'000*		*RMB'000*
Variable rate instruments								
Pledged bank deposits	0.30%-1.75%	17,534	0.25%-1.90%	25,323	0.20%	8,828	0.05%-1.90%	22,789
Cash and cash equivalents	0.0001%-0.30%	1,278,701	0.0001%-0.25%	710,841	0.0001%-0.20%	328,978	0.0001%-0.25%	447,690
Bank loans	4.35%-4.65%	(1,129,603)	4.00%-4.65%	(1,512,500)	3.56%-4.65%	(1,562,700)	3.00%-4.65%	(1,664,912)
Other loans	6.02%	(63,848)	5.95%-6.02%	(215,782)	5.55%-5.57%	(132,119)	5.00%-5.075%	(79,352)
		102,784		(992,118)		(1,357,013)		(1,273,785)

(i) ***Sensitivity analysis***

At 31 December 2021, 2022 and 2023 and 30 June 2024, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's losses after tax and accumulated losses or retained profits as follows.

	Increase/(decrease) in basis points	(Decrease)/Increase in loss after tax for the year/period	(Decrease)/Increase in accumulated losses for the year/period
		RMB'000	*RMB'000*
At 31 December 2021			
Basis points	100	(1,028)	(1,028)
Basis points	(100)	1,028	1,028
At 31 December 2022			
Basis points	100	9,921	9,921
Basis points	(100)	(9,921)	(9,921)
At 31 December 2023			
Basis points	100	13,570	13,570
Basis points	(100)	(13,570)	(13,570)
At 30 June 2024			
Basis points	100	12,738	12,738
Basis points	(100)	(12,738)	(12,738)

(d) Currency risk

The Group is exposed to currency risk primarily through purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars and European Monetary Unit.

	Exposure to foreign currencies (expressed in RMB'000)							
	2021		2022		2023		As at 30 June 2024	
	USD RMB'000	*EUR RMB'000*	*USD RMB'000*	*EUR RMB'000*	*USD RMB'000*	*EUR RMB'000*	*USD RMB'000*	*EUR RMB'000*
Trade and other receivables	47	–	5,222	–	36,805	–	14,586	–
Cash and cash equivalents	8,235	–	7,279	7	12,478	1	19,431	7
Trade and other payables	(62,387)	(78,197)	(29,180)	(60,664)	(19,040)	(674)	(78,895)	(49)
	(54,105)	(78,197)	(16,679)	(60,657)	30,243	(673)	(44,878)	(42)

(i) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after tax (and accumulated losses) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	Increase/(decrease) in foreign exchange rates	(Increase)/ decrease in loss after tax and accumulated losses
		RMB'000
At 31 December 2021		
US$ (against RMB)	3%	(1,623)
	-3%	1,623
EUR (against RMB)	3%	(2,346)
	-3%	2,346
At 31 December 2022		
US$ (against RMB)	3%	(500)
	-3%	500
EUR (against RMB)	3%	(1,820)
	-3%	1,820
At 31 December 2023		
US$ (against RMB)	3%	907
	-3%	(907)
EUR (against RMB)	3%	(20)
	-3%	20
At 30 June 2024		
US$ (against RMB)	3%	(1,346)
	-3%	1,346
EUR (against RMB)	3%	(1)
	-3%	1

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group'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

The Group has a team performing valuations for the financial instruments categories into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer. Valuation assessment with analysis of changes in fair value measurement is prepared by the team at each reporting date and is reviewed and approved by the chief financial officer.

	Fair value at 31 December 2021	Fair value measurements as at 31 December 2021 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Financial assets at FVPL:				
– Wealth management products	1,000,211	–	–	1,000,211

	Fair value at 31 December 2022	Fair value measurements as at 31 December 2022 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Financial assets at FVPL:				
– Wealth management products	658,857	–	–	658,857

	Fair value at 31 December 2023	Fair value measurements as at 31 December 2023 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Financial assets at FVPL:				
– Wealth management products	20,074	–	–	20,074

	Fair value at 30 June 2024	Fair value measurements as at 30 June 2024 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Financial assets at FVPL:				
– Wealth management products	70,394	–	–	70,394
Financial assets at FVOCI:				
– Negotiable certificate of deposits with banks	201,533	–	–	201,533
	271,927	–	–	271,927

During the Relevant Periods, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of each reporting period in which they occur.

Information about Level 3 fair value measurements

The fair values of wealth management products and negotiable certificate of deposits with banks have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors of the Company to make estimates about the expected future cash flows including expected future interest return on maturity of the wealth management products and negotiable certificate of deposits with banks. The directors of the Company believe that the estimated fair values resulting from the valuation technique are reasonable, and that they were the most appropriate values at the end of each of the reporting period.

Below is a summary of significant unobservable inputs to the valuation of these financial assets at FVPL and financial assets at FVOCI together with a quantitative sensitivity analysis at the end of each of the reporting period:

31 December 2021

	Valuation techniques	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Wealth management products	Discounted cash flow method	Interest return rate	1.70%-3.71%	0.5% increase/(decrease) in interest return rate would result in increase/(decrease) in fair value by RMB5,000,000

31 December 2022

	Valuation techniques	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Wealth management products	Discounted cash flow method	Interest return rate	1.70%-3.28%	0.5% increase/(decrease) in interest return rate would result in increase/(decrease) in fair value by RMB3,282,845

31 December 2023

	Valuation techniques	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Wealth management products	Discounted cash flow method	Interest return rate	1.50%-2.65%	0.5% increase/(decrease) in interest return rate would result in increase/(decrease) in fair value by RMB100,000

30 June 2024

	Valuation techniques	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Wealth management products	Discounted cash flow method	Interest return rate	1.70%-2.70%	0.5% increase/(decrease) in interest return rate would result in increase/(decrease) in fair value by RMB350,000
Negotiable certificate of deposits with banks	Discounted cash flow method	Interest return rate	2.35%-2.70%	0.5% increase/(decrease) in interest return rate would result in increase/(decrease) in fair value by RMB1,001,237

The movement during the year in the balance of these Level 3 fair value measurements are as follows:

	For the year ended 31 December			Six months ended 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	–	1,000,211	658,857	20,074
Purchase	1,000,000	5,100,408	1,493,324	576,472
Changes in fair value recognized in profit or loss during the year/period *(Note 5)*	211	28,586	5,590	877
Interest income from financial assets measured at FVOCI *(Note 5)*	–	–	–	2,087
Redemption	–	(5,470,348)	(2,137,697)	(327,583)
At the end of the year/period .	1,000,211	658,857	20,074	271,927

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024.

29 COMMITMENTS

Capital commitments outstanding at 31 December 2021, 2022 and 2023 and 30 June 2024 not provided for in the financial statements were as follows:

	At 31 December			At 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for	131,713	160,411	85,091	52,457

30 CONTINGENT LIABILITIES

As of 30 June 2024, certain subsidiaries of the Group are respondents in several legal dispute cases-*EPC California Case, Infineon California Case and Infineon Germany Case* in relation to claims of alleged infringement of intellectual property rights. While the arbitrations are still ongoing and the future development cannot be estimated with certainty, the directors of the Company, having given due consideration to the legal advice and the relevant facts and circumstances, are of the opinion that the Group is more likely than not to prevail in those cases and it is not probable that the Group will need to make payments to the claimants. Therefore, no provision has been made in respect of those cases as at 30 June 2024.

As of 30 June 2024, except for the aforementioned contingencies associated with those legal dispute cases, the Group did not have any material contingent liabilities.

31 Material related party transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Group'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			At 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries, wages and other benefits	6,191	10,126	12,563	5,089	6,595
Discretionary bonuses	1,980	4,201	4,169	4,169	4,115
Contributions to defined contribution retirement plan	71	126	188	53	139
Equity-settled share-based payment expenses	2,181	2,000	29,913	12,002	31,630
	10,423	16,453	46,833	21,313	42,479

Total remuneration is included in staff costs (see Note 6(b)).

32 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to 30 June 2024 which would materially affect the Group's operating results and financial position.

33 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 six months ended 30 June 2024 and which have not been adopted in these financial statements. These developments include the followings:

	Effective for accounting periods beginning on or after
Amendments to HKAS 21, Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28, Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to HKFRS 9 and HKFRS 7, Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 18, Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19, Subsidiaries without Public Accountability: Disclosures	1 January 2027

The Group 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 or any of its subsidiaries in respect of any period subsequent to 30 June 2024.

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 prospectus, 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 prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of InnoScience (Suzhou) Technology Holding Co., Ltd. (the "Company") and its subsidiaries (the "Group") 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 Hong Kong Institute of Certified Public Accountants and is set out below to illustrate the effect of the Global Offering on the net tangible assets attributable to the equity shareholders of the Company as at 30 June 2024 as if the Global Offering had taken place on 30 June 2024.

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 financial position of the Group had the Global Offering been completed as at 30 June 2024 or any future date.

	Consolidated net tangible assets attributable to equity shareholders of the Company as at 30 June 2024(1)	**Estimated net proceeds from the Global Offering**(2 & 4)	**Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company**	**Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share**(3)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*(4)
Based on an Offer Price of HK$30.86 per Offer Share . . .	1,967,444	1,227,072	3,194,516	3.63	3.92
Based on an Offer Price of HK$33.66 per Offer Share . . .	1,967,444	1,340,455	3,307,899	3.76	4.06

Notes:

(1) The consolidated net tangible assets attributable to equity shareholders of the Company as at 30 June 2024 is calculated based on the audited consolidated total equity attributable to equity shareholders of the Company of RMB2,203,519,000 as at 30 June 2024, less the intangible assets of RMB236,075,000 as at 30 June 2024, extracted from the Accountants' Report set out in Appendix I to the Prospectus.

(2) The estimated net proceeds from the Global Offering are based on the expected issuance of 45,364,000 H shares and the indicative Offer Prices of HK$30.86 and HK$33.66 per Offer Share, being the lower end price and higher end price of the stated Offer Price range, respectively, after deduction of estimated underwriting fees and other related listing expenses paid or payable by the Group (excluding the listing expenses charged to profit or loss during the Track Record Period of RMB22,159,000) and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share are arrived at after the above adjustment and on the basis that 879,152,253 Shares are expected to be in issue immediately following the completion of the Global Offering and assuming that the Global Offering had been completed on 30 June 2024 without taking into account of the Shares which may be issued upon exercise of the Over-allotment Option.

(4) For illustrative purpose, the estimated net proceeds from the Global Offering are converted from Hong Kong dollar into Renminbi and the unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share is converted from the Renminbi into Hong Kong dollar at a rate of HK$1 = RMB0.92510, 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 Group entered into subsequent to 30 June 2024.

(6) The Group's property interests including buildings and construction in progress (which is accounted for property, plant and equipment) and leasehold land (which is accounted for as right-of-use assets) as at October 31, 2024 have been valued by JLL, an independent property valuer. The relevant property valuation report is set out in Appendix III to this prospectus. The above unaudited pro forma statement of adjusted net tangible assets does not take into account the surplus arising from the revaluation of the Group's property interests amounting to approximately RMB143 million. Revaluation surplus has not been recorded in the Historical Financial Information of the Group and will not be recorded in the consolidated financial statements of the Group in the future periods as the Group's property, plant and equipment and right-of-use assets are stated at cost less accumulated depreciation and impairment losses, if any. If the valuation surplus were recorded in the Group's financial statements, additional annual depreciation of approximately RMB8 million would be charged against the profit in the future periods.

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

KPMG

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF INNOSCIENCE (SUZHOU) TECHNOLOGY HOLDING CO., LTD.

We have completed our assurance engagement to report on the compilation of pro forma financial information of InnoScience (Suzhou) Technology Holding Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 30 June 2024 and related notes as set out in Part A of Appendix II to the prospectus dated 18 December 2024 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at 30 June 2024 as if the Global Offering had taken place at 30 June 2024. As part of this process, information about the Group's financial position as at 30 June 2024 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements", which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 30 June 2024 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group, and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong
18 December 2024

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 October 2024 of the selected property held by InnoScience (Suzhou) Technology Holding Co., Ltd.

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Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7th Floor, One Taikoo Place
979 King's Road, Hong Kong
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Company Licence No.: C-030171

18 December 2024

The Board of Directors
InnoScience (Suzhou) Technology Holding Co., Ltd.
No. 98 Xinli Road
Beishe, Lili Town
Wujiang District
Suzhou City
Jiangsu Province
The People's Republic of China

Dear Sirs,

In accordance with your instructions to value the selected property held by InnoScience (Suzhou) Technology Holding Co., Ltd. (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interest as at 31 October 2024 (the "**valuation date**").

The selected property interest forms part of non-property activities that each property has a carrying amount of 15% or more of the Group's total assets and therefore the valuation of the property interest is required to be included in this prospectus.

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Due to the nature of the buildings and structures of the property and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available. The property interest has therefore been valued by the Cost Approach with reference to its depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality have been considered. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

In valuing the property interest, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards issued by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of Real Estate Title Certificate, Construction Land Planning Permits, Construction Work Planning Permits, Construction Work Commencement Permits and other official plans relating to the property interest and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrance that might be attached to the property interest or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisor — CM Law Firm, concerning the validity of the property interest in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out in February 2024 by Mr. Simo Wu who has obtained a master degree in urban planning and has 2 years' valuation experience in the real estate industry of the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation certificate is attached below for your attention.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS R.P.S. (GP)
Senior Director

Note: Eddie T. W. Yiu is a Chartered Surveyor who has 30 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

VALUATION CERTIFICATE

Selected property interest held and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2024
			RMB
A parcel of land, 18 buildings and various structures, and 2 buildings under construction located at No. 98 Xinli Road Beishe, Lili Town Wujiang District Suzhou City Jiangsu Province The PRC	The property comprises a parcel of land with a site area of approximately 146,222.21 sq.m. and 18 buildings and various ancillary structures erected thereon which were completed in 2020. The 18 buildings have a total gross floor area of approximately 127,274.33 sq.m., which are industrial buildings for research & development, production, storage, office and dormitory uses. The structures mainly include boundary walls and roads. Apart from the completed buildings mentioned above, the property also comprises 2 buildings which were under construction (the "**CIP**") as at the valuation date. The CIP is scheduled to be completed in January 2025. Upon completion, the CIP will have a gross floor area of approximately 35,089.65 sq.m., which are industrial buildings for research & development and office uses. The land use rights of the property have been granted for a term with the expiry date on 24 July 2068 for industrial use.	As at the valuation date, the completed portion of the property was occupied by the Group for research & development, production, storage, office and dormitory purposes and the remaining portion of the property was under construction.	1,598,400,000

Notes:

1. Pursuant to a Real Estate Title Certificate — Su (2022) Su Zhou Wu Jiang Qu Bu Dong Chan Quan Di No. 9049810, the land use rights of the property with a site area of approximately 146,222.21 sq.m. have been granted to InnoScience (Suzhou) Semiconductor Technology Co., Ltd. ("**Inno Suzhou**", 英諾賽科(蘇州)半導體有限公司, a wholly-owned subsidiary of the Company) for a term with the expiry date on 24 July 2068 for industrial use. The buildings of the property with a total gross floor area of approximately 127,274.33 sq.m. are owned by Inno Suzhou for industrial use.

2. Pursuant to 2 Construction Land Planning Permits — Di Zi Di Nos. 320584201804016 and 320509202001066, permissions towards the land planning of the property with a site area of approximately 146,222.21 sq.m. have been granted to Inno Suzhou.

3. Pursuant to 2 Construction Work Planning Permits — Jian Zi Di Nos. 320584201804077 and 320509202100365 in favour of Inno Suzhou, portions of the property with a total gross floor area of approximately 44,656.85 sq.m. (inclusive of the CIP of the property) have been approved for construction.

4. Pursuant to 2 Construction Work Commencement Permits — Nos. 320509201909250101 and 320509202202110401 in favour of Inno Suzhou, permissions by the relevant local authority were given to commence the construction of portions of the property with a total gross floor area of approximately 42,685.82 sq.m. (inclusive of the CIP of the property).

5. As advised by Inno Suzhou, the construction cost of the CIP of the property is estimated to be approximately RMB340,800,000, of which approximately RMB264,800,000 had been paid up to the valuation date.

6. The replacement cost of the CIP of the property as if completed as at the valuation date would be RMB367,800,000 which is referenced to similar project construction cost in the market and major cost items including material cost, contractor's cost and professional fee, etc.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisor, which contains, inter alia, the following:

   (a) Pursuant to a Mortgage Contract, the land use rights and building ownership rights of the buildings of the property mentioned in note 1 are subject to a mortgage;

   (b) Inno Suzhou is legally and validly in possession of the property. Inno Suzhou has the rights to occupy, use, lease, transfer to otherwise dispose of the land use rights and building ownership rights of the property mentioned in note 1 and subject to the consent from the mortgagee to transfer, lease, re-mortgage or otherwise dispose of the mortgage portion of the property; and

   (c) Inno Suzhou has obtained relevant requisite approvals for the construction work of the CIP of the property from the relevant government authorities.

8. As the property is the major asset held by the Group, we are of the view that the property is a material property.

   Details of the material property

a)	General description of location of the property	:	The property is located at No. 98 Xinli Road, Beishe, Lili Town, Wujiang District, Suzhou City, Jiangsu Province, the PRC. It is surrounded by industrial zones and residential developments. The property is close to Xinli Road and Laixiu Road, enjoying convenient accessibility and is well served by public transportation. Changjia Highway is about ten minutes' driving distance away from the property.
b)	Details of encumbrances, liens, pledges, mortgages against the property	:	Pursuant to a Mortgage Contract — Wu Jiang Yin Tuan Zhong Chang Di Zi No. 2022001, the land use rights of the property with a site area of approximately 146,222.21 sq.m. and the building ownership rights of 18 buildings of the property with a total gross floor area of approximately 127,274.33 sq.m. are subject to a mortgage as a security in favour of China Construction Bank (Suzhou demonstration zone of integrated development of the Yangtze River Delta Branch) and China CITIC Bank (Suzhou Branch) and China Merchants Bank (Suzhou Branch) and Bank of Suzhou (Wujiang Branch) and Bank of China (Suzhou demonstration zone of integrated development of the Yangtze River Delta Branch) for bank loan at a maximum amount of RMB1,000,000,000 with the security term from 28 May 2020 to 27 May 2028.
c)	Environmental Issue	:	As advised by the Group, according to the opinion letter of environmental protection examination of construction project completion and inspection acceptance, the property has been completed and passed the environmental protection inspection acceptance on 6 February 2018.

d)	Details of investigations, notices, pending litigation, breaches of law or title defects	:	Nil.
e)	Future plans for construction, renovation, improvement or development of the property and estimated associated costs	:	As advised by the Company, except for the CIP of the property, the Company has no future plans for construction, renovation, improvement and development of the property.

TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are residents or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective laws and practices, and all of which are subject to change (possibly with retroactive effect) and does not constitute legal or tax advice. The discussion has no intention to cover all possible tax consequences resulting from the investment in H Shares, nor does it take the specific circumstances of any particular investor into account, some of which may be subject to special regulations. Accordingly, you should consult your own tax advisor regarding the tax consequences of an investment in H Shares. No issues on PRC or Hong Kong taxation other than income tax, capital appreciation and profit tax, business tax/appreciation tax, stamp duty and estate duty were referred in the discussion. Prospective investors are urged to consult their financial advisors regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

The PRC Taxation

Taxation on Dividends

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 most recently amended on August 31, 2018 and the Implementation Provisions 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 most recently amended on December 18, 2018 (hereinafter collectively referred to as the "**IIT Law**"), dividends distributed 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 an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty.

Pursuant to the Circular on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Document Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) issued by the State Administration of Taxation (the "**SAT**") on June 28, 2011, for a domestic non-foreign invested enterprise who has been issuing shares in Hong Kong, its foreign individual shareholders may enjoy the relevant preferential tax treatment according to the taxation agreement between the PRC and the country where they reside and the taxation arrangement between the PRC and Hong Kong (or Macau). Domestic non-foreign-invested enterprise that issue shares in Hong Kong generally may withhold individual income tax at the preferential rate of 10% when paying dividends to overseas resident individual shareholders. Where the individuals who receive the dividends are residents of countries where the agreed tax rate is lower than 10%, the withholding agent shall, according to regulations provisions, handle the applications for relevant preferential treatments and refund the extra tax upon the approval of competent tax authorities. Where the individuals are residents of countries where the agreed tax rate is higher than 10% but lower than 20%, the withholding agent shall withhold the individual income tax according to the agreed actual tax rate when paying the dividends and bonuses and no applications are needed in such cases. Where the dividend receiving individuals are residents of countries which have not established tax treaties with China or other circumstances exist, the withholding agent shall withhold the individual income tax based on the rate of 20% when paying dividends and bonuses.

In accordance with the EIT Laws, a non-resident enterprise is generally subject to a 10% corporate income tax on PRC-sourced income (including dividends received from a PRC resident enterprise), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise.

The Circular on Issues Relating to the Withholding and Remitting of Enterprise Income Tax on Dividends Distributed by PRC Resident Enterprises to Overseas Non-Resident Enterprise Shareholders of H Shares (《國家税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税有關問題的通知》), which was issued and implemented by the SAT on November 6, 2008, further clarified that, when PRC-resident enterprises pay dividends of 2008 and thereafter, such PRC-resident enterprise must withhold enterprise income tax at a rate of 10% in respect of dividends paid to overseas non-resident enterprise shareholders which hold H Shares.

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税和防止偷漏税的安排》) (the "**Arrangement**"), which was signed on August 21, 2006, the Chinese Government may levy taxes on the dividends paid by a PRC-resident enterprise to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the PRC-resident enterprise unless a Hong Kong resident directly holds 25% or more of the equity interest in a PRC-resident enterprise, then such tax shall not exceed 5% of the total dividends payable by such PRC-resident enterprise. 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税和防止偷漏税的安排>第五議定書》), which came into effect on December 6, 2019, adds a 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 in the circumstance where relevant gains, 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 this 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 is subject to the requirements of PRC tax law and regulation, such as the Notice of the SAT on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家税務總局關於執行税收協定股息條款有關問題的通知》).

Tax Treaties

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the Chinese corporate income tax imposed on the dividends received from PRC resident 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, the United States and etc. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the relevant PRC tax authorities for a refund of the corporate income tax in excess of the agreed tax rate, and the refund application is subject to approval by the relevant PRC tax authorities.

Taxation on Share Transfer

According to the IIT Law, the gains realized from the disposal of equity interests in PRC resident enterprise is subject to individual income tax rate of 20%.

Pursuant to the Notice on Fully Implementing the Pilot Reform for the Transition from Business Tax to Value-added Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (the "**Circular 36**"), which was implemented on May 1, 2016, entities and individuals engaged in the services sale in the PRC are subject to VAT and "engaged in the services sale in the PRC" means that the seller or buyer of the taxable services is located in 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 revenue (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals who transfer financial products are exempt from VAT, which is also provided in the Notice of Ministry of Finance and the SAT on Several Tax Exemption Policies for Business Tax on Sale and Purchase of Financial Commodities by Individuals (《財政部、國家稅務總局關於個人金融商品買賣等營業稅若干免稅政策的通知》) effective on January 1, 2009. According to these regulations, if the holder is a non-resident individual, the PRC VAT is exempted from the sale or disposal of H shares; if the holder is a non-resident enterprise and the H-share buyer is an individual or entity located outside China, the holder is not necessarily required to pay the PRC VAT, but if the H-share buyer is an individual or entity located in China, the holder may be required to pay the PRC VAT. However, it is still uncertain whether the non-Chinese resident enterprises are required to pay the PRC VAT for the disposal of H shares in practice.

At the same time, VAT payers are also required to pay urban maintenance and construction tax, education surtax and local education surcharge (hereinafter collectively referred to as "**Local Additional Tax**"), which shall be usually subject to 12% of the value-added tax, business tax and consumption tax actually paid (if any).

Enterprise Income Tax

In accordance with the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) issued by NPC on March 16, 2007 and latest amended on December 29, 2018 and the Implementation Regulations for 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》) issued by the State Council on December 6, 2007, came into effect on January 1, 2008 and amended on April 23, 2019 (hereinafter collectively referred to as the "**EIT Laws**"), resident enterprise which is established inside the PRC, or which is established under the law of a foreign country (region) but whose actual management organization is inside the PRC shall pay enterprise income tax for their income derived from both inside and outside the PRC, calculated at enterprise income tax rate of 25%.

Value-added Tax

According to Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (Cai Shui [2018] No. 32) (《財政部、國家稅務總局關於調整增值稅稅率的通知》(財稅[2018]32號)), which was jointly promulgated by the Ministry of Finance and the State Administration of Taxation on April 4, 2018 and effective since May 1, 2018, the value-added tax rates, deduction rate, export rebate rate were adjusted as follow:

(1) Where a taxpayer engages in a taxable sales activity for the value-added tax purpose or imports goods, the previous applicable tax rates of 17% and 11% are adjusted to 16% and 10% respectively;

(2) Where a taxpayer purchases agricultural products, the previous applicable deduction rate of 11% is adjusted to 10%;

(3) Where a taxpayer purchases agricultural products for production, sales, or consignment processing, to which the tax rate of 16% is applicable, the input tax amount shall be calculated at the deduction rate of 12%;

(4) For the export goods to which a tax rate of 17% was originally applicable and the export rebate rate was 17%, the export rebate rate is adjusted to 16%. For the export goods and cross-border taxable activities to which a tax rate of 11% was originally applicable and the export rebate rate was 11%, the export rebate rate is adjusted to 10%;

(5) For the goods or cross-border taxable activities specified in item (4) hereof that are exported or sold by foreign trade enterprises before July 31, 2018, if value-added tax has been levied at the rate not adjusted at the time of purchase, the export rebate rate not adjusted shall be applicable; if the value-added tax has been levied at the adjusted tax rate at the time of purchase, the adjusted export tax rebate rate shall be applicable. For the goods or cross-border taxable activities specified in item (4) hereof that are exported or sold by production enterprises before July 31, 2018, the export rebate rate not adjusted shall be applicable. The execution time to adjust the tax rebates rate of export goods and the time to export goods is made based on the date specified on export goods custom declaration, the execution time to adjust the tax rebates rate of cross-border taxable activities and the time to sell cross-border taxable activities is made based on the date specified on the export invoice.

According to the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (Cai Shui Bu Shui Wu Zong Ju Hai Guan Zong Shu [2019] No. 39) (《關於深化增值稅改革有關政策的公告》(財政部、稅務總局、海關總署公告2019年第39號)) promulgated by Ministry of Finance, the State Administration of Taxation and General Administration of Customs on March 20, 2019 and became effective on April 1, 2019, the VAT rates of 16% and 10% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 13% and 9%, respectively.

Income tax

According to the IIT Law, gains on the transfer of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%. Pursuant to the Circular on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the SAT on March 20, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. The SAT has not expressly stated whether it will continue to exempt tax on income of individuals from transfer of the shares of listed enterprises in the latest amended Individual Income Tax Law.

On December 31, 2009, the Ministry of Finance, the SAT and China Securities Regulatory Commission 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》), which came into effect on December 31, 2009, which states that individuals' income from the transfer of listed shares obtained from the public offering of listed companies and transfer market 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 Levy of 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》) jointly issued and implemented by such departments 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.

In accordance with the EIT Laws, a non-PRC resident enterprise is generally subject to corporate income tax at the rate of a 10% 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 premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-PRC resident enterprise. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Stamp Duty

Pursuant to the Stamp Duty Law of the PRC (《中華人民共和國印花稅法》), which was promulgated by the SCNPC on June 10, 2021 and came into effect on July 1, 2022, PRC stamp duty is applicable to the entities and individuals that conclude taxable vouchers or conduct securities trading within the territory of the PRC, and the entities and individuals outside the territory of the PRC that conclude taxable vouchers that are used inside China. Therefore, the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

Estate Duty

As of the date of this prospectus, no estate duty has been levied in the PRC under the PRC laws.

Shanghai-Hong Kong Stock Connect Taxation Policy and Shenzhen-Hong Kong Stock Connect Taxation Policy

On October 31, 2014 and November 5, 2016, the Ministry of Finance, the SAT and the CSRC jointly issued the Circular on the Relevant Taxation Policy regarding the Pilot Inter-connected Mechanism for Trading on the Shanghai Stock Market and the Hong Kong Stock Market (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) and the Circular on the Relevant Taxation Policy regarding the Pilot Inter-connected Mechanism for Trading on the Shenzhen Stock Market and the Hong Kong Stock Market (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》), pursuant to which, the income from transfer differences and dividend and bonus income derived by PRC enterprise investors from investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect shall be included in their total income and subject to enterprise income tax in accordance with the law. In particular, the dividend and bonus income derived by PRC resident enterprises which hold H shares for at least 12 consecutive months shall be exempted from enterprise income tax according to law. The H-share companies do not need to withhold tax on the income from dividends and bonus obtained by PRC enterprise investors. The tax payable shall be declared and paid by the enterprises themselves.

For dividends and bonuses received by PRC individual investors investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, H-share companies shall submit an application to China Securities Depository and Clearing Corporation Limited (the "**CSDC**"), which shall provide H-share companies with a register of PRC individual investors. H-share companies shall withhold individual income tax at a rate of 20%. Individual investors who have paid withholding tax outside the PRC may apply for tax credits at the competent tax authorities of the CSDC with valid tax deduction certificates. Individual income tax is levied on dividend and bonus income derived by PRC security investment funds from investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect in accordance with the above provisions.

Hong Kong Taxation

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 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 are likely to be regarded as deriving trading gains rather than capital gains (for example, financial institutions, insurance companies and securities dealers) unless these taxpayers can prove that the investment securities are held for long-term investment purposes.

Trading gains from sales of the H shares effected on the Hong Kong 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 Hong Kong 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 0.1% 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 any Hong Kong securities, including H shares (in other words, a total of 0.2% 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 10 times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 abolished estate duty in respect of deaths occurring on or after February 11, 2006.

PRINCIPAL TAXATION OF OUR COMPANY IN THE PRC

Please refer to the chapter **Regulatory Overview** of the prospectus.

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 State Administration of Foreign Exchange (the "**SAFE**"), with the authorization of the People's Bank of China (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 on Foreign Exchange Control of the PRC (《中華人民共和國外匯管理條例》) (the "**Foreign Exchange Control Regulations**"), which was implemented on April 1, 1996 and latest amended on August 5, 2008, 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 administration agencies, while capital items are subject to the approval of foreign exchange administration agencies, and pursuant to the latest amendment to the Foreign Exchange Control Regulations, 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》), which was implemented on July 1, 1996, abolished all other restrictions on convertibility of foreign exchange under current account items, while retaining the existing restrictions on foreign exchange transactions under capital account 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》), which was issued by the PBOC and implemented on July 21, 2005, the PRC has started 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 since July 21, 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. 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.

According to relevant PRC laws, PRC enterprises (including foreign-invested enterprises) which need foreign exchange for transactions relating to current account items may, without the approval of SAFE, effect payment for their foreign exchange accounts at the designated foreign exchange banks with the support of valid receipts and proof. Foreign-invested 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 the Company) may, on the strength of resolutions of the board of directors or the shareholders' meeting approving the distribution of profits, effect payment from their foreign exchange accounts or convert and pay dividends at the designated foreign exchange banks.

According to 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》) which was promulgated by the State Council on October 23, 2014, it canceled the approval requirement by the SAFE and its branches for the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing.

According to the Notice of the State Administration of Foreign Exchange 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》) issued by the SAFE and implemented on December 26, 2014, 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 local branch office of state 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 domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the prospectus and other disclosure documents. A domestic company (except for bank financial institutions) shall present its certificate of overseas listing to open a special account at a local bank for its initial public offering (or follow-on offering) and repurchase business to handle the exchange, remittance and transfer of funds for the business concerned.

According to the Notice of the State Administration of Foreign Exchange 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》), which was issued by the SAFE and came into effect on June 1, 2015 and partially repealed on December 30, 2019, the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment shall be directly examined and handled by banks. SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment via the banks.

The Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors (《外國投資者境內直接投資外匯管理規定》) (the "**SAFE Circular No. 21**"), which was effect from May 13, 2013, amended on October 10, 2018 and partially abolished on December 30, 2019, specifies that the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment shall be directly examined and handled by banks. 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 of the PRC on Revolutionizing and Regulating Capital Account Settlement Management Policies (《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》) which was promulgated by the SAFE and implemented on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjust of the SAFE in due time in accordance with international revenue and expenditure situations.

According to the SAFE Circular 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》) which was promulgated on October 23, 2019, foreign-invested enterprises engaged in non-investment business are permitted to settle foreign exchange capital in RMB and make domestic equity investments with such RMB funds according to law on the condition that the current Special Administrative Measures for Access of Foreign Investment (Negative List) are not violated and the relevant domestic investment projects are genuine and in compliance with laws.

This Appendix contains a summary of laws and regulations on companies and securities in the PRC, certain major differences between the Company Law of the PRC (the "**Company Law**") and Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Companies Ordinance as well as the additional regulatory provisions of the Stock Exchange on joint stock limited companies of the PRC. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulations applicable to us. This summary is with no intention to include all the information which may be important to the potential investors. For discussion of laws and regulations specifically governing the business of the Company, please see section entitled "Regulatory Overview" in this document.

PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (《中華人民共和國憲法》) (the "**Constitution**") and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomous regulations, rules and regulations of departments, rules and regulations of local governments, international treaties of which the PRC government is a signatory, and other regulatory documents. Court verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (2023 Amendment) (《中華人民共和國立法法(2023年修訂)》) (the "**Legislation Law**"), the NPC and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of 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 the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations.

The ministries and commissions of the State Council, PBOC, the State Audit Administration as well as the other organs endowed with administrative functions directly under the State Council may, in accordance with the laws as well as the administrative regulations, decisions and orders of the State Council and within the limits of their power, formulate rules.

The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations in terms of urban and rural development and management, environmental protection, and historical and cultural protection based on the specific circumstances and actual requirements of such cities, which 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 but such local regulations shall conform with the Constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. 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 nationality (nationalities) in the areas concerned.

The people's governments of the provinces, autonomous regions, and municipalities directly under the central government and the cities divided into districts or autonomous prefectures may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the city divided into districts or autonomous prefecture within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (《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, the Supreme People's Court of the PRC (the "**Supreme People's Court**") has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

PRC JUDICIAL SYSTEM

Under the Constitution and the PRC Law on the Organization of the People's Courts (2018 revision) (《中華人民共和國人民法院組織法(2018年修訂)》), the PRC judicial system is made up of the Supreme People's Court, the local people's courts and special people's courts.

The local people's courts are comprised of the primary people's courts, the intermediate people's courts and the higher people's courts. The higher level people's courts supervise the primary and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the judicial administration of the people's courts at all levels and special people's courts.

The people's courts apply a two-tier appellate system. A party may appeal against a judgment or order of a local people's court to the people's court at the next higher level. Second judgments or orders given at the next higher level are final. First judgments or orders of the Supreme People's Court are also final. However, if the Supreme People's Court or a people's court at a higher level finds an error in a judgment or an order which has been given in any people's court at a lower level, or the presiding judge of a people's court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The Civil Procedure Law of the PRC (2023 revision) (《中華人民共和國民事訴訟法(2023年修訂)》) (the "**Civil Procedure Law**"), which was adopted in 1991 and amended in 2007, 2012, 2017 and 2023, sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a judicial court where civil actions may be brought, provided that the judicial court is either the plaintiff's or the defendant's domicile, the place of execution or implementation of the contract or the place of the object of the action, provided that the provisions of this law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by an arbitration panel in the PRC, the other party may apply to the people's court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, enforce the judgment in accordance with the law.

Where a party applies for enforcement of judgment or ruling of a people's court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to PRC enforcement procedures if the PRC has entered into or acceded to an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security or against social and public interest.

THE COMPANY LAW AND ADMINISTRATIVE MEASURES

A joint stock limited company which was incorporated in the PRC and seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following three laws and regulations in the PRC:

- The PRC Company Law (2023 Amendment) (《中華人民共和國公司法(2023修正)》) which was promulgated by the Standing Committee of the NPC on December 29, 1993, came into effect on July 1, 1994, amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023 respectively and the latest amendment of which was implemented on July 1, 2024;

- Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (the "**Trial Measures**") which were promulgated by the China Securities Regulatory Commission (the "**CSRC**") on February 17, 2023, came into effect on March 31, 2023, applicable to the overseas share subscription and listing of joint stock limited companies;

- The Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》) (the "**Guidance for Articles of Association**") which was latest amended and came into effect on December 15, 2023 by the CSRC.

Set out below is a summary of the major provisions of the Company Law and the Trial Measures applicable to the Company.

General

A joint stock limited company refers to an enterprise legal person incorporated under the Company Law with its registered capital divided into shares of equal par value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its creditors for an amount equal to the total value of its assets.

A joint stock limited company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Where any laws stipulate that a joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies, such requirements shall prevail.

Incorporation

A joint stock limited company may be incorporated by promotion or public subscription.

A joint stock limited company may be incorporated by a minimum of one but not more than 200 promoters, and at least half of the promoters must have residence within the PRC. The promoters shall pay the subscription monies in full for the shares they have subscribed for before the company is incorporated.

The promoters must convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of promoters or subscribers representing at least half of the shares in the company. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the board of supervisors of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must authorize a representative to apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant registration authority.

Share Capital

The promoters of a company can make capital contributions in cash or in kind, which can be valued in currency and transferable according to law such as intellectual property rights or land use rights based on their appraised value.

If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into shares.

A company shall issue registered share.

Under the Trial Measures, if a domestic enterprise issues shares overseas, it may raise funds and dividend distributions in foreign currency or Renminbi.

The transfer of shares by shareholders should be conducted via the legally established stock exchange or in accordance with other methods as stipulated by the State Council. Transfer of shares by a shareholder must be made by means of an endorsement or by other means stipulated by laws or administrative regulations.

Shares issued by a company prior to the public offer of its shares shall not be transferred within one year from the date of listing of the shares of the company on a stock exchange. Where laws, administrative regulations or the securities regulatory authority of the State Council have other provisions on the transfer of shares held by shareholders or de facto controllers of listed companies, such provisions shall prevail. Directors, supervisors and senior management of a company shall not transfer over 25% of the shares held by each of them in the company each year during their term of office and shall not transfer any share of the company held by each of them within one year after the listing date. There is no restriction under the Company Law as to the percentage of shareholding a single shareholder may hold in a company.

Transfers of shares may not be entered in the register of shareholders within 20 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

Allotment and Issue of Shares

All issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue shares at par value or at a premium, but it may not issue shares below the par value.

A company may, according to the articles of association, issue the classified shares, which have different rights from those of the common shares.

To issue shares overseas, the domestic enterprise shall report the application documents for issuance and listing to the CSRC for record-filing within three working days after submission of the application documents for issuance and listing overseas.

Registered Shares

Under the Company Law, the shareholders may make capital contributions in cash, or alternatively may make capital contributions with such valuated non-monetary property as physical items, intellectual property rights, and land-use rights that may be valued in monetary term and may be transferred in accordance with the law.

Under the Company Law, a company may, according to the articles of association, issue the classified shares, which have different rights from those of the common shares stating the following matters:

- the name and domicile of each shareholder;
- the class and number of shares held by each shareholder;
- the serial numbers of shares held by each shareholder if the shares are issued in paper form; and
- the date on which each shareholder acquired the shares.

Increase of Share Capital

According to the Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders' general meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issuance and the class and amount of new shares to be issued to existing shareholders. Where a company raises shares from the public, it shall register with the security regulatory organization under the State Council and announce the prospectus. After the new share issuance has been paid up, an announcement shall be made.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

- it shall prepare a balance sheet and a property list;
- the reduction of registered capital shall be approved by a shareholders' general meeting;

- it shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in the newspaper or on the National Enterprise Credit Information Publicity System within 30 days after the resolution approving the reduction has been passed;

- creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts;

- it shall apply to the relevant administration of registration for the registration of the reduction in registered capital.

Repurchase of Shares

According to the Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes: (i) to reduce its registered capital; (ii) to merge with another company that holds its shares; (iii) to grant its shares for carrying out an employee stock ownership plan or equity incentive plan; (iv) to purchase its shares from shareholders who are against the resolution regarding the merger or division with other companies at a shareholders' general meeting; (v) use of shares for conversion of convertible corporate bonds issued by a listed company; and (vi) the share buyback is necessary for a listed company to maintain its company value and protect its shareholders' equity.

The purchase of shares on the grounds set out in (i) and (ii) above shall require approval by way of a resolution passed by the shareholders' general meeting. For a company's share buyback under any of the circumstances stipulated in (iii), (v) or (vi) above, a resolution of the company's board of directors shall be made by a two-third majority of directors attending the meeting according to the provisions of the company's articles of association or as authorized by the shareholders' meeting.

Following the purchase of shares in accordance with (i), such shares shall be canceled within 10 days from the date of purchase. The shares shall be assigned or deregistered within six months if the share buyback is made under the circumstances stipulated in either (ii) or (iv). The shares held in total by a company after a share buyback under any of the circumstances stipulated in (iii), (v) or (vi) shall not exceed 10% of the company's total outstanding shares, and shall be assigned or deregistered within three years.

Listed companies making a share buyback shall perform their obligation of information disclosure according to the provisions of the Securities Law. If the share buyback is made under any of the circumstances stipulated in (iii), (v) or (vi) hereof, centralized trading shall be adopted publicly.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. No modifications of registration in the share register caused by transfer of registered shares shall be carried out within 20 days prior to the convening of shareholder's general meeting or five days prior to the base date for determination of dividend distributions. However, where there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail.

Under the Company law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Where laws, administrative regulations or the securities regulatory authority of the State Council have other provisions on the transfer of shares held by shareholders or de facto controllers of listed companies, such provisions shall prevail. Directors, supervisors and the senior management shall declare to the company their shareholdings in the company and any changes of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date on which the company's shares are listed and commenced trading on a stock exchange, nor within six months after their resignation from their positions with the company.

Shareholders

Under the Company Law, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to attend or appoint a proxy to attend shareholders' meetings and to vote thereat;
- the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;
- the right to inspect and copy the company's articles of association, share register, minutes of shareholder's general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquiries on the company's operations;
- the right to bring an action in the people's court to rescind resolutions passed by shareholder's general meetings and board of directors where the articles of association is violated by the above resolutions;
- the right to receive dividends and other types of interest distributed in proportion to the number of shares held;

- in the event of the termination or liquidation of the company, the right to participate in the distribution of residual properties of the company in proportion to the number of shares held; and

- other rights granted by laws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of a shareholder include the obligation to abide by the Company's articles of association, to pay the subscription moneys in respect of the shares subscribed for and in accordance with the form of making capital contributions, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders' obligation specified in the company's articles of association.

Shareholders' Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the Company Law.

Under the Company Law, the shareholders' general meeting exercises the following principal powers:

- to elect or remove the directors and supervisors and to decide on matters relating to the remuneration of directors and supervisors;

- to examine and approve reports of the board of directors;

- to examine and approve reports of the board of supervisors;

- to examine and approve the company's proposals for profit distribution plans and loss recovery plans;

- to decide on any increase or reduction of the company's registered capital;

- to decide on the issue of bonds by the company;

- to decide on issues such as merger, division, dissolution and liquidation of the company and other matters;

- to amend the company's articles of association; and

- other powers as provided for in the articles of association.

Shareholders' annual general meetings are required to be held once every year. Under the Company Law, an extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two thirds of the number specified in the articles of association;
- the aggregate losses of the company which are not recovered reach one-third of the company's total paid-in share capital;
- when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;
- whenever the board of directors deems necessary;
- when the board of supervisors so requests; or
- other circumstances as provided for in the articles of associations.

Under the Company Law, shareholders' meetings shall be 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 does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for more than 90 days consecutively may unilaterally convene and preside over such meeting.

Under the Company Law, notice of shareholders' general meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of extraordinary shareholder's general meetings shall be given to all shareholders 15 days prior to the meeting.

There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. Under the Company Law, shareholders present at shareholders' general meeting have one vote for each share they hold, except for class shareholders. Shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the shareholders' general meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting. Under the accumulative voting system, each share shall be entitled to vote equivalent to the number of directors or supervisors to be elected at the shareholders' general meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the Company Law, resolutions of the shareholders' general meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' general meeting regarding the following matters shall be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) the merger, division, dissolution, liquidation or change in the form of the company; (iv) other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' general meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board of Directors

Under the Company Law, a joint stock limited company shall have a board of directors. If the board of directors has more than three members, it may include an employees' representative of the company. Where a company has 300 or more employees, the board of directors shall include the employees' representatives of the company unless the board of supervisors has been established and includes employees' representatives of the company according to law. The employees' representatives in the board of directors shall be democratically elected by the employees through the employees' representative congress, employees' congress or by other means. The term of a director shall be stipulated in the articles of association, but no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and 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 term of office, or if the resignation of a director during his term of office results in the number of directors being less than the quorum. If a director resigns, he shall notify the company in writing and the resignation shall take effect on the date of receipt of the notification by the company; however, if the circumstances stipulated in the preceding paragraph exist, the director shall continue to perform his duties.

Under the Company Law, the board of directors mainly exercises the following powers:

- to convene the shareholders' meetings and report on its work to the shareholders' meetings;
- to implement the resolutions passed in shareholders' meetings;
- to decide on the company's business plans and investment proposals;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;
- to prepare plans for the merger, division, dissolution and change in the form of the company;
- to formulate the company's basic management system; and
- to exercise any other power under the articles of association or authorized by the shareholders' meeting.

Board Meetings

Under the Company Law, meetings of the board of directors of a joint stock limited company 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 10% of voting rights, more than one-third of the directors or the board of supervisors. The chairman of the board of directors shall convene and preside over such meeting within 10 days after receiving such proposal. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, 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 may be released from that liability.

Chairman of the Board

Under the Company Law, the board of directors shall appoint a chairman and may appoint the vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall perform his duties.

Qualification of Directors

The Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities;

- a person who has been convicted of an offense of bribery, corruption, embezzlement or misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence, and in case of a suspended sentence, not more than two years have elapsed since the date of expiry of the probationary period;

- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation or the order for closure; or

- a person who is liable for a relatively large amount of debts that are overdue and being listed as a dishonest person subject to enforcement by the people's court.

Board of Supervisors

A joint stock limited company has a board of supervisors composed of not less than three members. The board of supervisors is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one third of the supervisors. Representatives of the employees of the company in the board of supervisors shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise.

The directors and senior management may not act concurrently as supervisors.

The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors are elected with approval of more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the chairman of the board of supervisors is incapable of performing or not performing his duties, the vice chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the vice chairman of the board of supervisors is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the board of supervisors.

Each term of office of a supervisor is three years and he or she may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and 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 term of office, or if the resignation of a supervisor during his term of office results in the number of supervisors being less than the quorum.

The board of supervisors of a company shall hold at least one meeting every six months. According to the Company Law, a resolution of the board of supervisors shall be passed by more than half of all the supervisors.

The board of supervisors exercises the following powers:

- to review the company's financial position;
- 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 the resolutions of shareholders' meeting;
- when the acts of directors and senior management are harmful to the company's interests, to require correction of those acts;

- to propose the convening of extraordinary shareholders' meetings and to convene and preside over shareholders' meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meeting under this law;

- to initiate proposals for resolutions to shareholders' general meeting;

- to initiate proceedings against directors and senior management;

- other powers specified in the articles of association; and

- Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The board of supervisors may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist their work at the company's expense.

A joint stock limited company may, under the articles of association, set up an audit committee composed of directors in the board of directors, which shall exercise the functions and powers of the board of supervisors as provided for in this Law. It may not have a board of supervisors or supervisors. The audit committee shall be composed of at least 3 members, and more than half of the members shall not assume any position other than the director in the company and shall not have any relationship with the company that may affect their independent and objective judgments. Among the members of the board of directors of the company, an employees' representative may become a member of the audit committee. A resolution made by the audit committee shall be adopted by more than half of the members thereof. For voting on a resolution of the audit committee, each member shall have one vote. The discussion methods and voting procedures of the audit committee shall be prescribed in the articles of association, unless it is otherwise provided for by this Law.

Manager and Senior Management

Under the Company Law, a company shall have a manager who shall be appointed or dismissed by the board of directors.

The manager shall be responsible to the board of directors and shall exercise his duties and powers in accordance with the provisions of the company's articles of association or the authorization of the board of directors. The manager shall attend board meetings.

According to the Company Law, senior management shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the company are required under the Company Law to comply with the relevant laws, regulations and the articles of association, and have fiduciary and diligent duties to the company. Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating of the company's properties. Directors and senior management are prohibited from:

- embezzlement of company properties and misappropriation of the company's capital;
- depositing the company's capital into accounts under his own name or the name of other individuals;
- utilising power to accept bribe or accept other illegal income;
- accept and possess commissions paid by a third party for transactions conducted with the company;
- unauthorized divulgence of confidential business information of the company; or
- other acts in violation of their duty of loyalty to the company.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable to the company.

Where a director, supervisor or senior management is required to attend a shareholders' meeting, such director, supervisor or senior management shall attend the meeting and answer the inquiries from shareholders. Directors and senior management shall furnish all true information and data to the supervisory board, without impeding the discharge of duties by the supervisory board or supervisors.

Finance and Accounting

Under the Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the Company Law, the company shall deliver its financial and accounting reports to all shareholders within the time limit stipulated in the articles of association and make its financial and accounting reports available at the company for inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. It must also publish its financial and accounting reports.

When distributing each year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory common reserve fund (except where the fund has reached 50% of its registered capital).

If its statutory common reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory common reserve fund pursuant to the above provisions.

After allocation of the statutory common reserve fund from after-tax profits, it may, upon a resolution passed at the shareholders' general meeting, allocate discretionary common reserve fund from after-tax profits

The remaining after-tax profits after making up losses and allocation of common reserve fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association.

Shares held by the Company shall not be entitled to any distribution of profit.

The premium received through issuance of shares at prices above par value and other incomes required by the financial department of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

The Company's reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. When utilising reserve funds to make up for a company's losses, the discretionary reserve fund and statutory reserve fund should be used first; if the losses still cannot be made up, the capital reserve fund may be used in accordance with regulations. Upon the conversion of statutory common reserve fund into increasing the registered capital, the balance of the statutory common reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The Company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

Appointment and Dismissal of Accounting Firms

Pursuant to the Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' general meeting, board of directors or board of supervisors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting, board of directors or board of supervisors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it employs without any refusal, withholding and misrepresentation.

The Guidance for Articles of Association provide that the company guarantees to provide true and complete accounting vouchers, accounting books, financial accounting reports and other accounting materials to the employed accounting firm, and shall not refuse, conceal or falsely report. And the audit fee of the accounting firm shall be decided by the general meeting of shareholders.

Distribution of Profits

According to the Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn.

Amendments to Articles of Association

Any amendments to the company's articles of association must be made in accordance with the procedures set out in the company's articles of association. In relation to matters involving the company's registration, its registration with the authority must also be changed.

Dissolution and Liquidation

According to the Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association have occurred; (ii) the shareholders' general meeting have resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked; the company is ordered to close down or be revoked; or (v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardship in its operation and management and the ongoing existence of the company would bring significant losses for shareholders that cannot be resolved through other means.

In the event of (i) or (ii) above and in case that no assets have been distributed to shareholders, it may carry on its existence by amending its articles of association or by a resolution of shareholders' meeting. The amendment of the articles of association or by a resolution of shareholders' meeting in accordance with provisions set out above shall require approval of more than two thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved in the circumstances described in items (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

The liquidation committee shall be composed of directors, unless the company's articles of association provide otherwise or the shareholders' meeting resolves to elect someone else. If the liquidation obligator fails to fulfill its liquidation obligations in a timely manner and causes losses to the company or creditors, it shall be liable for compensation. If a liquidation committee is not established within the stipulated period or if the liquidation is not carried out after the establishment of the liquidation committee, the interested parties may apply with the people's court for setting up a liquidation committee with designated relevant personnel 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 group shall exercise the following powers during the liquidation period:

- to handle the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors through notice or public announcement;
- to deal with the company's outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;
- to distribute the company's remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within 10 days after its establishment and issue public notices in newspapers or on the National Enterprise Credit Information Publicity System within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' general meeting or people's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debts shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayments are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy liquidation.

Following the acceptance of application for bankruptcy by the People's Court, the liquidation committee shall hand over the liquidation affairs to the bankruptcy administrator appointed by the people's court.

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' general meeting or the people's court for verification and the report shall be submitted to the registration authority of the company in order to cancel the company's registration. When performing the duties in relation to the liquidation, members of the liquidation committee shall bear the duties of loyalty and diligence.

If members of the liquidation committee are reluctant in performing their liquidation duties and cause losses to the company, they shall be liable for compensation. A member of the liquidation group is liable to indemnify the company and its creditors in respect of any loss arising from his intentional or gross negligence.

Overseas Listing

According to the Trial Measures, the domestic enterprise shall report the application documents for issuance and listing to the CSRC for record-filing within three working days after submission of the application documents for issuance and listing overseas.

Loss of Share Certificates

If a registered share certificate is lost, stolen or destroyed, the relevant shareholder may apply, in accordance with the relevant provisions set out in the Civil Procedure Law, to a people's court to declare such certificate invalid. After the people's court declares the invalidity of such certificate, the shareholder may apply to the company for a replacement share certificate.

Suspension and Termination of Listing

The Company Law has deleted provisions governing suspension and termination of listing. The PRC Securities Law (2019 revision) (《中華人民共和國證券法》(2019年修訂)) has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules.

Where the stock exchange decides on delisting of securities, it shall promptly announce and file records with the securities regulatory authority of the State Council.

Merger and Demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number 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 the 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 the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers 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.

The Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) deals with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

On December 25, 1995, the State Council promulgated and implemented the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed and foreign invested shares and disclosure of information of joint stock limited companies having domestic listed and foreign invested shares.

The PRC Securities Law took effect on July 1, 1999 and was revised on August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. This is the first national securities law in the PRC, which is divided into 14 chapters and 226 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The PRC Securities Law comprehensively regulates activities in the PRC securities market. Article 224 of the PRC Securities Law provides that domestic enterprises shall comply with the relevant provisions of the State Council for listing its shares outside the PRC. Currently, the issue and trading of foreign issued shares (including H shares) are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "**Arbitration Law**") was passed by the Standing Committee of the NPC on August 31, 1994, became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution and one party filed a lawsuit with the people's court, the people's court will refuse to handle the case except when the arbitration agreement is declared invalid.

Under the Arbitration Law and the Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any irregularity on the procedures or composition of arbitrators specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award made by the PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty 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 of the Standing Committee of the NPC passed 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 all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

An arrangement was reached between Hong Kong and the Supreme People's Court for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People's Court adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland China and Hong Kong (《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 and was amended by the Supplemental Arrangement of the Supreme People's Court for the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (2021) (《最高人民法院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(2021)》). In accordance with this arrangement, awards made by PRC arbitral authorities under the Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

Judicial judgment and its enforcement

According to the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland China and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (《最高人民法院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 "**Old Arrangement**") promulgated by the Supreme People's Court on July 3, 2008 and implemented on August 1, 2008, in the case of final judgment, defined with payment amount and enforcement power, made between the court of China and the court of the Hong Kong Special Administrative Region in a civil and commercial case with written jurisdiction agreement, any party concerned may apply to the People's Court of China or the court of the Hong Kong Special Administrative Region for recognition and enforcement based on this arrangement. "Choice of court agreement in written" refers to a written agreement defining the exclusive jurisdiction of either the People's Court of China or the court of the Hong Kong Special Administrative Region in order to resolve dispute with particular legal relation occurred or likely to occur by the party concerned. Therefore, the party concerned may apply to the Court of China or the court of the Hong Kong Special Administrative Region to recognize and enforce the final judgment made in China or Hong Kong that meet certain conditions of the aforementioned regulations.

On January 18, 2019, the PRC Supreme Court and the Hong Kong government signed 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 "**New Arrangement**"), which replaces the Old Arrangement and seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between Hong Kong and the PRC. The New Arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement. The New Arrangement came into effect on January 29, 2024.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW

Hong Kong company law is primarily set out in the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Companies Ordinance and is supplemented by common law and the rules of equity that are applicable to Hong Kong. As a joint stock limited company established in the PRC that is seeking a listing of shares on the Hong Kong 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 and the Company Law applicable to a joint stock limited company incorporated and existing under the Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company with share capital, is 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.

Under the Company Law, a joint stock limited company may be incorporated by promotion or public subscription.

Share Capital

The Hong Kong company law does not provide for authorized share capital. The share capital of a Hong Kong company would be its issued share capital. The full proceeds of a share issue will be credited to share capital and becomes a company's share capital. The directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company. The Company Law does not provide for authorized share capital, either. Our registered capital is the amount of our issued share capital. Any increase in our registered capital must be approved by our shareholders' general meeting and file with the relevant PRC governmental and regulatory authorities.

Under the Company Law, the shares may be subscribed for 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 verification must be carried out to ensure no overvaluation or undervaluation of the assets. There is no such restriction on a Hong Kong company under Hong Kong Law.

Restrictions on Shareholding and Transfer of Shares

Generally, overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors as allowed under Tentative Regulatory Measures for Qualified Domestic Institutional Investors Investing in Overseas Securities (《合格境內機構投資者境外證券投資管理試行辦法》). If the H shares are eligible securities under the Southbound Trading Link, they may also be subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Under 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 issue prior to our public offering cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and managers and 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 may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and officers. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the restriction on the Company to issue additional Shares within six months and the 12-month lockup on controlling shareholders' disposal of shares, as illustrated by the undertakings given by the Company and our controlling shareholder to the Hong Kong Stock Exchange.

Financial Assistance for Acquisition of Shares

The Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares.

Directors, Senior Management and Supervisors

The Company Law, unlike Hong Kong company law, 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 respects of directors' liability and prohibitions against compensation for loss of office without shareholders' approval.

Board of Supervisors

Under the Company Law, a joint stock limited company's directors and managers are subject to the supervision of a supervisors committee. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong.

Derivative Action by Minority Shareholders

Hong Kong law permits 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.

The Company Law provides shareholders of a joint stock limited company with the right so that in the event where the directors and senior management violate their fiduciary obligations to a company, the shareholders individually or jointly holding over 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. In the event that the board of supervisors violates their fiduciary obligations to a company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors 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 court in their own name.

Minority Shareholder Protection

Under Hong Kong law, 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 the court to make an appropriate order regulating the affairs of the company. Furthermore, under certain circumstances, 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 PRC law does not contain similar safeguards.

Notice of Shareholders' Meetings

Under the Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. According to the Official Reply of the State Council on Adjusting the Provisions Governing Matters Including the Application of the Notice Period for the Convening of Shareholders' Meetings by Companies Listed Overseas (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》) promulgated by the State Council on October 17, 2019, the notice period for a shareholders' meeting, the shareholder proposal right, and the procedures for convening a shareholders' meeting, for those joint stock companies established within the territory of China but listed outside the territory of China, should be governed by the PRC Company Law.

For a 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. Further, where a meeting involves consideration of a resolution requiring special notice, the company must also give its shareholders notice of the resolution at least 14 days before the meeting.

Quorum for Shareholders' Meetings

Under Hong Kong law, the quorum for a general meeting must be at least two members unless the articles of association of the company otherwise provide. For companies with only one member, the quorum must be one member. The Company Law does not specify any quorum requirement for a shareholders' general meeting.

Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and 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 general meeting. Under the Company Law, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the general meeting except in cases of proposed amendments to a company's 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 represented by the shareholders who attend the general meeting.

Financial Disclosure

Under 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' annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, 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. A joint stock limited liability company is required under the PRC law to prepare its financial statements in accordance with the PRC GAAP.

Information on Directors and Shareholders

The Company Law gives shareholders the right to inspect the company's articles of association, minutes of the shareholders' meetings and financial and accounting reports. Under the Articles of Association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the shareholders' rights of Hong Kong companies under Hong Kong law.

Receiving Agent

Under the Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period 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 Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court. Under PRC law, merger, division, dissolution or change to the status of a joint stock limited liability company has to be approved by shareholders in general meeting.

Mandatory Deductions

Under the Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Remedies of the Company

Under the Company Law, if a director, supervisor or manager 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 manager should be responsible to the company for such damages. In addition, the Listing Rules require listed companies' articles of association to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividends

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 law, the limitation period for an action to recover a debt (including the recovery of declared dividends) is six years, whereas under PRC laws, the relevant limitation period is three years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until 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.

Closure of Register of Shareholders

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 30 days before the date of a shareholders' meeting or within five days before the base date set for the purpose of distribution of dividends.

Any person wishing to have detailed advice on PRC law or the laws of any jurisdiction is recommended to seek independent legal advice.

This appendix mainly provides investors with an overview of the Articles of Association. The following data is only a summary and not exhaustive data that may be important to investors.

SHARES AND REGISTERED CAPITAL

The issuance of the Company's shares shall follow the principles of openness, fairness and justice, and each share of each class shall have the same rights. Shares of the same class issued at the same time shall be issued on the same terms and at the same price. Any unit or individual subscribed for the shares shall pay the same amount for each share.

The H Shares issued by the Company may be deposited in an escrow company under the Hong Kong Securities Clearing Company Limited in accordance with the laws of the place of listing and the practice of securities registration and depository. The domestic unlisted shares issued by the Company shall be registered and deposited at the domestic securities registration and settlement institution in a centralized manner.

Shares issued by the Company, denominated in Renminbi, with a par value of one Renminbi (RMB1.00) per share.

SHARE ADDITIONS, REPURCHASES AND TRANSFERS

Share increase or decrease

The Company may, in accordance with the needs of its business development, and in accordance with the provisions of laws and regulations, increase its registered capital in the following ways upon the resolutions of the shareholders' meeting:

(1) Public issuance of shares;

(2) Non-public issuance of shares;

(3) Distribution of bonus shares to existing shareholders;

(4) Capitalizing of common reserve fund;

(5) Other methods as stipulated by laws, administrative regulations and approved by relevant regulatory authorities such as government administrative departments and securities regulatory authorities in the place where the Company's shares are listed.

When a company needs to reduce its registered capital, it must prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within 10 days from the date of making the decision to reduce the registered capital, and make an announcement in newspapers, the National Enterprise Credit Information Publicity System and the HKEXnews website of the Hong Kong Stock Exchange (**www.hkexnews.hk**) within 30 days. The creditors have the right to demand the Company to pay off its debts or provide corresponding guarantees within 30 days from the date of receipt of the notice, or within 45 days from the date of the announcement if it has not received the notice.

Share repurchase

The Company shall not acquire the Company's shares except in any of the following circumstances:

(1) To reduce the registered capital of the company;

(2) Merger with other companies which hold shares of the Company;

(3) The use of shares in employee shareholding plans or equity incentives;

(4) The shareholder requests the company to purchase its shares due to objection to the resolution on the merger or division of the company made by the shareholders' meeting;

(5) The conversion of shares into corporate bonds issued by the company that can be converted into share certificates;

(6) Necessary for the Company to safeguard the Company's value and shareholders' interests.

Where the Company acquires the Company's shares due to the circumstances specified in items (3), (5) and (6) of the above, the acquisition shall be conducted through a public centralized transaction. Where the Company acquires the Company's shares due to the reasons mentioned in items (1) and (2) of the above, it shall be subject to a resolution of the shareholders' meeting. Where the Company acquires shares of the Company under the circumstances specified in item (3), (5) and (6) of the above, it shall be resolved by more than two-thirds of the directors who attended the board meeting, provided that it complies with the applicable securities regulatory rules of the place where the company's shares are listed. After the acquisition of the Company's shares, the Company shall perform its information disclosure obligation in accordance with the Securities Law, the provisions of the exchange where the Company's shares are listed and other securities regulatory rules. After the Company acquires the shares of the Company pursuant to the above provisions, it shall be deregistered within 10 days from the date of acquisition in circumstance (1); the shares shall be transferred within 6 months in circumstance (2) and (4): the total number of shares of the Company held by the Company shall not exceed 10% of the total issued shares of the Company under the circumstances specified in (3), (5) and (6) and shall be transferred or canceled within three years. Where the laws, regulations and the securities regulatory authorities of the place where the Company's shares are listed have other provisions on the relevant matters involved in the repurchase of shares, such provisions shall prevail.

The Company may choose one of the following methods to acquire the shares of the Company:

(1) Public centralized trading methods;

(2) Other methods approved by the laws, administrative regulations, the CSRC and other stock exchanges where the Company's shares are listed, and shall comply with the applicable laws, administrative regulations, departmental rules and the securities regulatory rules of the place where the Company's shares are listed.

Transfer of Shares

The shares issued by the Company prior to the public issuance of shares shall not be transferred within one year from the date of listing of the Company's shares on the stock exchange.

Directors, supervisors and senior management of the Company shall report to the Company the shares of the Company held by them and their changes. The shares of the Company shall not be transferred within one year from the date of listing. The above-mentioned personnel shall not transfer the shares of the Company held by them within half a year after their resignation. Where the listing rules of the place where the Company's shares are listed provide otherwise for restrictions on the transfer of the Company's shares, such provisions shall prevail.

Directors, supervisors, senior management of the Company and shareholders holding more than 5% of the Company's shares sell or sell their shares or other securities of the Company within six months after the purchase. If the purchase is made within 6 months after the purchase, the proceeds derived therefrom shall belong to the Company, and the board of directors of the Company shall be responsible for recovering the proceeds derived therefrom. However, the securities company holds more than 5% of the shares as a result of the purchase of the remaining shares after the underwriting sale, and other circumstances stipulated by the CSRC. Where the listing rules and relevant supervision rules of the place where the Company's shares are listed have other provisions, such provisions shall prevail. Shares or other securities with the nature of equity held by the directors, supervisors, senior management, and shareholders of natural persons as mentioned in the preceding paragraph shall include the shares or other securities with the nature of equity held by their spouses, parents, children and through the accounts of others. If the board of directors of the Company does not comply with the provisions of this Article, the shareholders shall have the right to request the board of directors to implement the provisions within 30 days. If the board of directors of the Company fails to carry out the enforcement within the aforesaid time limit, the shareholders shall have the right to directly file a lawsuit in the People's Court for the benefit of the Company in their own name. If the board of directors of the Company fails to comply with the provisions of this Article, the responsible directors shall be jointly and severally liable in accordance with the law.

SHAREHOLDERS AND SHAREHOLDERS' MEETINGS

Shareholders

The Company shall establish a register of shareholders on the basis of the certificates provided by the securities registration authority, and the register of shareholders shall be a sufficient evidence that shareholders hold the shares of the company. The original register of members of the H Shares listed in Hong Kong is maintained in Hong Kong and is available for inspection by the Shareholders. However, the Company may suspend shareholder registration in accordance with applicable laws and regulations and the securities regulatory rules of the place where the Company's shares are listed. Shareholders shall enjoy rights and assume obligations according to the class of shares they hold. Shareholders holding shares of the same class shall enjoy the same rights and assume the same obligations.

Shareholders of the Company have the following rights:

(1) Dividends and other forms of distribution of benefits based on the number of shares held by them;

(2) Lawfully request, convene, preside over, attend or appoint a shareholder's proxy to attend the shareholders' meeting, speak at the shareholders' meeting and exercise the corresponding voting rights (unless individual shareholders are subject to applicable laws, administrative regulations, departmental rules and securities supervision of the place where the Company's shares are listed that require them to abstain from voting on individual matters);

(3) Supervising the operation of the company and putting forward suggestions or inquiries;

(4) Transfer, gift or pledge the shares held by it in accordance with the laws, administrative regulations and the Articles of Association;

(5) To inspect and make copies of the Articles of Association, the register of shareholders, minutes of shareholders' meetings, resolutions of the board of directors, resolutions of the board of supervisors, and financial and accounting reports;

(6) At the time of termination or liquidation of the company, the Company shall participate in the distribution of the remaining assets of the company according to the shares held by it;

(7) A shareholder who disagrees with the resolution on the merger or division of the company made by the shareholders' meeting shall require the company to purchase its shares;

(8) Other rights stipulated by laws, administrative regulations, departmental rules, Articles of Association of the company or securities supervision rules of the place where the Company's shares are listed.

If the resolutions of the shareholders' meeting or the board of directors of the Company violate the laws or administrative regulations, the shareholders shall have the right to request the People's Court to determine that the resolutions are invalid. If the procedures for convening the meetings of the shareholders' meeting or the board of directors, or the way of voting violates the provisions of the laws, administrative regulations or the Articles of Association of the company, or the content of the resolutions violates the provisions of the Articles of Association of the Company, the shareholders shall have the right to request the People's Court to revoke the resolutions within 60 days from the date when the resolutions are made.

Shareholders of the Company have the following obligations:

(1) Comply with laws, administrative regulations and the Articles of Association;

(2) Pay the share capital in accordance with the shares subscribed for and the manner of share purchase;

(3) Shall not withdraw the shares except for the circumstances stipulated by laws and regulations;

(4) Do not abuse the rights of shareholders to damage the interests of the company or other shareholders; do not to abuse the independent status of the company as a legal person and the limited liability of shareholders to damage the interests of the creditors of the company;

(5) Keep the Company's trade secrets;

(6) Comply with other obligations stipulated by laws, administrative regulations and the Articles of Association.

If a shareholder of the Company abuses its shareholder's rights and causes losses to the Company or other shareholders, he shall be liable for compensation in accordance with the law. If a shareholder of the company abuses its independent status as a legal person and the limited liability of its shareholders to evade debts and seriously harm the interests of the creditors of the company, he shall be jointly and severally liable for the debts of the company.

General requirements of shareholders' meetings

The shareholders' meeting is the organ of authority of the company and shall exercise the following functions and rights in accordance with the law:

(1) To elect and replace directors and supervisors, and decide on the remuneration of directors and supervisors;

(2) To consider and approve the report of the board of directors;

(3) To consider and approve the report of the board of supervisors;

(4) To consider and approve the Company's profit distribution plan and loss recovery plan;

(5) To pass resolutions on the increase or decrease of the registered capital of the company;

(6) To pass resolutions on the issuance of securities or corporate bonds by the company;

(7) To pass resolutions on the merger, division, dissolution, liquidation of the company or change of the company's form;

(8) To amend the Articles of Association;

(9) To decide on the acquisition of the Company's shares due to the circumstances stipulated in items (1) and (2) of Article 24 of the Articles of Association;

(10) To make resolutions on the appointment and dismissal of the accounting firm and the remuneration of the accounting firm;

(11) To consider and approve the guarantee matters stipulated in Article 42;

(12) To consider the purchase or sale of material assets by the Company in excess of 30% of the Company's most recent audited total assets within one year;

(13) To consider and approve the changes in the use of proceeds;

(14) To review share incentive plans and employee share ownership plans;

(15) To consider other matters that shall be decided by the shareholders' meeting as provided in the laws, administrative regulations, departmental regulations, the securities supervision rules of the place where the Company's shares are listed or the Articles of Association of the Company.

The following external guarantees of the Company shall be considered and approved by the shareholders' meeting:

(1) Any guarantee provided after the total amount of guarantees provided by the Company and its controlled subsidiaries to external parties exceeds 50% of the latest audited net assets of the Company;

(2) Any guarantee provided after the total amount of external guarantees provided by the Company and its controlled subsidiaries exceeds 30% of the Company's total audited assets in the latest period;

(3) Guarantees in which the cumulative amount of guarantees in the latest twelve months exceeds 30% of the Company's total audited assets in the latest period;

(4) The latest financial statements of the guaranteed party indicate that the asset-liability ratio exceeds 70%;

(5) Guarantees with a single guarantee amount exceeding 10% of the latest audited net assets;

(6) Guarantees provided to shareholders, actual controllers and their related parties;

(7) Other guarantees that shall be considered by the shareholders' meeting as stipulated by laws, administrative regulations, rules, securities supervision rules of the place where the Company's shares are listed or other regulatory documents.

The guarantee in item (3) of the preceding paragraph shall be approved by more than two-thirds of the voting rights held by the shareholders attending the meeting.

If the directors, general manager, other senior management or other personnel of the Company enter into a guarantee contract without authorization in accordance with the procedures for reviewing external guarantees, the parties concerned shall be held accountable.

Under any of the following circumstances, the Company shall convene an extraordinary general meeting within 2 months from the date of occurrence:

(1) The number of directors is less than the number prescribed in the Company Law or two-thirds of the number prescribed in the Articles of Association;

(2) The unrecovered loss of the company reaches 1/3 of the total share capital;

(3) At the request of shareholders who individually or collectively hold more than 10% of the shares of the company;

(4) When the board of directors deems it necessary;

(5) When the board of supervisors proposes to convene;

(6) Other circumstances stipulated by laws, administrative regulations, departmental rules, securities supervision rules of the place where the Company's shares are listed or the Articles of Association of the Company.

If the extraordinary shareholders' meeting is convened in accordance with the requirements of the securities regulatory rules on the listing of the Company's shares, the actual date of the extraordinary shareholders' meeting may be adjusted according to the progress of the approval of the stock exchange where the Company's shares are listed.

Convening of shareholders' meeting

The shareholders' meeting shall be convened by the board of directors in accordance with the law. The independent non-executive directors have the right to propose to the board to convene an extraordinary general meeting. For the proposal of the independent non-executive directors to convene an extraordinary general meeting, the board of directors shall, in accordance with the provisions of laws, administrative regulations and the Articles of Association, provide written feedback on whether or not to convene the extraordinary general meeting within 10 days after receiving the proposal.

If the board of directors agrees to convene an extraordinary shareholders' meeting, a notice of convening the Shareholders' meeting shall be issued within 5 days after the Board resolution is made.

The supervisory committee shall have the right to propose to the board of directors to convene an extraordinary shareholders' meeting, and shall propose to the board of directors in writing. The board of directors shall, in accordance with the laws, administrative regulations and the Articles of Association, provide written feedback on whether or not to convene the extraordinary shareholders' meeting within 10 days after receiving the proposal.

If the board of directors agrees to convene an extraordinary shareholders' meeting, a notice of convening the shareholders' meeting shall be issued within 5 days after the resolution of the board of directors is made. The changes to the original proposal in the notice shall be subject to the consent of the board of supervisors.

If the board of directors does not agree to convene an extraordinary shareholders' meeting, or fails to give feedback within 10 days after receiving the proposal, the board of supervisors shall be deemed to be unable to perform or fail to perform its duties of convening the shareholders' meeting, and the supervisory committee may convene and preside over the meeting by itself.

Shareholders who individually or collectively hold more than 10% of the Company's shares have the right to request the board of directors to convene an extraordinary shareholders' meeting and to include proposals in the meeting agenda, which shall be submitted to the board of directors in writing. The board of directors shall, in accordance with the provisions of laws, administrative regulations and the Articles of Association, provide written feedback on whether or not to convene the extraordinary shareholders' meeting within 10 days after receiving the request.

If the board of directors agrees to convene an extraordinary shareholders' meeting, a notice of convening the shareholders' meeting shall be issued within five days after the resolution of the board of directors is made. The changes to the original proposal in the notice shall be subject to the consent of the relevant shareholders.

If the board of directors does not agree to convene an extraordinary shareholders' meeting, or fails to provide feedback within 10 days after receiving the request, shareholders individually or collectively holding more than 10% of the Company's shares have the right to propose to the board of supervisors to convene an extraordinary shareholders' meeting, and shall submit a written request to the board of supervisors to make a request.

If the board of supervisors agrees to convene an extraordinary shareholders' meeting, it shall issue a notice to convene the shareholders' meeting within 5 days of receiving the request. Any changes to the original request in the notice must be approved by the relevant shareholders.

If the board of supervisors fails to issue a notice of the shareholders' meeting within the prescribed period, it will be deemed that the board of supervisors has not convened and presided over the shareholders' meeting. Shareholders who individually or collectively hold more than 10% of the Company's shares for more than 90 consecutive days may convene and preside over the meeting on their own.

Notice of shareholders' meeting

The convener will notify shareholders by announcement 21 days before the annual shareholders' meeting, and for the extraordinary shareholders' meeting, shareholders will be notified by announcement 15 days before the meeting. When calculating the starting period, the Company shall not include the date of the meeting.

The notice of the shareholders' meeting includes the following:

(1) Time, place and duration of the meeting;

(2) Matters and proposals submitted to the meeting for consideration;

(3) Explain in obvious words: All shareholders have the right to attend the shareholders' meeting and can entrust a proxy in writing to attend the meeting and participate in voting. The shareholder's proxy does not have to be a shareholder of the Company;

(4) Equity registration date of shareholders who have the right to attend the shareholders' meeting;

(5) Name and telephone number of the permanent contact person for conference affairs;

(6) Voting time and voting procedures online or by other means.

All specific contents of all proposals shall be fully and completely disclosed in the shareholder meeting notice and supplementary notice. If the matters to be discussed require the independent non-executive directors to express their opinions, the opinions and reasons of the independent non-executive directors should be disclosed at the same time when issuing the shareholders' meeting notice and supplementary notice.

Proposals of shareholders' meeting

The content of the proposal should fall within the scope of powers of the shareholders' meeting, have clear topics and specific resolution matters, and comply with the relevant provisions of laws, administrative regulations and Articles of Association.

When the Company convenes a shareholders' meeting, the board of directors, board of supervisors and shareholders individually or jointly holding more than 1% of the Company's shares have the right to propose proposals to the Company.

Shareholders who individually or collectively hold more than 1% of the Company's shares may put forward temporary proposals and submit them in writing to the convener 10 days before the shareholders' meeting. The convener shall issue a supplementary notice of the shareholders' meeting within 2 days after receiving the proposal and announce the contents of the temporary proposal. Regarding the issuance of supplementary notices of shareholders' meetings, if there are special provisions in the securities regulatory rules of the place where the Company's shares are listed, such provisions shall prevail on the premise that it does not violate the Company Law and the Securities Law. If the shareholders' meeting must be postponed due to the issuance of a supplementary notice of the shareholders' meeting in accordance with the securities regulatory rules of the place where the Company's shares are listed, the convening of the shareholders' meeting shall be postponed in accordance with the securities regulatory rules of the place where the Company's shares are listed.

Save for the circumstances specified in the preceding paragraph, the convener shall not modify the proposals listed in the notice of shareholders' meeting or add new proposals after issuing the notice of shareholders' meeting. Proposals that are not listed in the notice of shareholders' meeting or do not comply with the provisions of the Articles of Association shall not be voted on and resolutions made by the shareholders' meeting.

Delegations of the shareholders' meeting

Shareholders may attend the shareholders' meeting in person or entrust a proxy to attend and vote on their behalf.

Each shareholder has the right to appoint a representative, but the representative does not need to be a shareholder of the Company; if the shareholder is a legal person shareholder, he or she may appoint a representative to attend and vote at any shareholders' meeting of the Company, and if the legal person shareholder has appointed a representative to attend any meeting, it will be deemed to be present in person. A form of appointment of representative may be executed by the Company duly authorized by it. If an individual shareholder attends the meeting in person, he or she should present his or her identity card or other valid certificate or certificate that can indicate his or her identity, or proof of shareholding; if an individual shareholder appoints a proxy to attend the meeting, he or she should present his or her valid identity certificate or shareholder's power of attorney.

Legal person shareholders shall be represented by their legal representative or a agent entrusted by the legal representative to attend the meeting. If a legal representative (other than a recognized clearing house or its agent) attends the meeting, he or she shall present his or her identity card and a valid certificate proving his or her qualifications as a legal representative; if an agent (other than a recognized clearing house or its agent) is appointed to attend the meeting, the agent should present his or her identity card and a written power of attorney issued by the legal representative of the legal person shareholder unit in accordance with the law (except where the shareholder is a recognized clearing house or its agent as defined in the relevant regulations of Hong Kong law in force from time to time or the securities regulatory rules of the place where the company's shares are listed).

If the shareholder is a recognized clearing house (or its agent), the recognized clearing house may authorize one or more persons it considers appropriate to act as its representative at any shareholders' meeting or any creditors' meeting; however, if more than one person is authorized, the authorization letter should specify the number and type of shares for each such person authorized by such authorization. A person so authorized may attend meetings on behalf of a recognized clearing house (or its agent) (without showing shareholding certificates, subject to notarized authorization and/or further evidence confirming that it is duly authorized) to exercise rights as if such person were an individual shareholder in the Company.

The power of attorney issued by a shareholder to entrust others to attend the shareholders' meeting shall specify the following contents:

(1) The name of the agent;

(2) Whether it has voting rights;

(3) Instructions to vote in favor, against or abstain from voting on each matter included in the agenda of the shareholders' meeting;

(4) The date of issuance and validity period of the power of attorney;

(5) Signature (or seal) of the client. If the client is a legal person shareholder, the seal of the legal person entity shall be affixed.

The power of attorney should indicate whether the shareholder's agent can vote according to his or her own will if the shareholder does not give specific instructions. If the power of attorney does not provide specific instructions, it is deemed that the shareholder's agent may vote according to his or her own wishes.

Voting on the Shareholders' meeting

Resolutions of shareholders' meetings are divided into ordinary resolutions and special resolutions.

Ordinary resolutions made on the shareholders' meeting shall be passed by more than half of the voting rights held by shareholders (including shareholders' proxies) present at the shareholders' meeting.

Special resolutions made on a shareholders' meeting must be passed by more than two-thirds of the voting rights held by shareholders (including shareholders' proxies) present at the shareholders' meeting.

The following matters shall be passed by ordinary resolutions at the shareholders' meeting:

(1) Work reports of the board of directors and board of supervisors;

(2) The profit distribution plan and loss compensation plan drawn up by the board of directors;

(3) The appointment and removal of members of the board of directors and the board of supervisors who are not represented by employee representatives, and the remuneration and payment methods of members of the board of directors and the board of supervisors;

(4) The Company's annual budget plan and final accounts plan;

(5) The annual report of the Company;

(6) Other matters that should be passed by special resolutions except those stipulated by laws, administrative regulations, securities regulatory rules of the place where the company's shares are listed, or the Articles of Association.

The following matters shall be passed by the shareholders' meeting through special resolutions:

(1) The Company increases or decreases its registered capital;

(2) The division, spin-off, merger, dissolution, liquidation and voluntary liquidation of the Company or change of form in the Company;

(3) Modification of the Articles of Association;

(4) The Company purchases or sells major assets within one year or the amount of guarantee exceeds 30% of the Company's latest audited total assets;

(5) Equity incentive plan;

(6) Adjustment of profit distribution policy;

(7) Appointment, removal and remuneration of accountants;

(8) Other matters that are stipulated in laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed, or the Articles of Association, as well as those that are determined by the shareholders' meeting to have a significant impact on the Company through ordinary resolutions and need to be passed through special resolutions.

Shareholders (including shareholders' agents) exercise their voting rights based on the number of voting shares they represent, and each share is entitled to one vote. When voting, shareholders (including shareholders' proxies) with two or more voting rights do not have to vote for or against all voting rights.

When the shareholders' meeting considers major matters affecting the interests of small and medium-sized investors, the votes of small and medium-sized investors shall be counted separately. The results of individual vote counting should be disclosed to the public in a timely manner.

The Company's shares held by the Company carry no voting rights, and such shares are not included in the total number of voting shares held by shareholders present.

According to applicable laws and regulations and the Hong Kong Stock Exchange Listing Rules of the Hong Kong Stock Exchange, if any shareholder is required to give up voting rights on a certain resolution, or any shareholder is restricted from voting in support of (or against) a certain resolution, such votes cast by such shareholders or their representatives in violation of relevant regulations or restrictions shall not be counted in the total number of shares with voting rights.

If a shareholder violates the provisions of paragraphs 1 and 2 of Article 63 of the Securities Law by purchasing shares of the Company with voting rights, the shares exceeding the prescribed proportion shall not exercise voting rights within thirty-six months after purchase and is not included in the total number of shares with voting rights present at the shareholders' meeting.

The board of directors, independent non-executive directors and shareholders holding more than 1% of the voting shares or investor protection institutions established in accordance with laws, administrative regulations or the provisions of the China Securities Regulatory Commission may solicit shareholder voting rights. When soliciting shareholder voting rights, specific voting intentions and other information must be fully disclosed to the persons being solicited. It is prohibited to collect voting rights from shareholders through paid or disguised payment methods. Except for statutory conditions, the Company may not impose minimum shareholding ratio restrictions on the solicitation of voting rights.

DIRECTORS AND THE BOARD

Directors

Directors of the Company may include executive directors, non-executive directors and independent non-executive directors. Non-executive directors refer to directors who do not hold operational management positions in the Company. Independent non-executive directors refer to persons who meet the qualifications for office, nomination and election procedures, powers and other relevant matters that must be comply with the relevant regulations of the law, the China Securities Regulatory Commission and the stock exchange where the Company is listed. Directors should hold the qualifications required by laws, administrative regulations and rules.

Directors are elected or changed by the shareholders' meeting and may be removed from office by an ordinary resolution of the shareholders' meeting before the expiration of their term (but claims that may be made under any contract are not affected). The term of directors is three years. Upon expiration of the term, directors may be re-elected in accordance with the provisions of the securities regulatory rules of the place where the Company's shares are listed.

The term of office of a director shall be calculated from the date of assuming office until the expiration of the term of the current board of directors. If a director's term of office expires and is not re-elected in time, until the re-elected director takes office, the original director shall still perform his or her duties as a director in accordance with the provisions of laws, administrative regulations, departmental rules and the articles of association.

Directors may concurrently serve as general managers or other senior managers, but the total number of directors who concurrently hold the positions of general manager or other senior managers shall not exceed 1/2 of the total number of directors of the Company.

The Company's board of directors does not have employee representative directors in place, and the nomination committee of the board of directors is responsible for the selection and appointment procedures of directors.

Directors may resign prior to the expiration of their term of office. Directors who resign should submit a written resignation report to the board of directors. The board of directors will disclose the relevant situation within 2 days.

If the resignation of a director causes the Company's board of directors to fall below the legal minimum number or the resignation of an independent non-executive director results in having no accounting professionals among the independent non-executive directors, before the re-elected director takes office, the original director shall still perform his or her duties as a director in accordance with laws, administrative regulations, departmental rules and the Articles of Association. A director's resignation report will not take effect until the next director fills the vacancy generated by his or her resignation.

Except for the circumstances listed in the preceding paragraph, the resignation of a director shall take effect upon delivery of the resignation report to the board of directors.

On the premise that of not violating the relevant laws, regulations and regulatory rules in Hong Kong, if the board of directors (if permitted by applicable laws and regulations) appoints a new director to fill a temporary vacancy on the board of directors or to increase the number of directors, the appointed director's term shall only expire at the first annual general meeting of the Company after his or her appointment and he or she shall be eligible for re-election.

The chairman of the Board

The board of directors has one chairman in place. The chairman of the board of directors is elected by more than half of all of the directors.

The chairman of the board of directors exercises the following powers:

(1) Preside over shareholders' meetings and convene and preside over board meetings;

(2) Supervise and inspect the implementation of board resolutions;

(3) Sign board documents and other documents that should be signed by the Company's legal representative;

(4) Exercising the powers of the legal representative;

(5) In the event of force majeure emergencies such as severe natural disasters, exercise special power to handle affairs of the Company in compliance with legal provisions and the interests of the company, and report to the Company's directors and shareholders afterwards;

(6) Other powers granted by the board of directors.

If the chairman of the board of directors is unable or fails to perform his or her duties, more than half of the directors shall jointly elect a director to perform such duties.

The Board

The board of directors consists of 11 directors. The board of directors consists of 1 chairman and 4 independent non-executive director.

The board of directors exercises the following powers:

(1) Convene a shareholders' meeting and report work to the shareholders' meeting;

(2) Implement the resolutions of the shareholders' meeting;

(3) Determine the Company's business plan and investment plan;

(4) Formulate the Company's profit distribution plan and loss compensation plan;

(5) Formulate plans for the Company to increase or reduce its registered capital, issue bonds or other securities and for the listing;

(6) Formulate plans for the Company's major acquisitions, the Company's acquisition of the Company's shares due to items (1) and (2) of Article 24 of the Articles of Association, or merger, division, dissolution and change of form of the Company;

(7) On the premise of complying with the securities regulatory rules of the place where the Company's shares are listed, decide the Company's acquisition of the Company's shares under the circumstances stipulated in items (3), (5) and (6) of Article 24 of the Articles of Association;

(8) Decide that the Company will purchase or sell major assets (including but not limited to land, buildings, equipment, production lines, and equity), but if the cumulative amount of the Company's purchase and sale of major assets (including but not limited to land, buildings, equipment, production lines, equity) within one year exceeds 30% of the Company's latest audited total assets, it must be reported to the shareholders' meeting for review;

(9) Decide on major external investments (including but not limited to the establishment of new companies or branches), but if the cumulative amount of the Company's external investments within one year (including but not limited to the establishment of new companies or branches) exceeds 30% of the Company's latest audited total assets, it must be reported to the shareholders' meeting for review;

(10) Decide on major entrusted financial management, but if the cumulative amount of the Company's entrusted financial management within one year exceeds 30% of the Company's latest audited total assets, it must be reported to the shareholders' meeting for review;

(11) Decide on the establishment of the Company's internal management agencies and branches;

(12) Decide on the appointment or dismissal of the Company's general manager, secretary to the board of directors and other senior management personnel, and determine their remuneration, rewards and punishments; decide on the appointment or dismissal of the Company's deputy general manager, financial controller and other senior management personnel based on the nomination of the general manager personnel and decide on their remuneration and rewards and punishments;

(13) Formulate and modify the Company's basic management system;

(14) Formulate a plan to amend the Articles of Association;

(15) Manage the Company's information disclosure matters;

(16) Propose to the shareholders' meeting to hire or change the accounting firm to audit the Company;

(17) Listen to the work report of the general manager of the Company and inspect the work of the general manager;

(18) Laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed, provisions of the Articles of Association or other powers granted by the shareholders' meeting.

Board meetings are divided into regular meetings and ad hoc meetings. The board of directors holds at least four meetings each year, approximately once every quarter, convened by the chairman of the board. Regular meetings of the board of directors should be notified in writing to all directors and supervisors 14 days prior to the meeting. It is expected that the majority of the directors entitled to attend each regular board meeting will attend the meeting in person or actively participate through electronic communication means. Regular board meetings do not include obtaining board approval by circulating written resolutions. The chairman shall hold at least one meeting annually with the independent non-executive directors without the presence of other directors.

Shareholders representing more than 1/10 of the voting rights, more than 1/3 of the directors or the board of supervisors may propose to convene an extraordinary meeting of the board of directors. The chairman of the board of directors shall convene and preside over a board meeting within 10 days after receiving the proposal.

The methods of notification for the extraordinary board meeting of the board of directors are: telephone notification and written notification (including personal delivery, mail, fax, and email). The notification time limit is: to notify all directors 3 days prior to the meeting. In the event of emergency, with the unanimous consent of all directors, the convening of an extraordinary board meeting may not be subject to the aforementioned notification time limit, but this shall be recorded in the board minutes and signed by all participating directors. The first meeting after the re-election of the board of directors may be held on the day of re-election, and the time of the meeting is not restricted by the above-mentioned notification method and notification time.

Board meetings should be attended by more than half of the directors. Resolutions made by the board of directors should be approved by more than half of all directors, unless otherwise provided by laws, administrative regulations and the Articles of Association. Voting on resolutions of the board of directors is based on one person, one vote.

Directors who are related to the corporates involved in the matters resolved at the board of directors meeting may not exercise voting rights on the resolution, nor may they exercise voting rights on behalf of other directors. The board meeting may be held if more than half of the unrelated directors are present, and resolutions made at the board meeting shall be passed by more than half of the unrelated directors. If the number of unrelated directors present at the board of directors is less than 3, the matter shall be submitted to the shareholders' meeting for review. If laws, regulations and the securities regulatory rules of the place where the Company's shares are listed have any additional restrictions on directors' participation in board meetings and voting, those provisions shall prevail.

Board meetings shall be attended by the director in person; if a director is unable to attend for any reason, he or she may authorize another director in writing to attend on his or her behalf. The letter of authorization shall state the name of the agent, matters of agency, scope of authorization and validity period, and shall be signed or stamped by the principal; Directors who attend meetings on their behalf shall exercise the rights of directors within the scope of authorization. If a director fails to attend a board meeting or appoint a representative to attend, he or she shall be deemed to have given up his or her right to vote at the meeting.

Special committee of the board of directors

The Company has established the audit committee, the remuneration committee, and the nomination committee under the board of directors based on actual conditions and needs.

Special committees are responsible to the board of directors and perform their duties in accordance with the Articles of Association and the authorization of the board of directors. Proposals must be submitted to the board of directors for review and decision. The members of the special committees are all directors. Independent non-executive directors make up the majority of the audit committee, remuneration committee and nomination committee and serve as conveners. The convener of the audit committee is an accounting professional. The Board of Directors is responsible for formulating work procedures for special committees and standardizing their operations.

Board secretary

The Company has a board secretary in place, who is responsible for the preparation of the Company's shareholders' meetings and board of directors meetings, document maintenance, shareholder data management of the Company and other matters, and handling information disclosure matters. The board secretary shall abide by the relevant provisions of laws, administrative regulations, departmental rules and the Articles of Association.

General Manager and other senior managers

The Company has a general manager, who is appointed or dismissed by the board of directors.

The Company has 1 financial officer and 1 board secretary, who are appointed or dismissed by the general manager at the request of the board of directors.

The Company's general manager, financial controller, board secretary and other senior managers recognized by the Company's board of directors are the Company's senior managers. Directors may be employed concurrently as general managers, financial controllers or other senior management personnel.

The general manager and other senior managers are elected for a term of three years, and may be re-appointed.

The general manager is responsible to the board of directors and exercises the following powers:

(1) Preside over the Company's production, operation and management work, organize the implementation of board resolutions, and report work to the board of directors;

(2) Organize and implement the Company's annual business plan and investment plan;

(3) Formulate a plan for the establishment of the Company's internal management organization;

(4) Formulate the Company's basic management system;

(5) Formulate specific regulations of the Company;

(6) Request the board of directors to appoint or dismiss the Company's deputy general manager and financial director;

(7) Decide on the appointment or dismissal of management personnel other than those who shall be appointed or dismissed by the board of directors;

(8) Approval of transactions and related transactions other than those required to be reviewed and approved by the shareholders' meeting and the board of directors, but if laws, regulations and regulatory authorities have relevant provisions, such provisions shall prevail;

(9) Other powers stipulated in the general manager's work rules;

(10) Other powers granted by the Articles of Association or the board of directors.

The general manager attends board meetings.

SUPERVISORS AND THE SUPERVISORY BOARD

Supervisors

The term of each supervisor is three years. When the supervisor's term expires, he or she may be re-elected.

If a supervisor's term of office expires and is not re-elected in time, or if a supervisor resigns during his or her term of office and the number of members of the board of supervisors falls below the quorum, the original supervisor shall still perform his or her duties as a supervisor in accordance with the provisions of laws, administrative regulations and the Articles of Association until the re-elected supervisor takes office.

Supervisors may attend board meetings and raise questions or suggestions on board resolutions.

Supervisors shall not use their related relationships to harm the interests of the Company. If they cause losses to the Company, they shall bear liability for such compensation.

The Supervisory Board

The Supervisory Board has been established. The Supervisory Board consists of 5 supervisors, and the Supervisory Board has a chairman in place. The chairman of the Supervisory Board is elected by a majority of all supervisors. The chairman of the Supervisory Board shall convene and preside over the meeting of the Supervisory Board; if the chairman of the Supervisory Board is unable or fails to perform his or her duties, more than half of the supervisors shall jointly elect a supervisor to convene and preside over the meeting of the Supervisory Board.

The Supervisory Board shall include shareholder representatives and employee representatives, among which the proportion of employee representatives shall not be less than 1/3 of the number of supervisors on the Supervisory Board. The employee representatives on the board of supervisors are democratically elected by the Company's employees through employee congresses, workers' conferences or other forms of democracy.

The Supervisory Board exercises the following powers:

(1) Should review the Company's regular reports prepared by the board of directors and provide written review opinions;

(2) Inspect the Company's finances;

(3) Supervise the performance of duties by directors and senior managers, and make recommendations for dismissal of directors and senior managers who violate laws, administrative regulations, Articles of Association or resolutions of shareholders' meetings;

(4) Under circumstances where actions of the directors and senior managers would harm the interests of the Company, require directors and senior managers to make corrections;

(5) Propose to convene an extraordinary shareholders' meeting, and convene and preside over the shareholders' meeting when the board of directors fails to perform its duties of convening and presiding over the shareholders' meeting as stipulated in the Company Law;

(6) Submit proposals to the shareholders' meeting;

(7) Initiate lawsuits against directors and senior managers in accordance with the provisions of Article 189 of the Company Law;

(8) If any abnormality in the Company's operating conditions is discovered, an investigation may be conducted; if necessary, professional institutions such as accounting firms and law firms may be engaged to assist in the work, and the costs shall be borne by the Company;

(9) Other powers stipulated in the Articles of Association or granted by the shareholders' meeting.

Supervisory Board meeting

The Supervisory Board shall meet at least once every 6 months. Supervisors may propose to convene an extraordinary supervisory board meeting.

QUALIFICATIONS AND OBLIGATIONS OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGERS OF THE COMPANY

Persons under any of the following circumstances cannot serve as a director, supervisor or senior manager of the Company:

(1) Having no capacity for civil conduct or having limited capacity for civil conduct;

(2) If sentenced to a criminal penalty for corruption, bribery, misappropriation of property, misappropriation of property or undermining the order of the socialist market economy, or is deprived of political rights for a crime, and if the execution period has not expired for more than 5 years and the person is sentenced to probation, and it has not been more than 2 years since the expiration of the probation period;

(3) Serving as a director, factory director or president of a company or enterprise undergoing bankruptcy liquidation, and being personally responsible for the bankruptcy of such company or enterprise, and it has been less than 3 years since the date of completion of the bankruptcy liquidation of such company or enterprise;

(4) Serving as the legal representative of a company or enterprise that has had its business license revoked or ordered to close due to illegal activities with bearing personal responsibility, and it has not been more than 3 years since such company or enterprise was revoked of its business license or ordered to close;

(5) Listed as a dishonest person subject to execution by the people's court since a relatively large amount of debt has not been paid off when due;

(6) The China Securities Regulatory Commission has taken measures to prohibit entry into the securities market and the time limit has not expired;

(7) Other contents stipulated in laws, administrative regulations, securities regulatory rules or departmental rules of the place where the Company's shares are listed.

When the directors, supervisors, general managers and other senior managers of the Company have a material interest, directly or indirectly, in contracts, transactions or arrangements that the Company has entered into or is planning (excluding the employment contracts entered into between the Company and its directors, supervisors, general managers and other senior managers), regardless of whether the relevant matters require the approval of the board of directors under normal circumstances, the nature and extent of their interests must be disclosed to the board of directors as soon as possible.

The directors, supervisors, senior managers of the Company, and shareholders holding more than 5% of the Company's shares selling the Company's stocks or other equity securities held by them within 6 months after purchasing them, or if it is repurchased within 6 months after selling them, such proceeds will belong to the Company, and the board of directors of the Company will be responsible for the recovery of the proceeds. However, securities companies holding more than 5% of the shares due to the purchase of remaining stocks after the underwriting sale are excluded, as well as other circumstances stipulated by the China Securities Regulatory Commission. If the listing rules and relevant regulatory rules of the place where the Company's shares are listed have other provisions in place, such provisions shall prevail.

FINANCIAL ACCOUNTING SYSTEM

The Company formulates its financial accounting system in accordance with laws, administrative regulations and regulations of relevant national departments.

The Company's accounting year adopts the Gregorian calendar year system, that is, the accounting year begins from January 1st to December 31st of each year.

The Company shall prepare financial reports in a timely manner at the end of each fiscal year. In addition to being prepared in accordance with Chinese accounting standards and regulations, the Company's financial statements shall also be prepared in accordance with the accounting standards stipulated by international or stock exchanges where the Company is listed. If there are significant differences between the financial statements prepared according to the two accounting standards, such differences shall be noted in the notes to the financial statements.

In addition to the statutory accounting books, the Company will not maintain separate accounting books. The Company's assets are not stored in accounts opened in any individual's name.

When the Company distributes after-tax profits for the year, it shall withdraw 10% of the profits and include them in the Company's statutory public reserve fund. If the cumulative amount of the Company's statutory reserve fund is more than 50% of the Company's registered capital, no further withdrawals may be made. If the Company's statutory reserve fund is insufficient to make up for losses in previous years, it shall first utilize the current year's profits to make up for the losses before withdrawing the statutory reserve fund in accordance with the provisions of the preceding paragraph. After the Company withdraws the statutory public reserve fund from the after-tax profits, it can also withdraw the discretionary public reserve fund from the after-tax profits upon resolution of the shareholders' meeting. The remaining after-tax profits after the Company has made up for its losses and withdrawn the reserve fund shall be distributed according to the proportion of shares held by shareholders, unless the Articles of Association stipulated that distribution is not based on the proportion of shareholdings. If the shareholders' meeting violates the provisions of the preceding paragraph and distributes profits to shareholders before the Company makes up for its losses and withdraws statutory reserve funds, shareholders must return the profits distributed in violation of the regulations to the Company. The Company's shares held by the Company will not participate in the distribution of profits.

The Company shall appoint one or more collection agents in Hong Kong for H share shareholders. The collection agent shall collect and keep the dividends distributed by the Company in respect of H shares and other amounts payable on behalf of the relevant H-share holders, to make payments to such H-share holders. The collection agent appointed by the Company shall comply with the requirements of laws, regulations and the securities regulatory rules of the place where the Company's shares are listed.

The Company's reserve fund is used to make up for the Company's losses, expand the Company's production and operations, or increase the Company's capital.

When the reserve fund is used to make up for the Company's losses, the discretionary reserve fund and the statutory reserve fund should be utilized first; if it still fails to be made up, the capital reserve fund may be used in accordance with regulations.

When the statutory reserve fund is converted to increase the registered capital, the remaining reserve fund will not be less than 25% of the Company's registered capital prior to the conversion.

The Company may distribute profits in cash, stocks, a combination of cash and stocks, or other methods permitted by law. Profit distribution shall not exceed the scope of cumulative distributable profits, and shall not damage the Company's ability to continue operating. The Company's profits distributed in cash in a single fiscal year shall not be less than 10% of the distributable profits realized in that year.

INTERNAL AUDIT

The Company implements an internal audit system and establishes an internal audit department with full-time auditors to conduct internal audit supervision of the Company's financial revenue and expenditure and economic activities.

The Company's internal audit system and auditors' responsibilities shall be implemented following approval by the board of directors. The person in charge of the audit is responsible and reports to the board of directors.

APPOINTMENT OF ACCOUNTING FIRM

The Company engages an accounting firm that complies with the provisions of the Securities Law to conduct accounting statement audits, net asset verification and other related consulting services. The appointment period is one year and can be renewed by a special resolution of the shareholders' meeting.

The Company's appointment of an accounting firm shall be decided on the shareholders' meeting, and the board of directors may not appoint an accounting firm before a decision is made on the shareholders' meeting.

The Company guarantees to provide true and complete accounting vouchers, accounting books, financial accounting reports and other accounting information to the accounting firm engaged, and shall not refuse, conceal or make false statements.

The audit fees of an accounting firm are determined on the shareholders' meeting.

When the Company dismisses or no longer re-appoints the accounting firm, it must notify the accounting firm fifteen days in advance. When the Company's shareholders vote on the dismissal of the accounting firm, the accounting firm is allowed to state its opinions.

If an accounting firm proposes to resign, it shall explain to the shareholders' meeting whether there is any misconduct in the Company.

MERGERS, DIVISIONS, CAPITAL INCREASES AND CAPITAL REDUCTIONS OF THE COMPANY

Company mergers may take the form of mergers by absorption or mergers by new establishment.

When a company absorbs other companies, it is called a merger, and the absorbed company is dissolved. The merger of two or more companies to establish a new company is a new merger, and the merging parties are dissolved.

If the Company merges, the merging parties shall sign a merger agreement and prepare a balance sheet and property list. The Company shall notify creditors within 10 days from the date of making the merger resolution, and shall make an announcement within 30 days in newspapers, the National Enterprise Credit Information Disclosure System and the Hong Kong Stock Exchange's HKEXnews website (**www.hkexnews.hk**).

Creditors may require the Company to pay off debts or provide corresponding guarantees within 30 days from the date of receipt of the notice, or within 45 days from the date of announcement if no notice is received.

If the Company merges, the claims and debts of the merging parties shall be inherited by the continuing company or the newly established company after the merger.

If the Company is divided, its property will be divided accordingly.

If the Company is divided, a balance sheet and property list shall be prepared. The Company shall notify its creditors within 10 days from the date of making the separation resolution, and shall make an announcement within 30 days in newspapers, the National Enterprise Credit Information Disclosure System and the Hong Kong Stock Exchange's HKEXnews website (**www.hkexnews.hk**).

The debts incurred before the Company is divided shall be jointly and severally liable by the Company after the division. However, this shall not be the case unless otherwise agreed upon in a written agreement between the Company and its creditors regarding debt settlement before the division.

If the Company needs to reduce its registered capital, it must prepare a balance sheet and property list.

The Company shall notify creditors within 10 days from the date of making the resolution to reduce the registered capital, and shall make an announcement within 30 days in newspapers, the National Enterprise Credit Information Disclosure System and the Hong Kong Stock Exchange's HKEXnews website (**www.hkexnews.hk**). Creditors have the right to require the company to pay off debts or provide corresponding guarantees within 30 days from the date of receipt of the notice, or within 45 days from the date of announcement if no notice is received.

The Company's registered capital after capital reduction will not be less than the legal minimum.

When the reserve fund is used to make up for the Company's losses, the discretionary reserve fund and the statutory reserve fund should be utilized first; if it still fails to be made up, the capital reserve fund may be used in accordance with regulations. If the Company still has losses after making up for its losses in accordance with the provisions of the preceding paragraph, it may reduce its registered capital to make up for the losses. If the registered capital is reduced to make up for losses, the Company shall not distribute to shareholders, nor may it exempt shareholders from their obligation to pay capital contributions or share payments. If the registered capital is reduced in accordance with the provisions of the preceding paragraph, the provisions of paragraph 2 of Article 174 of the Articles of Association shall not apply, but the reduction shall be made in newspapers, the National Enterprise Credit Information Disclosure System within 30 days from the date when the shareholders' meeting makes a resolution to reduce the registered capital. Announcements in the public disclosure system and the HKEXnews website of the Hong Kong Stock Exchange (**www.hkexnews.hk**). After the Company reduces its registered capital in accordance with the provisions of the preceding two paragraphs, it shall not distribute profits until the cumulative amount of the statutory reserve fund and discretionary reserve fund reaches 50% of the Company's registered capital.

If the Company is merged or divided and the registered items are changed, the registration of the change shall be carried out with the Company registration authority in accordance with the law; if the Company is dissolved, the registration of the cancellation of the Company shall be carried out in accordance with the law; if a new company is established, the registration of the establishment of such company shall be carried out in accordance with the law.

If the Company increases or decreases its registered capital, it shall apply for a registration of the change with the Company registration authority in accordance with the law.

DISSOLUTION AND LIQUIDATION OF THE COMPANY

The Company will be dissolved for the following reasons:

(1) The business period stipulated in the Articles of Association expires or other reasons for dissolution stipulated in the Articles of Association occur;

(2) The shareholders' meeting makes a special resolution to dissolve;

(3) Dissolution is required due to company merger or division;

(4) The business license has been revoked, ordered to close, or revoked in accordance with the law;

(5) If the Company encounters serious difficulties in its operation and management, and its continued existence will cause heavy losses to the interests of shareholders, and cannot be solved through other means, shareholders holding more than 10% of the voting rights of all shareholders of the Company may request the People's Court to dissolve the Company.

If the Company encounters the above-mentioned reasons for dissolution, it shall publicize the reasons for dissolution through the National Enterprise Credit Information Publicity System within ten days.

The liquidation team shall exercise the following powers during the liquidation period:

(1) Clean up the Company's properties and prepare a balance sheet and property list respectively;

(2) Notify and announce creditors;

(3) Handle the Company's uncompleted businesses related to liquidation;

(4) Pay the taxes owed and the taxes incurred during the liquidation process;

(5) Clearing claims and debts;

(6) Distribute the Company's remaining property after paying off its debts;

(7) Participate in civil litigation activities on behalf of the Company.

The liquidation team shall notify creditors within 10 days from the date of establishment, and shall publish an announcement in newspapers, the National Enterprise Credit Information Publicity System and the Hong Kong Stock Exchange's HKExnews website (**www.hkexnews.hk**) within 60 days. Creditors shall declare their claims to the liquidation team within 30 days from the date of receipt of the notice, or within 45 days from the date of announcement if the notice is not received.

When a creditor declares a creditor's right, he shall explain the relevant matters of the creditor's right and provide supporting materials. The liquidation team shall register the claims.

During the period of reporting claims, the liquidation team shall not make settlements with creditors.

After cleaning up the Company's assets and preparing a balance sheet and property list, the liquidation team shall formulate a liquidation plan and submit it to the shareholders' meeting or the people's court for confirmation.

The Company's property is the remaining property after paying liquidation expenses, employees' wages, social insurance fees and statutory compensation, paying taxes owed, and settling the Company's debts respectively, and the company distributes the remaining property according to the proportion of shares held by shareholders.

During the liquidation period, the Company continues to exist, but it cannot carry out business activities unrelated to the liquidation.

The Company's property will not be distributed to shareholders before it is settled in accordance with the provisions of the preceding paragraph.

After clearing the Company's property and preparing a balance sheet and property list, if the liquidation team finds that the company's property is insufficient to pay off its debts, it shall apply to the People's Court for declaration of bankruptcy in accordance with the law.

After the Company is declared bankrupt by the People's Court, the liquidation team shall transfer the liquidation matters to the People's Court.

After the Company's liquidation is completed, the liquidation team shall prepare a liquidation report, submit it to the shareholders' meeting or the people's court for confirmation, and submit it to the Company registration authority to apply for cancellation of the Company registration and announce termination of the Company.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Under any of the following circumstances, the Company shall amend the Articles of Association:

(1) After the Company Law or relevant laws, administrative regulations, or securities regulatory rules of the place where the Company's shares are listed are revised, the matters stipulated in the Articles of Association contradict with the provisions of the revised laws, administrative regulations, or securities regulatory rules of the place where the Company's shares are listed;

(2) The Company's situation changes and is inconsistent with the matters recorded in the Articles of Association;

(3) The shareholders' meeting makes a special resolution to amend the Articles of Association.

If the amendments to the Articles of Association passed by the resolution of the shareholders' meeting should be reviewed and approved by the competent authority, they must be reported to the competent authority for approval; if such amendments involve Company registration matters, the registration of the amendments shall be handled in accordance with the law.

Our Company was established as a limited liability company in the PRC on July 21, 2017 and was converted into a joint stock limited company on September 27, 2023 under the laws of the PRC. As of the Latest Practicable Date, the registered share capital of our Company was RMB833,788,253.

Our place of business in Hong Kong is at 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong. Our Company has been registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance. Mr. Chung Ming Fai (鍾明輝), one of our joint company secretaries, has been appointed as our agent for the acceptance of service of process in Hong Kong whose correspondence address is the same as our place of business in 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 "Appendix VI — Summary of Articles of Association." A summary of certain relevant aspects of the laws and regulations of the PRC is set out in "Appendix V — Summary of Principal Legal and Regulatory Provision."

Changes in Share Capital

On July 21, 2017, our Company was established with a registered capital of RMB1,730,000,000.

The following sets out the changes in the share capital of our Company during the two years immediately preceding the date of this prospectus:

On January 18, 2023, the then Shareholders approved capital reduction of our Company and our Company gazetted such capital reduction on the following day. On June 30, 2023, as approved by Shareholders at that time, our Company underwent a capital reduction at a ratio of 9.1593:1, which was based on the net asset value of our Company of approximately RMB7,327,466,399 as of 30 April 2023, as assessed by an independent valuer. Immediately after the capital reduction, the registered capital of our Company decreased from RMB4,046,026,435 to RMB800,000,000. See "History, Development and Corporate Structure — Corporate Development — (11) Capital Reduction and Conversion into a Joint Stock Limited Company."

On September 27, 2023, our Company was converted from a limited liability company into a joint stock limited company. Immediately after the conversion into a joint stock limited company, the registered share capital of our Company became 800,000,000 Shares with a nominal value of RMB1.00 each, all of which are fully paid up. See "History, Development and Corporate Structure — Corporate Development — (11) Capital Reduction and Conversion into a Joint Stock Limited Company."

On April 28, 2024, Wuhan Optics Valley Core Future Special Investment Fund Partnership Enterprise (Limited Partnership) (武漢光谷芯未來專項投資基金合夥企業(有限合夥)) subscribed for an increased registered capital of RMB21,333,333 with a cash consideration of RMB600,000,000; Hangzhou Guangyao Zhixin Tingyi Enterprise Management Consulting Partnership (Limited Partnership) (杭州光曜致新庭頤企業管理諮詢合夥企業(有限合夥)) subscribed for an increased registered capital of RMB1,777,778 with a cash consideration of RMB50,000,000; and Xinsheng Dapeng subscribed for an increased registered capital of RMB10,677,142 with a cash consideration of RMB10,677,142. Upon completion of registration of the abovementioned capital increase, our registered capital was increased from RMB800,000,000 to RMB833,788,253. See "History, Development and Corporate Structure — Pre-IPO Investments."

Save as aforesaid, as of the Latest Practicable Date, there had been no alterations of our share capital within the two years preceding the date of publication of this prospectus.

Corporate Reorganization

Our Company has not gone through any corporate reorganization. For details of the history and development of our Company, see "History, Development and Corporate Structure."

Resolutions of our Shareholders

Pursuant to general meetings held on June 6, 2024, among other things, our Shareholders resolved that:

(a) the issue by the Company of H Shares with a nominal value of RMB1.00 each and such H Shares be listed on the Hong Kong Stock Exchange;

(b) the number of H shares to be issued shall be no more than 92,643,000, representing approximately 10.00% of the total issued share capital of our Company as enlarged by the Global Offering;

(c) subject to the CSRC's registration, upon completion of the Global Offering, 444,228,787 Domestic Unlisted Shares will be converted into H Shares on a one-for-one basis, and the H Shares to be issued pursuant to the Over-allotment Option granted to the Overall Coordinators (or its representatives) shall be no more than 15% of the number of H Shares to issued under the Global Offering, i.e., in the case where the Over-allotment Option is fully exercised, the number of H Shares to be issued under the Global offering shall be no more than 106,539,400;

(d) authorization of the Board or its authorized individual to handle all matters relating to, among other things, the Global Offering, the issue and the listing of H Shares on the Hong Kong Stock Exchange; and

(e) subject to the completion of the Global Offering, the conditional adoption of the revised Articles of Association, which shall become effective on the Listing Date.

Changes in Share Capital of our Subsidiary

Our subsidiary as of the Latest Practicable Date was set out in "Appendix I — Accountants' Report — Notes to the Historical Financial Information — 1. Basis of Preparation and Presentation of Historical Financial Information."

The following sets forth the changes in the share capital of the subsidiaries of the Company within two years immediately preceding the date of this prospectus:

The registered capital of Inno Suzhou increased from RMB2,700,000,000 to RMB3,200,000,000 on December 30, 2022, and increased from RMB3,200,000,000 to RMB3,700,000,000 on May 16, 2024.

The registered capital of InnoScience (Shanghai) Semiconductor Technology Co., Ltd. (英諾賽科(上海)半導體科技有限公司) increased from RMB34,000,000 to RMB69,000,000 on June 17, 2022, and increased from RMB69,000,000 to RMB142,000,000 on December 30, 2022.

The registered capital of InnoScience America, Inc. increased from US$5,000,000 to US$15,002,953 on March 27, 2023.

The registered capital of InnoScience Korea Inc. increased from US$5,000,000 to US$7,700,000 on October 25, 2023.

The registered share capital of InnoScience Europe increased from US$4,652,460 to US$7,256,750 on January 30, 2024.

Save as set out above, there has been no alteration in the registered capital of our subsidiaries during the two years immediately preceding the date of this prospectus.

FURTHER INFORMATION ABOUT OUR BUSINESS

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 immediately preceding the date of this prospectus that are or may be material:

1. the cornerstone investment agreement dated December 11, 2024 entered into among our Company, Stmicroelectronics Limited, China International Capital Corporation Hong Kong Securities Limited and CMB International Capital Limited to subscribe for such number of Shares of our Company at the Offer Price in an aggregate amount of US$50,000,000 (excluding brokerage fee, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee in respect of such number of Shares of our Company);

2. the cornerstone investment agreement dated December 16, 2024 entered into among our Company, Jiangsu State-Owned Enterprise Mixed Ownership Reform Fund (Limited Partnership) (江蘇國有企業混合所有制改革基金(有限合夥)), China International Capital Corporation Hong Kong Securities Limited and CMB International Capital Limited to subscribe for such number of Shares of our Company at the Offer Price in an aggregate amount of US$25,000,000 (excluding brokerage fee, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee in respect of such number of Shares of our Company);

3. the cornerstone investment agreement dated December 16, 2024 entered into among our Company, Suzhou Dongfang Chuanglian Investment Management Co., Ltd. (蘇州東方創聯投資管理有限公司), China International Capital Corporation Hong Kong Securities Limited and CMB International Capital Limited to subscribe for such number of Shares of our Company at the Offer Price in an aggregate amount of US$12,500,000 (including brokerage fee, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee in respect of such number of Shares of our Company);

4. the cornerstone investment agreement dated December 16, 2024 entered into among our Company, Jiangsu Suzhou High-end Equipment Industry Special Mother Fund (Limited Partnership) (江蘇蘇州高端裝備產業專項母基金(有限合夥)), China International Capital Corporation Hong Kong Securities Limited and CMB International Capital Limited to subscribe for such number of Shares of our Company at the Offer Price in an aggregate amount of US$12,500,000 (including brokerage fee, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee in respect of such number of Shares of our Company); and

5. the Hong Kong Underwriting Agreement.

Intellectual Property Rights

Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of registration	Class	Registration number	Expiry date
1. . .	Im-GaN	PRC	42	31480283	March 20, 2029
2. . .	Im-GaN	PRC	9	31464232	March 13, 2029
3. . .	逐光	PRC	40	70298637	October 13, 2033
4. . .	Victory GaN	PRC	9	69181205	July 6, 2033
5. . .	TurboGaN	PRC	9	67214134	April 13, 2033
6. . .	SolidGaN	PRC	9	66484946	June 27, 2033
7. . .	SolidGaN	PRC	42	66482588	May 27, 2033
8. . .	SolidGaN	PRC	40	66477302	March 20, 2033
9. . .	INNOGAN	PRC	9	60739102	July 6, 2032
10. .		PRC	9	56509747	August 20, 2033
11. .	BiGaN	PRC	9	55521002A	March 6, 2032
12. .	BiGaN	PRC	9	55521002	April 27, 2033
13. .	mGaN	PRC	9	55517855	November 27, 2031
14. .	RbstGaN	PRC	9	55512174	November 27, 2031
15. .	ExGaN	PRC	9	55490066A	March 6, 2032
16. .	innoGan	PRC	40	53353814	October 6, 2031

No.	Trademark	Place of registration	Class	Registration number	Expiry date
17. .	innoGan	PRC	35	53337788	December 27, 2031
18. .	innoGan	PRC	42	53326746	October 20, 2031
19. .	innoGan	PRC	1	53326346	October 6, 2031
20. .	innoGan	PRC	9	53324259	October 27, 2031
21. .	innoGan	PRC	9	53323949	October 27, 2031
22. .	Innoscience 英诺赛科	PRC	40	45730915	April 27, 2031
23. .	Innoscience	PRC	40	45719124	March 6, 2031
24. .	INNOSCIENCE	PRC	42	40280713	September 6, 2032
25. .		PRC	40	37998776	January 27, 2030
26. .		PRC	42	37993612	January 27, 2032
27. .		PRC	1	37989699	January 27, 2030
28. .		PRC	9	37974343	November 27, 2033
29. .	GaN FET	PRC	42	27572684	January 13, 2029
30. .	GaN FET	PRC	40	27572593	October 27, 2028
31. .	GaN FET	PRC	9	27572557	January 13, 2029
32. .	GaN FET	PRC	35	27572205	February 27, 2029
33. .	innoGan	PRC	42	22175334	January 20, 2028
34. .	innoGan	PRC	40	22174872	January 20, 2028

No.	Trademark	Place of registration	Class	Registration number	Expiry date
35. .	innoGaN	PRC	9	22174755	January 20, 2028
36. .	英诺赛科	PRC	42	21879282	January 20, 2029
37. .	英诺赛科	PRC	40	21879220	December 27, 2027
38. .	INNOSCIENCE	PRC	40	21879156	December 27, 2027
39. .	英诺赛科	PRC	9	21879059	February 6, 2028
40. .	英诺赛科	PRC	1	21878841	December 27, 2027
41. .	INNOSCIENCE	South Korea	9, 40, 42	4018518120000	April 1, 2032
42. .	INNOSCIENCE	Japan	9, 40, 42	6420976	July 27, 2031
43. .	INNOSCIENCE	Taiwan, China	9, 40, 42	02149509	June 15, 2031
44. .	INNOSCIENCE	European Union	9, 40, 42	018284625	August 5, 2030
45. .	INNOSCIENCE	United Kingdom	9	UK00003720870	November 12, 2031
46. .	inno GaN	Japan (Madrid)	9, 40, 42	1568957	July 14, 2030
47. .	inno GaN	European Union (Madrid)	9, 40, 42	1568957	July 14, 2030
48. .	inno GaN	South Korea (Madrid)	9, 40, 42	1568957	July 14, 2030
49. .	inno GaN	USA (Madrid)	9, 40, 42	1568957	July 14, 2030
50. .	inno GaN	Taiwan, China	9, 40, 42	02160164	July 31, 2031
51. .		South Korea	9, 40, 42	4018081050000	December 7, 2031
52. .		Japan	9, 40, 42	6420978	July 27, 2031
53. .		Taiwan, China	9, 40, 42	02149514	June 15, 2031

No.	Trademark	Place of registration	Class	Registration number	Expiry date
54. .		European Union	9, 40, 42	018284629	August 5, 2030
55. .		United Kingdom	9	UK00003720883	November 12, 2031
56. .	Innoscience	Taiwan, China	9	02249273	September 15, 2032
57. .	Innoscience	European Union	9	018611672	November 30, 2031
58. .	Innoscience	Japan	9	6610760	September 6, 2032
59. .	Innoscience	South Korea	9	4020673770000	August 14, 2033
60. .	ExGaN	PRC	9	62427417	August 20, 2034
61. .	逐光	PRC	42	70302259	October 6, 2034

As of the Latest Practicable Date, we had applied for the registration of the following trademarks, which we consider to be material to our business:

No.	Trademark Applied	Place of Registration	Class	Application Number	Application Date
1 . .	Innoscience 英诺赛科	Hong Kong	9, 40, 42	306525568	April 12, 2024
2 . .	innoGan	Hong Kong	9, 40, 42	306525504	April 12, 2024
3 . .	Innoscience	Hong Kong	9, 40, 42	306525531	April 12, 2024
4 . .		Hong Kong	9, 40, 42	306525513	April 12, 2024
5 . .	Innoscience	Hong Kong	9, 40, 42	306525522	April 12, 2024
6 . .		USA	9, 40, 42	90067687	July 22, 2020
7 . .	Innoscience	USA	9	97159683	July 12, 2021

Copyrights

As at the Latest Practicable Date, we have registered the following copyrights which we consider to be or may be material to our business:

No.	Copyright	Place of Registration	Registration No.	Registered Owner	Date of Registration
1 . .	Make our World Faster and Greener by GaN on Si (用硅基氮化鎵打造綠色高效新世界)	PRC	Guozuo Dengzi (國作登字)-2022-F-10058405	Inno Zhuhai	March 17, 2022
2 . .	GaN, Yes we CaN	PRC	Guozuo Dengzi (國作登字)-2022-F-10058404	Inno Zhuhai	March 17, 2022
3 . .	Innovation + Science (創新+科學)	PRC	Guozuo Dengzi (國作登字)-2022-F-10020519	Inno Zhuhai	January 17, 2022
4 . .	Born to Innovate Fulfilling the Dream to Become a Strong Force in Chip Manufacturing (因創新而生 圓強國芯夢)	PRC	Guozuo Dengzi (國作登字)-2022-F-10020518	Inno Zhuhai	January 17, 2022
5 . .	innoGan	PRC	Guozuo Dengzi (國作登字)-2022-F-10020517	Inno Zhuhai	January 17, 2022
6 . .	InnoScience LOGO	PRC	Guozuo Dengzi (國作登字)-2022-F-10020516	Inno Zhuhai	January 17, 2022
7 . .	Vertical InnoScience LOGO Text and Image	PRC	Guozuo Dengzi (國作登字)-2022-F-10020515	Inno Zhuhai	January 17, 2022
8 . .	Power the future	PRC	Guozuo Dengzi (國作登字)-2022-F-10020514	Inno Zhuhai	January 17, 2022
9 . .	Horizontal InnoScience LOGO Text and Image	PRC	Guozuo Dengzi (國作登字)-2022-F-10020513	Inno Zhuhai	January 17, 2022
10 .	Innoscience	PRC	Guozuo Dengzi (國作登字)-2022-F-10020512	Inno Zhuhai	January 17, 2022
11 .	Frontier-Runner of the Era with Innovation (創新引領時代)	PRC	Guozuo Dengzi (國作登字)-2022-F-10020511	Inno Zhuhai	January 17, 2022
12 .	Light Up the Future with Chips (用芯點亮未來)	PRC	Guozuo Dengzi (國作登字)-2022-F-10020510	Inno Zhuhai	January 17, 2022

No.	Copyright	Place of Registration	Registration No.	Registered Owner	Date of Registration
13 .	Combination of InnoScience LOGO and Innoscience	PRC	Guozuo Dengzi (國作登字)-2022-F-10020509	Inno Zhuhai	January 17, 2022
14 .	InnoScience	PRC	Guozuo Dengzi (國作登字)-2022-F-10020508	Inno Zhuhai	January 17, 2022

Patents

As of the Latest Practicable Date, we have registered the following patents which we considered to be or may be material to our business:

No.	Patent Name	Place of Registration	Patent No.	Application Type	Patent Owner	Patent Grant Date
1 . .	SEMICONDUCTOR APPARATUS AND MANUFACTURING METHOD THEREOF	PRC	ZL202180004480.7	Invention	Our Company	January 9, 2024
2 . .	SEMICONDUCTOR DEVICE AND MANUFACTURING METHOD THEREOF	PRC	ZL202180004493.4	Invention	Our Company	January 2, 2024
3 . .	SEMICONDUCTOR APPARATUS AND MANUFACTURING METHOD THEREOF	PRC	ZL202180004469.0	Invention	Our Company	July 7, 2023
4 . .	NITRIDE-BASED MULTI-CHANNEL SWITCHING SEMICONDUCTOR DEVICE AND MANUFACTURING METHOD THEREOF	PRC	ZL202180004470.3	Invention	Our Company	December 22, 2023
5 . .	NITRIDE-BASED SEMICONDUCTOR BIDIRECTIONAL SWITCHING DEVICE AND MANUFACTURING METHOD THEREOF	PRC	ZL202180004407.X	Invention	Our Company	April 28, 2023

No.	Patent Name	Place of Registration	Patent No.	Application Type	Patent Owner	Patent Grant Date
6 . .	NITRIDE-BASED SEMICONDUCTOR BIDIRECTIONAL SWITCHING DEVICE AND MANUFACTURING METHOD THEREOF	PRC	ZL202210425771.X	Invention	Our Company	December 5, 2023
7 . .	NITRIDE-BASED BIDIRECTIONAL SWITCHING DEVICE AND MANUFACTURING METHOD THEREOF	PRC	ZL202211290293.2	Invention	Our Company	January 2, 2024
8 . .	NITRIDE-BASED BIDIRECTIONAL SWITCHING DEVICE AND MANUFACTURING METHOD THEREOF	PRC	ZL202211284000.X	Invention	Our Company	December 22, 2023
9 . .	NITRIDE-BASED BIDIRECTIONAL SWITCHING DEVICE AND MANUFACTURING METHOD THEREOF	PRC	ZL202211290381.2	Invention	Our Company	December 22, 2023
10. .	NITRIDE-BASED BIDIRECTIONAL SWITCHING DEVICE AND MANUFACTURING METHOD THEREOF	PRC	ZL202211290384.6	Invention	Our Company	December 29, 2023
11. .	INTEGRATED CHIP WITH ISOLATION STRUCTURE	PRC	ZL202120980267.7	Utility Model	Inno Zhuhai	February 11, 2022
12. .	NITRIDE-BASED SEMICONDUCTOR MODULE AND MANUFACTURING METHOD THEREOF	PRC	ZL202180004494.9	Invention	Our Company	June 13, 2023

No.	Patent Name	Place of Registration	Patent No.	Application Type	Patent Owner	Patent Grant Date
13. .	SEMICONDUCTOR DEVICE AND MANUFACTURING METHOD THEREOF	PRC	ZL202180001585.7	Invention	Our Company	July 8, 2022
14. .	SEMICONDUCTOR DEVICE AND MANUFACTURING METHOD THEREOF	PRC	ZL202180004493.4	Invention	Our Company	January 2, 2024
15. .	INTEGRATED CHIP WITH ISOLATION STRUCTURE	PRC	ZL202120636801.2	Utility Model	Inno Zhuhai	December 17, 2021
16. .	SEMICONDUCTOR DEVICE	PRC	ZL202180001018.1	Invention	Our Company	August 12, 2022
17. .	STRUCTURE OF SEMICONDUCTOR DEVICE AND MANUFACTURING METHOD THEREOF	PRC	ZL202180000644.9	Invention	Inno Suzhou	June 21, 2022
18. .	STRUCTURE OF SEMICONDUCTOR DEVICE AND MANUFACTURING METHOD THEREOF	PRC	ZL202080005344.5	Invention	Our Company	May 26, 2023
19. .	SEMICONDUCTOR APPARATUS AND MANUFACTURING METHOD THEREOF	PRC	ZL202080005209.0	Invention	Our Company	May 2, 2023
20. .	SEMICONDUCTOR APPARATUS AND MANUFACTURING METHOD THEREOF	PRC	ZL202080003452.9	Invention	Our Company	July 21, 2023
21. .	ELECTRONIC APPARATUS AND MANUFACTURING METHOD THEREOF	PRC	ZL202080003294.7	Invention	Inno Zhuhai	December 10, 2021
22. .	ELECTRONIC APPARATUS	PRC	ZL202111365337.9	Invention	Inno Zhuhai	July 4, 2023
23. .	ELECTRONIC APPARATUS	PRC	ZL202111365337.9	Invention	Inno Zhuhai	December 8, 2023

No.	Patent Name	Place of Registration	Patent No.	Application Type	Patent Owner	Patent Grant Date
24. .	GaN-BASED HEMT INTEGRATED CIRCUIT, FLYBACK CIRCUIT, BRIDGELESS PFC CIRCUIT AND RADAR	PRC	ZL201921800801.0	Utility Model	Inno Zhuhai	May 19, 2020
25. .	SEMICONDUCTOR DEVICE WITH ASYMMETRIC GATE STRUCTURE	USA	US11515409B2	Invention	Inno Zhuhai	November 29, 2022
26. .	METHOD FOR FORMING SEMICONDUCTOR	USA	US11322355B2	Invention	Inno Zhuhai	May 3, 2022
27. .	SEMICONDUCTOR DEVICE AND MANUFACTURING METHOD THEREOF	USA	US11817451B2	Invention	Inno Zhuhai	November 14, 2023
28. .	ELECTRONIC DEVICE AND METHOD FOR MANUFACTURING THE SAME	USA	US11881478B2	Invention	Inno Zhuhai	January 23, 2024
29. .	SEMICONDUCTOR DEVICE AND MANUFACTURING METHOD THEREOF	USA	US11456294B2	Invention	Inno Zhuhai	September 27, 2022
30. .	SEMICONDUCTOR DEVICE AND FABRICATION METHOD THEREOF	USA	US11721692B2	Invention	Inno Zhuhai	August 8, 2023
31. .	SEMICONDUCTOR DEVICE STRUCTURES AND METHODS OF MANUFACTURING THE SAME	USA	US11862722B2	Invention	Our Company	January 2, 2024

No.	Patent Name	Place of Registration	Patent No.	Application Type	Patent Owner	Patent Grant Date
32. .	Nitride-based semiconductor bidirectional switching device and method for manufacturing the same/氮化物基半導體雙向切換器件和其製造方法	Taiwan, China	TW111104140	Invention	Our Company	November 21, 2023
33. .	Nitride-based semiconductor bidirectional switching device and method for manufacturing the same/氮化物基半導體雙向切換器件和其製造方法	Taiwan, China	TW111104155	Invention	Our Company	July 21, 2023
34. .	Nitride-based semiconductor bidirectional switching device and method for manufacturing the same/氮化物基半導體雙向切換器件和其製造方法	Taiwan, China	TW111104159	Invention	Our Company	August 21, 2023
35. .	Nitride-based semiconductor bidirectional switching device and method for manufacturing the same/氮化物基半導體雙向切換器件和其製造方法	Taiwan, China	TW111104170	Invention	Inno Suzhou	July 21, 2023
36. .	Nitrogen-based bidirectional switch device and its manufacturing method/氮基雙向開關器件及其製造方法	Taiwan, China	TW111101875	Invention	Inno Suzhou	August 21, 2023

No.	Patent Name	Place of Registration	Patent No.	Application Type	Patent Owner	Patent Grant Date
37. .	NITRIDE-BASED SEMICONDUCTOR BIDIRECTIONAL SWITCHING DEVICE AND MANUFACTURING METHOD THEREOF	Taiwan, China	TWI823247	Invention	Our Company	November 21, 2023
38. .	NITRIDE-BASED SEMICONDUCTOR BIDIRECTIONAL SWITCHING DEVICE AND MANUFACTURING METHOD THEREOF	Taiwan, China	TWI833163	Invention	Our Company	February 21, 2024
39. .	NITRIDE-BASED SEMICONDUCTOR BIDIRECTIONAL SWITCHING DEVICE AND MANUFACTURING METHOD THEREOF	Taiwan, China	TWI809697	Invention	Our Company	July 21, 2023
40. .	NITRIDE-BASED SEMICONDUCTOR BIDIRECTIONAL SWITCHING DEVICE AND MANUFACTURING METHOD THEREOF	Taiwan, China	TWI813162	Invention	Our Company	August 21, 2023
41. .	NITRIDE-BASED SEMICONDUCTOR BIDIRECTIONAL SWITCHING DEVICE AND MANUFACTURING METHOD THEREOF	Taiwan, China	TWI809698	Invention	Our Company	July 21, 2023
42. .	NITRIDE-BASED BIDIRECTIONAL SWITCHING DEVICE AND MANUFACTURING METHOD THEREOF	Taiwan, China	TWI813135	Invention	Inno Suzhou	August 21, 2023

No.	Patent Name	Place of Registration	Patent No.	Application Type	Patent Owner	Patent Grant Date
43. .	SEMICONDUCTOR DEVICE WITH ASYMMETRIC GATE STRUCTURE	USA	US11769826B2	Invention	Inno Zhuhai	September 26, 2023
44. .	AN ELECTRONIC APPARATUS, A CIRCUIT AND MANUFACTURING METHOD THEREOF	PRC	ZL202211289992.5	Invention	Inno Suzhou	January 2, 2024
45. .	NITRIDE-BASED POWER FACTOR CORRECTION CIRCUIT AND IMPLEMENTATION METHOD THEREOF	PRC	ZL202280001236.X	Invention	Inno Suzhou	December 22, 2023
46. .	A CONTROLLER FOR CONTROLLING GAN-BASED APPARATUS AND METHOD FOR IMPLEMENTING THE SAME	PRC	ZL202180004428.1	Invention	Our Company	March 24, 2023
47. .	A POWER CONVERTER WITH LOSSLESS CURRENT SENSING CAPABILITY AND IMPLEMENTATION PLAN THEREOF	PRC	ZL202180004498.7	Invention	Our Company	March 10, 2023
48. .	DEVICE AND METHOD FOR MEASURING HIGH ELECTRON MOBILITY TRANSISTOR	PRC	ZL201911045298.7	Invention	Inno Zhuhai	February 15, 2022
49. .	DEVICE FOR MEASURING HIGH ELECTRON MOBILITY TRANSISTOR	PRC	ZL202210062968.1	Invention	Inno Zhuhai	December 19, 2023

No.	Patent Name	Place of Registration	Patent No.	Application Type	Patent Owner	Patent Grant Date
50. .	DEVICE AND METHOD FOR MEASURING HIGH ELECTRON MOBILITY TRANSISTOR	USA	US11747389B2	Invention	Inno Zhuhai	September 5, 2023
51. .	DEVICE AND METHOD FOR TESTING SEMICONDUCTOR DEVICES	USA	US11448685B2	Invention	Inno Zhuhai	September 20, 2022
52. .	ELECTRONIC CIRCUITS AND SEMICONDUCTOR DEVICE HAVING THE SAME	USA	US11863136B2	Invention	Inno Zhuhai	January 2, 2024
53. .	POWER CONVERTER WITH LOSSLESS CURRENT SENSING CAPABILITY AND METHOD FOR IMPLEMENTING THE SAME	USA	US11831243B2	Invention	Our Company	November 28, 2023
54. .	CONTROLLER FOR CONTROLLING A GaN-BASED DEVICE AND METHOD FOR IMPLEMENTING THE SAME	USA	US11716081B2	Invention	Our Company	August 1, 2022
55. .	A TRANSISTOR STRUCTURE AND MANUFACTURING METHOD THEREOF, AND CHIP	PRC	ZL202311843158.0	Invention	Inno Suzhou	March 19, 2024
56. .	A SEMICONDUCTOR DEVICE AND PREPARATION METHOD THEREOF	PRC	ZL202311843701.7	Invention	Inno Suzhou	March 5, 2024
57. .	A GaN POWER DEVICE AND PREPARATION METHOD THEREOF	PRC	ZL202311774650.7	Invention	Inno Suzhou	March 5, 2024

No.	Patent Name	Place of Registration	Patent No.	Application Type	Patent Owner	Patent Grant Date
58. .	A SEMICONDUCTOR DEVICE AND PREPARATION METHOD THEREOF	PRC	ZL202311843701.7	Invention	Inno Suzhou	February 13, 2024
59. .	WAFER PLATFORM CLEANING APPARATUS	PRC	ZL202222664575.6	Utility Model	Inno Suzhou	April 21, 2023
60. .	OXYGEN LEAK DETECTION APPARATUS FOR GaN POWER DEVICE HEAT TREATMENT AND HEAT TREATMENT EQUIPMENT FOR GaN POWER APPARATUS	PRC	ZL202220662168.9	Utility Model	Inno Zhuhai	October 28, 2022
61. .	STRUCTURE OF SEMICONDUCTOR DEVICE AND MANUFACTURING METHOD THEREOF	PRC	ZL202180007253.X	Invention	Our Company	December 22, 2023
62. .	SEMICONDUCTOR DEVICE AND MANUFACTURING METHOD THEREOF	USA	US11508829B2	Invention	Inno Zhuhai	November 22, 2022
63. .	SEMICONDUCTOR DEVICE AND METHOD FOR MANUFACTURING THE SAME	USA	US11862721B2	Invention	Our Company	January 2, 2024
64. .	A SEMICONDUCTOR DEVICE AND PREPARATION METHOD OF SEMICONDUCTOR DEVICE	PRC	ZL202311744496.9	Invention	Inno Suzhou	March 1, 2024
65. .	A PICK-AND-PLACE APPARATUS	PRC	ZL202321668730.X	Utility Model	Inno Suzhou	December 29, 2023

No.	Patent Name	Place of Registration	Patent No.	Application Type	Patent Owner	Patent Grant Date
66. .	SEMICONDUCTOR MANUFACTURING EQUIPMENT, CAVITY ASSEMBLY, AND METHOD FOR GROWING GROUP III NITRIDES	PRC	ZL202211550180.1	Invention	Inno Zhuhai	December 26, 2023
67. .	METAL ORGANIC CHEMICAL VAPOR DEPOSITION EQUIPMENT AND COVER PLATE ASSEMBLY THEREOF	PRC	ZL202221930002.7	Utility Model	Inno Zhuhai	January 20, 2023
68. .	LAMINAR FLOW MOCVD APPARATUS FOR MANUFACTURING GROUP III NITRIDE THIN FILMS	PRC	ZL202180004424.3	Invention	Our Company	June 13, 2023
69. .	GaN SEMICONDUCTOR DEVICE	PRC	ZL202020290078.2	Utility Model	Inno Zhuhai	December 31, 2021
70. .	SEMICONDUCTOR DEVICE STRUCTURE AND MANUFACTURING METHOD THEREOF	PRC	ZL202080002805.3	Invention	Inno Zhuhai	March 14, 2023
71. .	LAMINAR FLOW MOCVD APPARATUS FOR III-NITRIDE FILMS	USA	US11827977B2	Invention	Our Company	November 28, 2023
72. .	Clamping circuit integrated on gallium nitride semiconductor device and related semiconductor device	USA	US12027514B2	Invention	Inno Zhuhai	July 2, 2024
73. .	A semiconductor structure, preparation method thereof, and semiconductor product	PRC	CN118136664B	Invention	Inno Suzhou	July 2, 2024

No.	Patent Name	Place of Registration	Patent No.	Application Type	Patent Owner	Patent Grant Date
74. .	A GaN HEMT device and its manufacturing method	PRC	CN118016710B	Invention	Inno Zhuhai	July 2, 2024
75. .	A semiconductor device and method of manufacturing same	PRC	CN113875019B	Invention	Inno Suzhou	July 2, 2024
76. .	Semiconductor device and preparation method thereof	PRC	CN118099205B	Invention	Inno Zhuhai	August 13, 2024
77. .	Semiconductor device structures and methods of manufacturing the same	USA	US12068391B2	Invention	Our Company	August 20, 2024
78. .	Semiconductor device and fabrication method thereof	USA	US12068373B2	Invention	Inno Zhuhai	August 20, 2024
79. .	Nitride-based semiconductor device and method for manufacturing the same	USA	US12074202B2	Invention	Our Company	August 27, 2024
80. .	Nitride-based semiconductor bidirectional switching device and method for manufacturing the same	USA	US12087763B2	Invention	Our Company	September 10, 2024
81. .	The present invention relates to semiconductor device containing insertion layer of nitride-gallium-aluminum and nitride-gallium-indium and its manufacturing method	PRC	CN106783955B	Invention	Inno Zhuhai	September 10, 2024
82. .	Semiconductor device and method for manufacturing the same	USA	US12094931B2	Invention	Inno Suzhou	September 17, 2024
83. .	Nitride-based semiconductor device and method for manufacturing the same	USA	US12094875B2	Invention	Our Company	September 17, 2024

No.	Patent Name	Place of Registration	Patent No.	Application Type	Patent Owner	Patent Grant Date
84. .	Semiconductor device and method for manufacturing the same	USA	US12125902B2	Invention	Our Company	October 22, 2024
85. .	Nitride-based semiconductor device and method for manufacturing the same	USA	US12125847B2	Invention	Our Company	October 22, 2024
86. .	Electronic device	USA	US12125845B2	Invention	Inno Zhuhai	October 22, 2024
87. .	Nitride-based semiconductor bidirectional switching device and method for manufacturing the same	USA	US12125844B2	Invention	Our Company	October 22, 2024
88. .	Gallium nitride semiconductor device	PRC	CN112259606B	Invention	Inno Zhuhai	November 1, 2024
89. .	A semiconductor device and method of forming same	PRC	CN115763558B	Invention	Inno Suzhou	November 15, 2024
90. .	Semiconductor device and method for manufacturing the same	USA	US12154968B2	Invention	Our Company	November 26, 2024
91. .	III-nitride-based semiconductor devices on patterned substrates and method of making the same	USA	US12154864B2	Invention	Our Company	November 26, 2024

Domain Name

As of the Latest Practicable Date, we had registered the following internet domain names which we consider to be or may be material to our business:

No.	Domain Name	Owner	Registration Date	Expiry Date
1 . . .	innoscience.com	Inno Zhuhai	February 6, 2014	February 6, 2030
2 . . .	innoscience.com.cn	Inno Zhuhai	September 18, 2016	September 18, 2027

FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS, MANAGEMENT AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

Save as disclosed below, immediately following the completion of the Global Offering (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised), so far as our Directors are aware, none of our Directors, Supervisors or chief executive has any interests or short positions in our Shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(a) Interests in our Company

				Assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised	
Name	**Position**	**Nature of Interest**[1]	**Number and class of Shares held**	**Approximate percentage of shareholding in the relevant class of Shares after the Global Offering**	**Approximate percentage of shareholding in the total share capital of our Company after the Global Offering**
				(%)	*(%)*
Domestic Unlisted Shares					
Dr. Luo	Founder, chairperson of the Board, executive Director	Beneficial owner[2]	24,604,652 Domestic Unlisted Shares	6.32	2.80
		Interests in controlled corporations[2]	96,300,985 Domestic Unlisted Shares	24.72	10.95
		Others[2]	22,818,868 Domestic Unlisted Shares	5.86	2.60
Mr. Son	Executive Director	Beneficial owner[2]	22,818,868 Domestic Unlisted Shares	5.86	2.60

				Assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised	
Name	Position	Nature of Interest[1]	Number and class of Shares held	Approximate percentage of shareholding in the relevant class of Shares after the Global Offering	Approximate percentage of shareholding in the total share capital of our Company after the Global Offering
				(%)	(%)
Mr. Peng Xingguo (彭星國先生) ("**Mr. Peng**").	Shareholders' representative Supervisor	Interests in controlled corporations[3]	6,673,214 Domestic Unlisted Shares	1.71	0.76
H Shares					
Dr. Luo	Founder, chairperson of the Board, executive Director	Beneficial owner[2]	24,604,653 H Shares	5.03	2.80
		Interests in controlled corporations[2]	96,300,986 H Shares	19.67	10.95
		Others[2]	22,818,868 H Shares	4.66	2.60
Mr. Son	Executive Director	Beneficial owner[2]	22,818,868 H Shares	4.66	2.60
Mr. Peng. . . .	Shareholders' representative Supervisor	Interests in controlled corporations[3]	6,673,214 H Shares	1.36	0.76

Notes:

(1) All interests stated are long position.

(2) See "Substantial Shareholders."

(3) Guangdong National Innovation and Entrepreneurship Investment Management Co., Ltd (廣東國民創新創業投資管理有限公司) ("**Guangdong National Innovation**") is ultimately held by six shareholders, including Mr. Peng as to 36% and five other Independent Third Parties, each holding less than one-third of interests therein. Guangdong National Innovation is the general partner of Guangdong Guomin Kaide Technology Venture Capital L.P. (廣東國民凱得科技創業投資企業(有限合夥)) ("**Guomin Kaide**"). Therefore, Mr. Peng is deemed to be interested in the 6,673,214 Domestic Unlisted Shares and 6,673,214 H Shares converted from Domestic Unlisted Shares of our Company through Guomin Kaide for the purpose of the SFO. For details of Guomin Kaide, see "History, Development and Corporate Structure – Pre-IPO Investments – Information about Our major Pre-IPO Investors."

2. Substantial Shareholders

For the information on the persons who will, immediately following the completion of the Global Offering, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, see the section headed "Substantial Shareholders" in this prospectus.

So far as set out above, our Directors are not aware of any persons (other than our Directors, Supervisors or chief executive) will, immediately following the completion of the Global Offering, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

3. Service Contracts

We have entered into a contract with each of our Directors and Supervisors in respect of, among other things, compliance with the relevant laws and regulations, the Articles of Association and applicable provisions on arbitration.

Each of our Directors has entered into service contracts with our Company. The principal particulars of these service contracts comprise (a) a term of three years which is equivalent to the term of the Board; and (b) termination provisions in accordance with their respective terms. Our Directors may be re-appointed subject to Shareholders' approval. The service contracts can be renewed pursuant to our Articles of Association and applicable rules.

Each of our Supervisors has entered into a contract with our Company. Each contract contains provisions relating to compliance with relevant laws and regulations, observation of our Articles of Association and resolution of disputes by means of arbitration.

Save as disclosed above, we have not entered, and do not propose to enter, into any service contracts with any of our Directors or Supervisors in their respective capacities as Directors or Supervisors (other than contracts expiring or determinable by the employer within one year without any payment of compensation (other than statutory compensation)).

4. Director's and Supervisors' Remuneration

Save as disclosed in "Directors, Supervisors and Senior Management" and "Appendix I — Accountants' Report — Notes to The Historical Financial Information — 8. Directors' Emoluments" for the three financial years ended December 31, 2021, 2022 and 2023, none of our Directors or Supervisors received other remunerations of benefits in kind from us.

5. Pre-IPO Share Plan

The following is a summary of the principal terms of the currently effective pre-IPO share incentive scheme of the Company, amended and approved by the Board on April 7, 2024. The terms of the Pre-IPO Share Plan are not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve the grant of share options or awards by our Company after Listing. Given the Shares underlying all the Awards (as defined below) under the Pre-IPO Share Plan have already been issued to Innocore, Inno HK and Xinsheng Dapeng as of the date of this prospectus, there will not be any dilutive effect to the issued Shares as a result of the operation of the Pre-IPO Share Plan.

As of the date of this prospectus, there were three employee shareholding platforms for the Pre-IPO Share Plan, namely (i) Innocore, (ii) Xinsheng Dapeng, and (iii) Inno HK, which held 32,941,114 Shares, 10,677,142 Shares and 28,060,504 Shares, representing 3.75%, 1.21% and 3.19% of the share capital in issue of the Company immediately upon completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), respectively. For details of the employee shareholding platforms, see "History, Development and Corporate Structure — Employee Shares Incentives Plan."

(a) Purposes

The purposes of the Pre-IPO Share Plan are to promote the Company's core value of "growth and sharing", establish an excellent value distribution system, and motivate and regulate the Group's employees. This enables employees to share in the benefits of the Company's growth and strengthens team cohesion.

(b) Types of awards

The Pre-IPO Share Plan governs the award of restricted share units (the "**Awards**").

(c) Participants

Persons eligible to participate in the Pre-IPO Share Plan (the "**Participants**") include key management personnel, core staff, and other significant employees who have major value and impact on the Group's development, as well as other individuals who have made significant contributions to the Group's growth.

(d) Maximum number of Shares

The maximum number of Shares underlying the Pre-IPO Share Plan is 71,678,760 Shares, representing approximately 8.60% of the share capital in issue of the Company immediately prior to the completion of the Global Offering and approximately 8.15% of the share capital in issue of the Company immediately following the completion of the Global Offering (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised). No further Awards will be granted under the Pre-IPO Share Plan after Listing.

(e) Administration

The Pre-IPO Share Plan is managed by an internal department or candidate (the "**Administrator**") authorized by the Board of the Company. The Administrator has the power, among other things, (i) to interpret, revise, alter, or abolish the terms and implementation of the Pre-IPO Share Plan; (ii) to identify individuals with significant value and contribution to the development of the Group as the Participants under the Pre-IPO Share Plan; and (iii) to determine the allocation, grant, unlock, exercise, or termination of any incentive shares, along with their terms and conditions.

(f) Service Period

In order to be eligible to participate in the Pre-IPO Share Plan, a Participant shall have at least served in the Group for no less than four years from the date on which the Participant signs the labour contract with the Group (the "**Service Period**").

(g) Vesting Schedule

75% of the Awards granted to a Participant shall be unlocked on the third anniversary of the service period commencement date, and the remaining 25% shall be unlocked on the fourth anniversary of the service period commencement date. Any Awards unlocked shall only be vested and exercised following the Company's listing.

(h) Non-transferability of the Awards

Except as otherwise provided by the Administrator, no Award shall be transferred by a Participant. Without the prior written consent of the Administrator, a Participant shall not sell, transfer, assign, pledge, mortgage, gift, or otherwise dispose of incentive shares obtained and held under the Pre-IPO Share Plan (whether vested or not).

(i) Lapse of the Awards

In the event of resignation, dismissal, retirement, death, disability, or other change in circumstances, the Administrator shall have the right (but not an obligation) to repurchase any Awards granted in accordance with the terms of the Pre-IPO Share Plan. The Administrator shall have the right (but not an obligation) to purchase, either on its own account or by a designated third-party employee, the employee's share of the employee shareholding platform under the terms of the Pre-IPO Share Plan if:

(1) the employee resigns voluntarily, the Group requires termination of the employment relationship, the employment contract expires and is not renewed, or the employee and the Group mutually agree to terminate the employment contract;

(2) the employee resigns or is dismissed due to misconduct; or

(3) the employee is unable to continue working for the Group due to death, disability, or retirement before the Listing.

(j) *Details of the Awards Granted*

As of the Latest Practicable Date, (i) our Company granted and allotted to qualified participants an aggregate of 50,559,342 Shares under the Pre-IPO Share Plan, representing approximately 5.75% of the share capital in issue of the Company as of the date of this Prospectus; and (ii) a total of 21,119,418 Shares had not yet been granted and were retained and held by Dr. Luo. Details of the Awards granted under the Pre-IPO Share Plan are set out as below.

			Approximate percentage of shareholding immediately following completion of the Global Offering	
Name of the grantees	**Position held in our Group**	**Number of incentive shares held**	**Assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised**	**Assuming the Offer Size Adjustment Option and the Over-allotment Option are exercised in full**
Dr. Wu Jingang (吳金剛博士)	Executive Director and chief executive officer	10,001,142	1.14	1.12
Mr. Zhong Shan (鍾山先生)	Executive Director and chief financial officer	9,200,000	1.05	1.03
Ms. Lai Guangyi (賴廣禕女士)	Employees' representative Supervisor	100,000	0.01	0.01
Mr. Ke Shanyong (柯善勇先生)	Chairperson of the supervisory committee and employees' representative Supervisor	300,000	0.03	0.03
Mr. Yang Zhen (楊震先生)	Director of the Company's subsidiary	80,000	0.01	0.01
Mr. Wu Lei (吳磊先生)	Supervisor of the Company's subsidiaries	400,000	0.05	0.04
Mr. Heng Luo	Chief operating officer of the Company's subsidiary	630,000	0.07	0.07
226 qualified Participants		29,848,200	3.40	3.34

6. Disclaimers

Saved as disclosed in this prospectus:

(a) none of our Directors, Supervisors or any of the parties listed in "*Qualification of Experts*" of this Appendix is:

(i) interested in our promotion, or in any assets which, within the two years immediately preceding the date of this prospectus, have been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Company;

(ii) materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;

(b) save in connection with the Hong Kong Underwriting Agreement and the International Underwriting Agreement, none of the parties listed in "*Qualification of Experts*" of this Appendix:

(i) is interested legally or beneficially in any shares in any member of our Group; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group;

(c) none of our Directors or Supervisors or their close associates or any shareholders of our Company who to the knowledge of our Directors owns more than 5% of our issued share capital has any interest in our top five customers or suppliers; and

(d) none of our Directors or Supervisors is a director or employee of a company that has an interest in the share capital of our Company which, once the H Shares are listed on the Hong Kong Stock Exchange, would have to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO.

OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to impose on our Company or our subsidiary.

2. Litigation

Saved as disclosed in this prospectus, to the knowledge of our Directors, no member of our Group has significant litigation or claims pending or threatened against any member of our Group.

3. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, our H Shares. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

As members of the sponsor group (as defined in the Listing Rules) of CMB International Capital Limited hold more than 5% of the total number of issued shares of our Company in aggregate, CMB International Capital Limited does not satisfy the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

China International Capital Corporation Hong Kong Securities Limited satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

Pursuant to the engagement letter entered into between the Company and the Joint Sponsors, we have agreed to pay each of the Joint Sponsors a fee of US$500,000 to act as the sponsors of our Company in connection with the proposed listing on the Hong Kong Stock Exchange.

4. Qualification of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	Licensed 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) regulated activities as defined under the SFO
CMB International Capital Limited	Licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of regulated activities as defined under the SFO
KPMG	Certified Public Accountants Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
CM Law Firm	PRC Legal Advisor
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Property Valuer
Hogan Lovells	Export Control Consultant

None of the experts named above has any of our shareholding interests in any member of our Group or rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities in any member of our Group.

5. Binding Effect

This prospectus shall have the effect, if any application is made pursuant hereto, of rendering all persons concerned bound by all 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.

6. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

7. Promoters

The promoters of our Company comprised all of the 50 then shareholders of our Company as at September 27, 2023 before our conversion into a joint stock limited liability company. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or benefit has been paid, allotted or given, or is proposed to be paid, allotted or given to the promoters named above in connection with the Global Offering or the related transactions described in this prospectus.

8. Compliance Advisor

Our Company has appointed Maxa Capital Limited as its compliance adviser in compliance with Rule 3A.19 of the Listing Rules.

9. Preliminary Expenses

Our Company did not incur any material preliminary expenses.

10. Material Adverse Change

Our Directors confirm that, as of the date of this prospectus, there has been no material adverse change in our financial position or prospects since December 31, 2023.

11. Miscellaneous

Save as disclosed in this prospectus:

(a) within the two years preceding the date of this prospectus: (i) we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash; and (ii) no commissions, discounts, brokerage fee or other special terms have been granted in connection with the issue or sale of any shares of our Company;

(b) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;

(c) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;

(d) there are no arrangements under which future dividends are waived or agreed to be waived;

(e) there are no procedures for the exercise of any right of pre-emption or transferability of subscription rights;

(f) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months;

(g) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;

(h) no part of the equity or debt securities of our Company, if any, is currently listed on or dealt in on any stock exchange or trading system, and no such listing or permission to list on any stock exchange other than the Hong Kong Stock Exchange is currently being or agreed to be sought; and

(i) our Company has no outstanding convertible debt securities or debentures.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) the written consents referred to in "Appendix VII — Statutory and General Information — Other Information — 4. Qualification of Experts"; and

(b) a copy of each of the material contracts referred to in "Appendix VII — Statutory and General Information — Further Information about our Business — Summary of Material Contracts".

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.innoscience.com** during a period of 14 days from the date of this document:

1. the Articles of Association;

2. the Accountants' Report prepared by KPMG, the text of which is set forth in Appendix I to this prospectus;

3. the audited consolidated financial statements of our Company for the three financial years ended December 31, 2021, 2022 and 2023, and the six months ended June 30, 2024;

4. the report from KPMG on the unaudited pro forma financial information of our Group, the text of which is set forth in Appendix II to this prospectus;

5. the letter, summary of valuation and valuation certificates relating to the property interests of our Group prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the texts or extracts of which are set out in Appendix III to this prospectus;

6. the material contracts in "Appendix VII — Statutory and General Information — Further Information about our Business — Summary of Material Contracts";

7. the written consents referred to in "Appendix VII — Statutory and General Information — Other Information — 4. Qualification of Experts";

8. the service contracts referred to in "Appendix VII — Statutory and General Information — Further Information about our Directors, Supervisors, Management and Substantial Shareholders — 3. Service Contracts";

9. the legal opinions issued by CM Law Firm, our PRC Legal Advisor, in respect of, among other things, the general corporate matters and the property interests of our Group under PRC law;

10. the memorandum of advice issued by Hogan Lovells, our Export Control Consultant;

11. the industry report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the summary of which is set forth in the section headed "Industry Overview" in this prospectus; and

12. a copy of the PRC Company law, together with unofficial English translations.

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