

The logo for BaTeLab, featuring the company name in a bold, white, sans-serif font. The background of the entire page is a dark blue circuit board pattern with glowing blue lines and dots. The letters 'B' and 'b' in the logo are stylized with circuit-like patterns inside them.

BaTeLab

蘇州貝克微電子股份有限公司

BaTeLab Co., Ltd.

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

Stock Code: 2 1 4 9

A large, stylized version of the BaTeLab logo. The letters are composed of glowing blue circuit lines and dots, giving it a high-tech, digital appearance. The 'B' and 'b' are particularly intricate, with many internal circuit patterns.

BaTeLab

A dark blue rectangular box with a thin white border. Inside the box, the text '2024 Annual Report' is written in a white, sans-serif font. The box is centered at the bottom of the page.

2024
Annual Report

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Li Zhen (李真) (*Chairman*)
Mr. Zhang Guangping (張廣平)
Mr. Li Yi (李一)

Non-executive Directors

Mr. Kong Jianhua (孔建華)
Mr. Zhou Yufeng (周雨楓) (*resigned on 15 April 2024*)

Independent Non-executive Directors

Mr. Zhao Heming (趙鶴鳴)
Mr. Wen Chengge (溫承革)
Mr. Ma Ming (馬明)
Ms. Kang Yuanshu (康元書)

Joint Company Secretaries

Mr. Li Yi (李一)
Mr. Cheung Kai Cheong Willie (張啟昌) (*CPA, FCCA*)

Authorized Representatives

Mr. Li Zhen (李真)
Mr. Cheung Kai Cheong Willie (張啟昌)

Special Board Committees

Audit Committee

Mr. Ma Ming (馬明) (*Chairman*)
Mr. Zhao Heming (趙鶴鳴)
Mr. Wen Chengge (溫承革)

Remuneration and Evaluation Committee

Mr. Wen Chengge (溫承革) (*Chairman*)
Mr. Zhang Guangping (張廣平)
Mr. Ma Ming (馬明)

Nomination Committee

Mr. Zhao Heming (趙鶴鳴) (*Chairman*)
Mr. Li Yi (李一)
Mr. Wen Chengge (溫承革)

Strategy Committee

Mr. Li Zhen (李真) (*Chairman*)
Mr. Zhang Guangping (張廣平)
Mr. Li Yi (李一)

Supervisory Committee

Mr. Zhou Taotao (周韜韜) (*Chairman*)
Mr. Chen Xingyu (陳星宇)
Mr. Zhou Cheng (周承)

Auditor

KPMG
Public Interest Entity Auditor registered in accordance
with the Accounting and Financial Reporting Council
Ordinance
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

Legal Advisors

King & Wood Mallesons (*As to PRC laws*)
17th Floor, One ICC Shanghai International Commerce Center
999 Middle Huai Hai Road, Xuhui District
Shanghai, PRC

Baker & McKenzie (*As to Hong Kong law*)
14th Floor, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

CORPORATE INFORMATION

Compliance Advisor

Somerley Capital Limited
20/F, China Building
29 Queen's Road Central
Hong Kong

Headquarters and Registered Office in the PRC

Building 1
No. 150 Jici Road
Science and Technology Town
Gaoxin District, Suzhou
Jiangsu Province
PRC

Principal Place of Business in Hong Kong

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

H Share Registrar

Computershare Hong Kong
Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bank

Bank of China, Suzhou High-tech
Development Zone Sub-Branch

Stock Code

H Share: 02149

Company's Website

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Investor Relations

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Technology Town, Gaoxin District, Suzhou,
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Contact person: Li Yi (李一)

CHAIRMAN'S STATEMENT

Dear shareholders the ("**Shareholders**"),

I, on behalf of the board (the "**Board**") of directors (the "**Directors**") of BaTeLab Co., Ltd. (the "**Company**", "**our Company**" or "**we**"), am pleased to present the annual report of the Company for the year ended 31 December 2024 (the "**Reporting Period**").

Since 2024, the global integrated circuit industry has still maintained a high market demand, the long-term growth trend is clear, the demand for analog chips in industrial, automotive electronics and other fields has maintained stable growth, and the market space has further expanded. The Company continued to focus on the high-end industrial-grade analog IC patterned wafer business adapted to the needs of the industry. By virtue of the sustainable core competitiveness in products, business and technology, the Company maintained steady growth in performance during the Reporting Period.

For the year ended 31 December 2024, the Company achieved revenue of approximately RMB578.8 million, representing a year-on-year increase of approximately 24.8%, with a gross profit margin of approximately 53.0%. The performance growth was mainly due to the optimization of its semi-automated chip design approach based on machine learning, the continuous launch of new products in the industrial category and in-depth development with key customers.

Looking back to 2024, we continued to focus on the development of our patterned wafers business by refreshing our R&D efforts to further improve our product performance and product matrix; we entered into new major fields such as thermal management of new energy vehicles, current sensors, in-car chargers, and in-car DC-DC converters, with a view to expanding our influence and market share, which achieved encouraging results.

In 2025, we will continue to innovate. Continue to steadily expand the competitive product portfolio through self-developed electronic design automation (the "**EDA**"), improve R&D efficiency and reduce R&D costs; Improve the back-end process research and development center, and continuously improve their process manufacturing capabilities along the established strategy; In-depth cooperation with channel partners, continue to launch customers' favorite analog chip products in the fields of new energy storage, electric vehicles, high-end industry and so on.

On behalf of the Board and the management, I would like to express my sincere gratitude to each of the Shareholders, investors and partners for their longstanding support.

Chairman and Executive Director

Li Zhen

20 March 2025

FINANCIAL HIGHLIGHTS

A summary of the results and the assets and liabilities of the Company for the last five financial years, as extracted from the audited financial information and financial statements, is set out below:

| | Year ended 31 December (RMB'000) | | | | |
|--|----------------------------------|---------|---------|---------|--------|
| | 2024 | 2023 | 2022 | 2021 | 2020 |
| Revenue | 578,807 | 463,881 | 352,510 | 212,711 | 88,720 |
| Gross profit | 306,917 | 257,111 | 199,324 | 120,000 | 48,749 |
| Profit from operations | 173,950 | 113,427 | 98,475 | 60,846 | 18,013 |
| Profit for the year | 166,601 | 109,158 | 95,262 | 56,969 | 13,995 |
| Earnings per share (primary and diluted) | 2.78 | 2.42 | 2.12 | N/A | N/A |

| | Year ended 31 December (RMB'000) | | | | |
|-------------------|----------------------------------|-----------|---------|---------|---------|
| | 2024 | 2023 | 2022 | 2021 | 2020 |
| Total assets | 1,608,812 | 1,270,927 | 595,528 | 356,052 | 171,652 |
| Total liabilities | 603,808 | 432,698 | 199,693 | 55,479 | 137,845 |
| Net assets | 1,005,004 | 838,229 | 395,835 | 300,573 | 33,807 |

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Market Overview

In 2024, the global integrated circuit (IC) industry has been gradually recovering from the volatility cycle of 2023. As the core pillar of the digital economy, integrated circuits continue to sustain robust market demand, supported by a well-defined long-term growth trajectory. In particular, with the rapid advancement of emerging technologies such as 5G, artificial intelligence, the Internet of Things, and automotive electronics, the application scenarios of integrated circuits have been constantly broadening, driving the continuous growth of the industry. Driven by the rapid technological catch-up of emerging domestic industries and the deepening demand for import substitution, China's integrated circuit industry has demonstrated stronger growth potential relative to the global market, with domestic growth rates surpassing the global average in 2024.

In the analog IC industry, demand across industrial, automotive electronics, and data centers has maintained a steady growth. The rising penetration of new energy vehicles and green energy management systems has particularly broadened the addressable market for analog ICs. The Company continued to focus on the high-end industrial-grade analog IC patterned wafer business and met the industry's needs. By virtue of the sustainable core competitiveness in products, business and technology, the Company maintained steady growth in performance during the Reporting Period.

Business Overview

During the Reporting Period, the Company committed to independent research and development. Over the past decade or so, the Company has continuously improved its semi-automated chip design approach based on machine learning, training and optimizing the circuit design methods at different stages by using them as models for each other, which has further reduced the difficulty of research and development and maintained its differentiated competitive edge; in response to the relatively stable demand from customers for industrial-grade analog chips, the Company continued the introduction of new industrial products, leading to an increase in product sales. At the same time, the Company effectively implemented its business development strategy, expanded the customer coverage, provided more favorable policies to major customers with good credit, and appropriately extended customers' credit terms, thereby increasing customers' willingness to place orders and order volume. In addition, in response to emerging demands in the industry, such as in the field of artificial intelligence, the Company has been vigorously conducting product R&D and building up product reserves to satisfy customers' needs. During the Reporting Period, the number of our product types increased by 275.

The Company continued to deepen and strengthen its three core differentiated competitive advantages to uphold its differentiated competitive advantage and stable profitability: 1) continuing to focus on high-end products and enriching its product portfolio; 2) focusing on the business model of analog IC design and delivery of patterned wafers; 3) continuing to expand its technology advantages with the full-stack analog IC design platform as the core. Our product portfolio continued to enrich, and the competitive environment improved; our pattern wafer delivery model enhanced customer stickiness and made customer expansion more stable; the ecosystem of our self-developed electronic design automation (EDA) tools continued to expand, and our intellectual property (IP) became increasingly abundant.

Based on the foregoing, for the year ended 31 December 2024, the Company recorded a revenue of RMB578.8 million, representing a year-on-year increase of 24.8%, and a gross profit margin of 53.0%.

MANAGEMENT DISCUSSION AND ANALYSIS

Principal Business and Products

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

The Company focuses on the research and development (the “R&D”) and sales of analog IC products. Relying on the profound technology accumulation in the field of analog ICs and the efficient design platform for the whole process of “EDA + IP + Design”, the Company owns a product matrix centering on energy management and signal chain, and extending to a full line of industrial-grade analog chips. As of the end of the Reporting Period, the Company has more than 700 product models, which can widely empower various application areas such as industrial automation, industrial Internet of Things, industrial lighting, automotive electronics, healthcare, instrumentation, communications, power, energy storage and consumer electronics.

For the year ended 31 December 2024, in terms of core technologies, the Company continued to maintain an edge in patents from independent R&D, with a cumulative total of 115 invention patents and newly added technical patents in various sub-fields such as machine learning. In the field of design platform, the Company optimized the semi-automated chip design approach based on machine learning, further reducing the challenge of R&D. In terms of market development, the core series of products continued to expand their influence and market share in the new energy storage and new energy vehicle industries.

Relying on its own EDA software, the Company has accumulated more than 600 IP modules covering 12 core functions of analog IC design and applicable to nine core process technologies. The Company has established nine integrated technology platforms suitable for the whole process from process to independent R&D through extensive business cooperation and strategic synergies with its main cooperative fabricators, and implemented the design mechanism of “Tool-IP-chip design collaborative optimization” (the “TID”, Tool-IP-Design co-optimization), which has greatly lowered the threshold of chip design; realized the in-depth integration of product design and production process, and consolidated the Company’s stable supply chain channel advantages; expanded the application range of diversified terminals such as industry, automobile and communication.

The Company has products with either broad applicability or high precision and low power consumption researched and developed by nine technology platforms, which have jointly contributed to the Company’s sustained and stable growth in revenue during the Reporting Period.

For the year ended 31 December 2024, H770 platform, which specializes in the research and development of high-voltage and high-current products, maintained good advantages and expanded the market in the new energy field. The revenue from this platform accounted for nearly 40% of the total revenue. U660 platform, featuring products with high efficiency and high reliability, benefited from its applicability in scenarios such as the automotive and industrial control systems, and the revenue from its platform products increased by over 35% year-on-year. C140 platform, which uses high-performance basic analog chips as a series of products, continued to maintain a high level of gross profit margin due to its wide range of product series and models.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

Revenue by Product Line

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

| | Year ended 31 December | | | |
|--|------------------------|--------------|----------------|--------------|
| | 2024 | | 2023 | |
| | RMB'000 | % of Revenue | RMB'000 | % of Revenue |
| Sales of power management products | 507,679 | 87.7 | 408,290 | 88.0 |
| Sales of signal chain products | 64,749 | 11.2 | 55,591 | 12.0 |
| Sales of electronic component products | 6,379 | 1.1 | – | – |
| Total | 578,807 | 100.0 | 463,881 | 100.0 |

Revenue by Sales Channel

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

| | Year ended 31 December | | | |
|-----------------------|------------------------|--------------|----------------|--------------|
| | 2024 | | 2023 | |
| | RMB'000 | % of Revenue | RMB'000 | % of Revenue |
| Sales to distributors | 467,954 | 80.8 | 405,671 | 87.5 |
| Direct sales | 110,853 | 19.2 | 58,210 | 12.5 |
| Total | 578,807 | 100.0 | 463,881 | 100.0 |

The Company's revenue increased by 24.8% from RMB463.9 million for the year ended 31 December 2023 to RMB578.8 million for the year ended 31 December 2024, primarily due to the optimization of its semi-automated chip design approach based on machine learning, the continuous launch of new products in the industrial category and in-depth development with key customers, which included providing more favorable policies to major customers with good credit, and extending credit terms, thereby increasing customers' willingness to place orders and order volume.

MANAGEMENT DISCUSSION AND ANALYSIS

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

The Company's revenue from sales of power management products increased by 24.3% from RMB408.3 million for the year ended 31 December 2023 to RMB507.7 million for the year ended 31 December 2024, primarily due to the launch of new products and increase in customer demand.

The Company's revenue from sales of signal chain products increased by 16.5% from RMB55.6 million for the year ended 31 December 2023 to RMB64.7 million for the year ended 31 December 2024, primarily due to the launch of new products and the growth of downstream demand, and these products returned to a relatively stable growth trend during the Reporting Period.

The Company generated revenue from sales of electronic component products of RMB6.4 million for the year ended 31 December 2024, primarily due to the fact that some direct sales customers purchased electronic component products based on their own production needs.

The Company's revenue from sales to distributors increased by 15.4% from RMB405.7 million for the year ended 31 December 2023 to RMB468.0 million for the year ended 31 December 2024, which is due to steady increase in purchase from the Company by major distributors, as well as the Company's expansion into several new distributors.

The Company's revenue from direct sales increased by 90.4% from RMB58.2 million for the year ended 31 December 2023 to RMB110.9 million for the year ended 31 December 2024, primarily due to the fact that the Company expanded its new direct sales customer base in 2024, resulting in a substantial increase in direct sales revenue.

Cost of Sales

The Company's cost of sales increased by 31.5% from RMB206.8 million for the year ended 31 December 2023 to RMB271.9 million for the year ended 31 December 2024, primarily due to the significant increase in the revenue of the Company during the Reporting Period which led to the increased cost of sales accordingly.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Company's gross profit increased by 19.4% from RMB257.1 million for the year ended 31 December 2023 to RMB306.9 million for the year ended 31 December 2024, and the gross profit margin decreased from 55.4% for the year ended 31 December 2023 to 53.0% for the year ended 31 December 2024, primarily due to the fact that our gross profits and gross profit margins largely depend on the variety of our product mix, as we provide multi-variety products in small batches to our customers. The revenue and gross profit of the Company both increased during the Reporting Period. With the expansion of the business scale, the Company's inventory balance also increased accordingly, and provision for inventory impairment was higher than last year, which led to a decrease in gross profit margin accordingly. Of the provision for inventory impairment, mainly due to as the expansion of the company's business scale, the inventory amount and the aging of inventory have also increased accordingly. Therefore, more provision for inventory was accrued during the Reporting Period as compared with that of the last year. Eliminating the impact of provision for inventory impairment, there was no significant change in gross profit margin during the Reporting Period as compared with that of the last year.

MANAGEMENT DISCUSSION AND ANALYSIS

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

| | Year ended 31 December | | | |
|--|-------------------------|-----------------------------|-------------------------|-----------------------------|
| | 2024 | | 2023 | |
| | Gross profit RMB'000 | Gross profit margin % | Gross profit RMB'000 | Gross profit margin % |
| Sales of power management products | 268,687 | 52.9 | 222,852 | 54.6 |
| Sales of signal chain products | 38,102 | 58.8 | 34,259 | 61.6 |
| Sales of electronic component products | 128 | 2.0 | – | – |
| Total | 306,917 | 53.0 | 257,111 | 55.4 |

The Company's gross profit from sales of power management products increased by 20.6% from RMB222.9 million for the year ended 31 December 2023 to RMB268.7 million for the year ended 31 December 2024, and the gross profit margin decreased from 54.6% for the year ended 31 December 2023 to 52.9% for the year ended 31 December 2024. The change in gross profit margin was mainly due to the impact of provision for inventory impairment during the Reporting Period.

The Company's gross profit from sales of signal chain products increased by 11.2% from RMB34.3 million for the year ended 31 December 2023 to RMB38.1 million for the year ended 31 December 2024, and the gross profit margin decreased from 61.6% for the year ended 31 December 2023 to 58.8% for the year ended 31 December 2024. The change in gross profit margin was mainly due to the impact of provision for inventory impairment during the Reporting Period.

The Company's gross profit from sales of electronic component products increased from nil for the year ended 31 December 2023 to RMB0.1 million for the year ended 31 December 2024. The change in the gross profit is mainly due to the newly added revenue from the sales of electronic component products to some direct sales customers during the Reporting Period.

Other Income and Net Gain

The Company's other income and net gain during the Reporting Period primarily consist of (i) interest income from bank deposits; (ii) government grants; and (iii) net foreign exchange gain. The Company's other income and net gain increased by 330.5% from RMB8.1 million for the year ended 31 December 2023 to RMB34.8 million for the year ended 31 December 2024, primarily due to the increase in interest income from bank deposits and net foreign exchange gain.

Distribution Costs

The Company's distribution costs during the Reporting Period primarily consist of (i) employee benefits expenses of our sales and marketing staff, which mainly include salaries and welfare; and (ii) travel and entertainment expenses. The Company's distribution costs increased by 6.0% from RMB6.5 million for the year ended 31 December 2023 to RMB6.9 million for the year ended 31 December 2024, primarily due to the fact that the Company's major business model is sales to distributors, thus there was no significant increase in distribution costs.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative Expenses

The Company's administrative expenses during the Reporting Period primarily consist of (i) employee benefits expenses of the senior management (the "**Senior Management**") and business operations and administration staff, which mainly include salaries and welfare; (ii) consultation and agency fees; (iii) depreciation and amortization; (iv) intermediary fees such as auditors and lawyers; (v) travel and entertainment expenses; and (vi) office expenses. The Company's administrative expenses increased by 21.3% from RMB26.1 million for the year ended 31 December 2023 to RMB31.7 million for the year ended 31 December 2024, primarily due to the engagement of relevant intermediaries after the listing of the Company's H shares during the Reporting Period, and depreciation of the Company's leased properties increased as compared with the same period last year.

R&D Expenses

The Company's R&D expenses during the Reporting Period primarily consist of (i) material costs for R&D projects; and (ii) employee benefits expenses, which mainly include salaries and welfare of our R&D staff. The Company's R&D expenses increased by 8.5% from RMB119.1 million for year ended 31 December 2023 to RMB129.2 million for the year ended 31 December 2024, primarily due to the increasing investment in R&D as the business scale of the Company continued to expand and profitability continued to improve. In particular, material expenses for R&D increased by RMB22.5 million, representing a year-on-year increase of 28.6%, and the total amount of employee compensation decreased by RMB9.7 million year-on-year, as a result of the absence of the share based payment expense of RMB10.0 million incurred in last year.

Finance Costs

The Company's finance costs during the Reporting Period primarily consist of (i) interest on loans and borrowings, which mainly include interest on short-term bank loans; and (ii) interest on lease liabilities. The Company's finance costs increased by 87.2% from RMB4.3 million for the year ended 31 December 2023 to RMB8.0 million for the year ended 31 December 2024, primarily due to the increase in interest on short-term bank loans.

Profit before Taxation

As a result of the foregoing, the Company's profit before taxation increased by 52.0% from RMB109.2 million for the year ended 31 December 2023 to RMB166.0 million for the year ended 31 December 2024, primarily due to the significant increase in the revenue of the Company during the Reporting Period.

Income Tax

The Company recorded no income tax for the year ended 31 December 2023 and recorded tax benefit of RMB0.6 million for the year ended 31 December 2024, primarily due to the Company's entitlement to preferential tax, such as favorable income tax and additional deduction on R&D expenses for the year ended 31 December 2024.

Profit for the Year

As a result of the foregoing, the Company's profit for the year increased by 52.6% from RMB109.2 million for the year ended 31 December 2023 to RMB166.6 million for the year ended 31 December 2024, primarily due to the significant increase in the revenue of the Company during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Non-HKFRS Measure

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

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

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

| | Year ended 31 December | |
|---|------------------------|-----------------|
| | 2024 RMB'000 | 2023 RMB'000 |
| Profit for the year | 166,601 | 109,158 |
| Add: | | |
| Listing expenses | – | 1,460 |
| Share-based payments | 174 | 9,995 |
| Adjusted net profit (non-HKFRS measure) | 166,775 | 120,613 |

Main Risks and Uncertainties

Details of the main risks and uncertainties of the Company as at the end of the Reporting Period are set out in the "Report of the Board of Directors" in this report.

Foreign Exchange Risk

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

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Management

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

The Company manages its capital structure and makes adjustments in response to changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may adjust the distribution of profits to shareholders, or issue new shares. The Company is not constrained by any external mandatory requirements on capital. The capital structure of the Company primarily consists of equity attributable to owners of the Company, comprising issued share capital and various reserves. There was no significant change in the capital management objectives, policies or procedures for the year ended 31 December 2024 and 31 December 2023.

The Company manages its capital with the gearing ratio. The gearing ratio of the Company as of 31 December 2024, which is total loans and borrowings and lease liabilities of the Company divided by all components of equity attributable to equity shareholders and then multiplied by 100.0%, is approximately 32.4% (as of 31 December 2023: 21.8%).

Liquidity and Financial Resources

The Company maintains an excellent financial position and sufficient liquidity for the year ended 31 December 2024. The Company's current assets amounted to RMB1,451.0 million as of 31 December 2024 (as of 31 December 2023: RMB1,166.3 million), representing an increase of 24.4% as compared to the previous year, primarily due to the increase in inventories, prepayments and cash and cash equivalents. Of these assets, cash and cash equivalents (mainly denominated in HK\$ and RMB) amounted to RMB636.0 million (as of 31 December 2023: RMB550.8 million), representing an increase of 15.5% as compared to the previous year, primarily due to proceeds from loans and borrowings.

As of 31 December 2024, the Company had bank loans of RMB320.2 million (as of 31 December 2023: RMB171.6 million), all of which are repayable within one year.

Capital Expenditures

The Company's capital expenditures during the Reporting Period consist of expenditures on the additions to property, plant and equipment and other non-current assets. The Company made prepayments for the non-current assets during the Reporting Period, and such prepayments were classified as other non-current assets in our statements of financial position, which affected the capital expenditures during the Reporting Period. The Company's capital expenditures amounted to RMB33.9 million, including the investment-related deposits payments of RMB24.5 million and RMB43.5 million for the year ended 31 December 2024 and 31 December 2023, respectively. Historically, we have funded our capital expenditures mainly through cash generated from our operations, proceeds from the Listing and bank borrowings.

It is expected that our capital expenditures will increase in the future as our business continues to grow. The Company expects to fund future capital expenditures through cash generated from operations, bank borrowings and the net proceeds from the global offering in relation to the Listing.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Commitments

The Company's capital commitments during the Reporting Period primarily relate to additions to property, plant and equipment contracted but not provided for. The Company's capital commitments amounted to RMB66.4 million and RMB66.5 million as at 31 December 2024 and 31 December 2023, respectively.

Pledge of Assets

As of 31 December 2024, the Company's bank deposits totaling RMB51.8 million were pledged as a guarantee to issue bank acceptance bills, which will be released upon the settlement of relevant bills payable. As of 31 December 2024, the Company did not pledge any assets other than the above.

Loans and Borrowings

The Company's total outstanding bank loans increased from RMB171.6 million as of 31 December 2023 to RMB320.2 million as of 31 December 2024, primarily due to the fulfillment of capital requirements for its daily operating activities. Financing activities were increased as a result of the business expansion of the Company, which was used to support our working capital, such as payment for raw materials, salaries and welfare of our employees and office expenses.

As of 31 December 2024, the Company had interest-bearing borrowings of RMB320.2 million, all of which were unguaranteed and unsecured borrowings (mainly denominated in RMB), with effective interest rates ranging from 2.75% to 3.60% per annum. All borrowings will mature in 2025. The Company's bank borrowing agreements contain standard terms, conditions and covenants that are customary for commercial bank loans.

As of 31 December 2024, the Company had unutilized banking facilities of RMB1,300.0 million.

Contingent Liabilities

The Company did not have any contingent liabilities as of 31 December 2024 (as at 31 December 2023: nil).

Future Plans for Material Investments and Capital Assets

Except as disclosed in the "Future Plans and Use of Proceeds" section of the Company's prospectus (the "**Prospectus**") dated 18 December 2023, for the year ended 31 December 2024, the Company had no other plan for material investments and capital assets.

Significant Investment, Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

As at 31 December 2024, the Company did not have any material investments. For the year ended 31 December 2024, the Company did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

MANAGEMENT DISCUSSION AND ANALYSIS

Property, Plant and Equipment

The Company's property, plant and equipment primarily consist of equipment and machinery, passenger vehicles, office equipment and furniture, construction in progress and leasehold improvements. The Company's construction in progress primarily consists of (i) R&D equipment that the Company purchased, which has been delivered to the Company and pending installation. When the Company completes substantially all of the activities necessary to prepare the R&D equipment for its intended use, the Company will transfer it from construction in progress to equipment and machinery; and (ii) renovation of the Company's R&D center in Suzhou. The amount of the Company's property, plant and equipment as of 31 December 2024 was RMB62.1 million, with no significant changes compared to the amount of RMB62.3 million as of 31 December 2023.

Right-of-use Assets

The Company's right-of-use assets represent carrying amounts of long-term leased properties. The lease terms typically range from two to three years for an initial period. The Company's right-of-use assets decreased from RMB6.9 million as of 31 December 2023 to RMB4.0 million as of 31 December 2024, primarily due to the fact that as lease terms increased, the accumulated depreciation of right-of-use assets increased, resulting in a decrease in net amount of right-of-use assets.

Financial Assets at Fair Value Through Other Comprehensive Income

As at 31 December 2024, the financial assets at fair value through other comprehensive income mainly represent the Company's 29.4% shareholding in a limited liability partnership as a limited partner for strategic development considerations.

Inventories

The Company's inventories primarily consist of (i) raw materials, including untested foundry-manufactured wafers; and (ii) finished goods. The Company's inventories increased from RMB218.1 million as of 31 December 2023 to RMB315.4 million as of 31 December 2024, primarily due to the inventories held in stock based on our customers' needs and the Company's judgment of market demand, which was in line with our business growth.

Trade and Other Receivables

The Company's trade receivables during the Reporting Period primarily represent receivables from customers for sales of analog IC patterned wafer products. The Company's other receivables and deposits primarily represent VAT recoverable, contingency cash for business trips and sporadic purchases and rental deposits. The Company's trade receivables decreased from RMB61.3 million as of 31 December 2023 to RMB50.5 million as of 31 December 2024, primarily due to the fact that the Company strengthened its collection management of accounts receivable during the year and the customers were more willing to pay back than in previous years.

Prepayments

The Company's prepayments during the Reporting Period primarily are prepayments to suppliers for the purchase of raw materials. The Company's prepayments increased from RMB261.3 million as of 31 December 2023 to RMB396.3 million as of 31 December 2024, primarily due to the fact that as the Company's business scale expanded and the purchase demand for raw materials increased as well.

MANAGEMENT DISCUSSION AND ANALYSIS

Trade and Other Payables

The Company's trade and other payables during the Reporting Period mainly include (i) trade payables, which are primarily related to payments due to a supplier for chip probing services; (ii) bills payable, which are primarily related to payments due to our wafer channel partner; (iii) contract liabilities, which mainly arise from the advance payments made by customers before the Company provided the analog IC patterned wafer products, and the advance payments received for an entrusted R&D agreement; and (iv) other payables and accruals. The Company's trade and other payables increased from RMB248.5 million as of 31 December 2023 to RMB277.7 million as of 31 December 2024, mainly as a result of the increase in contract liabilities.

Employees

Employees

As of 31 December 2024, the Company had 116 full-time employees, all of whom were based in China. The following table sets forth the number of the Company's employees by function as of 31 December 2024:

| Function | Number of employees |
|--|---------------------|
| Chairman and Senior Management | 3 |
| R&D | 71 |
| Sales and marketing | 11 |
| Business operations and administration | 31 |
| Total | 116 |

Remuneration Policy

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

MANAGEMENT DISCUSSION AND ANALYSIS

Training Plans

Based on the full-stack design platform, the Company has established a comprehensive R&D system and training mechanism to cultivate R&D team from scratch, which has broken through the bottleneck of experienced talents in the field of analog IC design and ensured sustainable supply of talent. The Company provides on-board training for all of our employees as well as periodic training or seminars to ensure their self-development. In particular, the Company provides a special training program which lasts for two to three weeks for our R&D employees to help them get familiar with R&D activities and project management. Experienced engineers serve as mentors in the program, and conduct tutoring with new R&D employees. Furthermore, the Company holds lectures and exchanges ideas through seminars with external professionals. The Company also provides courses for our employees as an important part of their continuous self-learning. The Company strives to create a multiple-incentive mechanism and a friendly working environment to fulfil our employees' full potential. Due to our efforts, the Company generally maintains a stable team of employees that make continuous contributions.

Compliance with Laws and Regulations

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

To the best knowledge of the Board of Directors and management, the Company has complied in all material respects with the relevant laws and regulations that have a significant impact on the Company's business and operations. For the year ended 31 December 2024, the Company had no material violations of or non-compliance with applicable laws and regulations.

Outlook

In 2025, it is expected that the demand for localization in new energy vehicles, data centers, green energy management and other fields will further deepen. Market demand remains the cornerstone of our R&D and innovation. Our R&D initiatives will further integrate industry expertise with advanced chip design capabilities to serve our customers more accurately.

In 2025, we will continue to seek steady growth and break new ground. In the field of analog chips, design and process innovation are inextricably linked. We will keep enhancing our process capability along the established strategy and steadily expand our competitive product portfolio through our self-developed EDA technology platform. Our back-end process research and development center, which is expected to come into operation during the year, is the starting point for upgrading our process manufacturing capabilities, which will help us better align with product development, improve efficiency, and optimize costs.

In 2025, we will, relying on the in-depth cooperation with our channel partners, continue to develop products in line with market demand. We will continue to launch more favorite analog chip products for customers in the fields of new energy storage, electric vehicles, and high-end industry. In the emerging analog AI computing field, we have also invested in research and development and applied for several patents, and it is expected that relevant products will be launched soon.

BIOGRAPHICAL DETAILS OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biographical details of the Directors, Supervisors (the “**Supervisors**”) and Senior Management of the Company are set out as follows:

Directors

Executive Directors

Mr. Li Zhen, born in February 1986, is our co-founder. He was appointed as our executive Director on 12 November 2010 and appointed as the chairman of the Board on 15 December 2015. Mr. Li Zhen also serves as the Chairman of the Strategy Committee. Mr. Li Zhen served as the head of our R&D department from November 2010 to January 2023. After obtaining his master’s degree in the United States, Mr. Li Zhen returned to China in 2010 to start his own business, exploring and leading the continuous innovation of efficient analog IC design and patterned wafer delivery business model. Led by Mr. Li Zhen, our management team possesses a wealth of experience in enterprise management, product development and marketing. Mr. Li Zhen studied in the Basic Science Class of Tsinghua University in the PRC in 2004, majoring in mathematics and physics of the department of physics. He was later admitted as a regular student for fall term 2005–2006 from Tsinghua University to Massachusetts Institute of Technology in the United States in 7 September 2005, and obtained his bachelor’s degree in electronic science and engineering in June 2009 and his master’s degree in electrical engineering and computer science in February 2010. Mr. Li Zhen was recognized as Leading Talent in Science and Technology Innovation and Entrepreneurship of Suzhou New District (Class A) by the CPC Working Committee of Suzhou New District in September 2010 and Leading Talent in Innovation and Entrepreneurship of Gusu District by Suzhou Municipal People’s Government in July 2012. Mr. Li Zhen is a cousin of Mr. Li Yi (who serves as an executive Director, a deputy general manager, the secretary of the Board of Directors, the head of the finance department and a joint company secretary of the Company).

Mr. Zhang Guangping, born in June 1985, is our co-founder. He was our Supervisor from November 2010 to September 2013. He served as our sales director from November 2010 to January 2021. Mr. Zhang Guangping was appointed as our Director on 15 December 2015 and our general manager on 15 January 2021. He was re-designated as our executive Director on 27 April 2023. Mr. Zhang Guangping is also a member of the Remuneration and Evaluation Committee and the Strategic Committee of our Company. Mr. Zhang Guangping is primarily responsible for the overall operation and management of our Company. Mr. Zhang Guangping obtained his bachelor’s degree in mathematics and physics from Tsinghua University in the PRC in July 2008.

Mr. Li Yi, born in March 1979, is our co-founder. He served as our general manager from November 2010 to January 2021. He has been serving as our Director since 15 December 2015, the deputy general manager and the head of our financial department since January 15, 2021, the secretary of the Board since 12 November 2021. He was re-designated as our executive Director on 27 April 2023. Mr. Li Yi is also a member of the Nomination Committee, and a member of the Strategic Committee of our Company. Mr. Li Yi was appointed as a joint company secretary on 1 June 2023. Mr. Li Yi is primarily responsible for financial management and company secretarial matters of our Company and assisting the operation of the Board. From August 2002 to July 2003, Mr. Li Yi worked at Jiangsu Vocational College of Business (formerly known as Jiangsu Nantong Vocational Supply and Marketing School, where he was primarily responsible for education and teaching. From March 2004 to September 2008, he worked at Jiangsu Suzhou Steel Group Co., Ltd., an industrial company, where he was primarily responsible for accounting affairs. Mr. Li Yi obtained his bachelor’s degree in accounting from Shanxi University of Finance and Economics in the PRC in July 2002. Mr. Li Yi is a cousin of Mr. Li Zhen (who serves as the executive Director and the chairman of the Board of our Company).

BIOGRAPHICAL DETAILS OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Non-executive Directors

Mr. Kong Jianhua (“**Mr. Kong**”), born in October 1983, was appointed as our Director on 15 December 2015 and re-designated as our non-executive Director on 27 April 2023. Mr. Kong is primarily responsible for the provision of guidance for the overall development of our Company. Mr. Kong served as a staff of business development division at Jiangsu Branch of China Export & Credit Insurance Corporation, an insurance company. From August 2010 to March 2012, he served as the investment manager at Suzhou High-Tech Venture Capital Group Co., Ltd., an investment company, where he was primarily responsible for investment management. He served consecutively as the investment director, the deputy general manager and the general manager from March 2012 to April 2019, and has been serving as the director since August 2015 of Suzhou High-tech Venture Capital Group Ronglian Management Co., Ltd., an investment company, where he was primarily responsible for investment management, the overall strategic planning and management and supervision of the daily affairs. Since December 2017, he has served as the director and general manager at Suzhou High-tech Venture Capital Group Rongxiang Investment Management Co., Ltd., a venture capital company, where he is primarily responsible for the overall management. Mr. Kong also holds directorship in several technology, manufacture and other companies concurrently, including Shanghai Yingshuang Electric Machinery Co., Ltd., Suzhou Zhizhu Telecommunication Technology Co., Ltd. and Jiangsu Tiangong Information Technology Co., Ltd., etc., where he is primarily responsible for the overall management of the aforementioned companies. Mr. Kong obtained his bachelor’s degree in English from China University of Mining and Technology in the PRC in July 2005 and his master’s degree in laws from Peking University in the PRC in July 2008.

Independent Non-executive Directors

Mr. Zhao Heming (“**Mr. Zhao**”), born in August 1957, was appointed as our independent Director on 12 November 2021 and re-designated as our independent non-executive Director on 27 April 2023. Mr. Zhao is also the chairman of the Nomination Committee and a member of the Audit Committee of our Company. Mr. Zhao is primarily responsible for the provision of independent advice to the Board. Mr. Zhao joined Soochow University in 1993 and served as the assistant professor from 1993 to 1999. He was then appointed as the professor in 1999 and the doctoral supervisor in 2002, and currently serves as the professor, the doctoral supervisor and the dean of the department of information engineering. He has been engaged in teaching and scientific research in the field of speech signal processing, intelligent computing, and digital signal processing systems. Mr. Zhao served as a member of the Jiangsu Provincial People’s Political Consultative Conference from February 2003 to January 2018. Mr. Zhao is currently a member of the National Signal Processing Society, a standing director of Jiangsu Electronic Society, and the president of Suzhou Electronic Society. In addition, he is also an editorial board member of the “Acta Acustica”, the “Journal of Electronics & Information Technology” and the “Journal of Signal Processing”. In addition to the aforesaid working experiences, Mr. Zhao served as an independent director of New SEA UNION Technology Group Co., Ltd., a technology company listed on the Shenzhen Stock Exchange (stock code: 002089), from March 2007 to May 2013, served as an independent director of Suzhou TFC Optical Communication Co., Ltd., a technology company listed on the Shenzhen Stock Exchange (stock code: 300394), from December 2011 to November 2017, served as an independent Director of Suzhou Anjie Technology Co., Ltd., a technology company listed on the Shenzhen Stock Exchange (stock code: 002635), from September 2014 to June 2019 and since June 2022, and provided independent advice to the board. Mr. Zhao obtained his bachelor’s degree in physics from Soochow University (formerly known as Jiangsu Normal College in the PRC in January 1982. He has obtained the independent director qualification certificate from Shenzhen Stock Exchange in April 2008.

BIOGRAPHICAL DETAILS OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wen Chengge (“**Mr. Wen**”), born in May 1969, was appointed as our independent Director on 12 November 2021 and re-designated as our independent non-executive Director on 27 April 2023. Mr. Wen is also the chairman of the Remuneration and Evaluation Committee, a member of the Audit Committee, and a member of the Nomination Committee of our Company. Mr. Wen is primarily responsible for the provision of independent advice to the Board. Mr. Wen has been serving as the associate professor of the School of Business in Suzhou University of Science and Technology since June 2000, where he is primarily responsible for scientific research and teaching. Mr. Wen obtained his bachelor’s degree in electromechanical foreign trade from Chongqing University in the PRC in July 1990. He obtained a master’s degree in business administration in July 1999 and a doctor’s degree in enterprise management in June 2007 from Renmin University of China in the PRC.

Mr. Ma Ming (“**Mr. Ma**”), born in September 1977, was appointed as our independent Director on 12 November 2021 and re-designated as our independent non-executive Director on 27 April 2023. Mr. Ma is also the chairman of the Audit Committee and a member of the Remuneration and Evaluation Committee of our Company. Mr. Ma is primarily responsible for the provision of independent advice to the Board. Mr. Ma joined Ningxia Tianhua Accounting Firm (Co., Ltd.) (“**Ningxia Tianhua**”) in October 2003, where he served as the director and deputy chief accountant from May 2018 to April 2022. Ningxia Tianhua was transferred into a partnership enterprise and renamed as Tianhua (Ningxia) Accounting Firm (Special General Partnership) in May 2022 and Mr. Ma has been serving as the managing partner and deputy chief accountant since then. Apart from the aforementioned working experience, he also has been the director of Ningxia Zhengyutong Management Consulting Co., Ltd., a management consulting company, since May 2018 and Ningxia Construction Investment Group Co., Ltd., a company principally engaged in housing construction, project contracting of municipal infrastructure and investment management, from March 2017 to September 2023, where he was primarily responsible for the provision of guidance for the overall business development. Mr. Ma obtained his bachelor’s degree in accounting from Shanxi University of Finance and Economics in the PRC in June 2002. Mr. Ma has obtained the certified public accountant certificate from the Chinese Institute of Certified Public Accountants in October 2004 and the legal professional qualification certificate issued by the Ministry of Justice of the PRC in March 2012.

Ms. Kang Yuanshu (“**Ms. Kang**”), born in March 1986, was appointed as our independent non-executive Director on 1 December 2023. Ms. Kang is primarily responsible for the provision of independent advice to the Board. Ms. Kang joined Q8 Aviation in 2008. Q8 Aviation is one of the world’s leading jet fuel marketers, providing fuel to airlines at airports across Europe, Africa, the Middle East and the Far East. She consecutively served as the new business analyst from October 2008 to February 2011, the aviation business coordinator from March 2011 to May 2014, the assistant account manager from June 2014 to December 2014, the account manager from January 2015 to February 2022 and the senior account manager since March 2022, where she is primarily responsible for directing marketing and sales affairs in throughout Asia and Australasia areas. Ms. Kang obtained her bachelor’s degree in arts from the University of Sheffield in the United Kingdom in June 2007. She obtained her master’s degree in science from the City University of London in the United Kingdom in February 2009.

BIOGRAPHICAL DETAILS OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Supervisors

Mr. Zhou Taotao, born in January 1995, was appointed as the president of our Supervisory Committee and the Supervisor on 12 November 2021. Mr. Zhou Taotao is primarily responsible for presiding the work of the Supervisory Committee, supervising the Board and the senior management of our Company. He joined our Company in June 2017 and has been serving as a business assistant, where he is primarily responsible for assisting the business activities of our Company since then. Mr. Zhou Taotao graduated from Tianping College of Suzhou University of Science and Technology in the PRC in June 2017, majoring in environmental engineering.

Mr. Chen Xingyu (“Mr. Chen”), born in January 1995, was appointed as a Supervisor on 17 November 2020. Mr. Chen is primarily responsible for presiding the work of the Supervisory Committee, supervising the Board and the senior management of our Company. Mr. Chen has been serving as the manager of the investment business department at Suzhou High-tech Venture Capital Group Small and Medium sized Enterprise Development Management Co., Ltd. since August 2017, where he is primarily responsible for daily management of the investment projects. Mr. Chen also holds directorship concurrently in several technology companies including Suzhou Longyou Shanghai Network Technology Co., Ltd. and Lanscientific Co., Ltd., where he is primarily responsible for overall management. Mr. Chen has also been serving as the supervisor in several technology companies concurrently including Zhongke Wanxun Intelligent Technology (Suzhou) Co., Ltd. and Suzhou Hi Tech Investment Center Co., Ltd., where he is primarily responsible for supervising the operation of the relevant companies. Mr. Chen obtained his bachelor’s degree in engineering management from Tianping College of Suzhou University of Science and Technology in the PRC in June 2017.

Mr. Zhou Cheng, born in November 1989, was appointed as the employee representative Supervisor on 16 May 2021. Mr. Zhou Cheng is primarily responsible for supervising the Board and the senior management of our Company. Mr. Zhou Cheng joined our Company in July 2012 and has been serving as the EDA engineer and system engineer since then, where he is primarily responsible for research and development work. Mr. Zhou Cheng obtained his bachelor’s degree in electronic information science and technology from Suzhou University of Science and Technology in the PRC in June 2012.

Senior Management

Mr. Zhang Guangping is the executive Director and general manager of our Company. For the biographical details of Mr. Zhang Guangping, please refer to the “Directors” in this section.

Mr. Li Yi is an executive Director, deputy general manager, secretary of the Board, head of the financial department and a joint company secretary of our Company. For the biographical details of Mr. Li Yi, please refer to the “Directors” in this section.

CORPORATE GOVERNANCE REPORT

Corporate Culture

As the Company believes that a healthy corporate culture is at the core of good corporate governance, all Directors are committed to promoting corporate culture by setting an example. The Company attaches great importance to the communication and promotion of corporate culture, so as to enable all management and employees to understand the core values of corporate culture and the expected behaviors. The Company has strengthened and perfected the communication mechanism between the management and employees, and understood employees' recognition of corporate culture or problems identified through various channels. The Company's culture is also designed to strike a balance between the benefits and risks of short-term goals and long-term strategies.

The Board is collectively responsible for promoting sound corporate governance, the core of which is embedded in the Company's corporate culture and has the following characteristics:

- Transparency

The Directors and management of the Company shall be shaped into making decisions and conducting the business of the Company on the basis of the best information available to them and shared among them.

- Integrity and objectivity

The Directors and management of the Company shall undertake to make decisions and conduct business with integrity and objectivity in the best interests of the Company and its Shareholders.

- Accountability

The Directors and management of the Company shall be rewarded appropriately based on the performance of the Company for their decisions and actions.

Based on the review of a series of culture-related factors, such as compliance history, employee turnover rate, number of complaints from stakeholders, and the Company's performance, the Board is confident that the Company's corporate culture is well promoted and maintained.

Corporate Governance Practices

The Board is committed to maintaining high standards of corporate governance and believes that good corporate governance is essential to the Company's sustainable development and healthy business growth. We safeguard the interests of the Shareholders and enhance corporate value through robust corporate governance.

The Company's general meetings (the "**General Meetings**"), the Supervisory Committee, the Board, and each of the special Board committees (the "**Special Board Committees**") have established a clear governance structure under the relevant laws, the articles, and their respective working rules. The Board and the four Special Board Committees under the Board perform their respective duties and works in collaboration and under adequate supervision to continuously improve the Company's corporate governance and form an excellent corporate governance structure. The Company ensures the regular operations under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") through this governance structure.

CORPORATE GOVERNANCE REPORT

The Company has adopted the provisions of the Corporate Governance Code (the “**Code Provisions**”) set out in Part 2 of Appendix C1 to the Listing Rules as its own corporate governance code. During the period from the Listing Date to 31 December 2024, the Company has complied with all applicable Code Provisions.

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

Board of Directors

Responsibilities

The Company has clearly defined the responsibilities of the Board and the Senior Management. The powers and duties of the Board include determining the business and investment plans of the Company, preparing the annual financial budget and final report of the Company, formulating profit distribution plan and exercising other powers, functions and duties conferred by the Articles of Association of the Company (the “**Articles**”). The Board has delegated to the Senior Management the authority and responsibility for the day-to-day management and operations of the Company. For the purpose of overseeing specific aspects of the Company’s affairs, the Board has established four Special Board Committees, including the Audit Committee (the “**Audit Committee**”), the Remuneration and Evaluation Committee (the “**Remuneration and Evaluation Committee**”), the Nomination Committee (the “**Nomination Committee**”) and the Strategy Committee (the “**Strategy Committee**”). The Board has assigned a number of responsibilities to the Special Board Committees, which are set out in their respective terms of reference.

All Directors shall ensure that they fulfill their duties in good faith, comply with applicable laws and regulations and act in the interests of the Company and its Shareholders at all times.

Composition of the Board

During the Reporting Period, Mr. Zhou Yufeng resigned as a non-executive Director for the reason of work reassignment with effect from 15 April 2024. For details, please refer to the announcement of the Company dated 15 April 2024.

During the Reporting Period and up to the date of this report, save as disclosed above, there has not been any change in information relating to any Directors, Supervisors or chief executive of the Company that is required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

As at 31 December 2024, the Board consisted of eight members, including three executive Directors, one non- executive Directors and four independent non-executive Directors, as detailed below:

Executive Directors

Mr. Li Zhen (*Executive Director and chairman*)

Mr. Zhang Guangping (*Executive Director and general manager*)

Mr. Li Yi

CORPORATE GOVERNANCE REPORT

Non-executive Directors

Mr. Kong Jianhua

Mr. Zhou Yufeng (*resigned on 15 April 2024*)

Independent Non-executive Directors

Mr. Zhao Heming

Mr. Wen Chengge

Mr. Ma Ming

Ms. Kang Yuanshu

The biographical details of the Directors as at the date of this report are set out in section headed “Biographical Details of Directors, Supervisors and Senior Management” in this report.

During the Reporting Period, the Board complied with Rule 3.10A of the Listing Rules relating the appointment of independent non-executive Directors representing at least one-third of the Board, as well as Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one possessing appropriate professional qualifications or accounting or related financial management expertise.

All Directors, including the independent non-executive Directors, have brought to the Board a diverse range of valuable business experience, knowledge and expertise to enable it to operate efficiently and effectively. Independent non-executive Directors are invited to serve on the Audit Committee and the Remuneration and Evaluation Committee, and the Nomination Committee.

Mr. Li Zhen, an executive Director and the chairman of the Company, is a cousin of Mr. Li Yi, who serves as an executive Director, a deputy general manager, the secretary of the Board, the head of the finance department and the joint company secretary of the Company. Save as disclosed above, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Directors.

Induction and Continuous Professional Development

All newly appointed Directors would be provided with necessary induction training and information to ensure that they have a proper understanding of the Company’s operations and businesses as well as their responsibilities under relevant statutes, laws, rules, and regulations. The Company would also arrange regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company’s performance, position, and prospects to enable the Board as a whole and each Director to discharge their duties.

CORPORATE GOVERNANCE REPORT

In accordance with provision C.1.4 of the Code Provisions, all Directors should engage in continuing professional development to develop and update their knowledge and skills to ensure that they can continue to contribute to the Board in a fully informed and appropriate manner. According to the records maintained by the Company, during the Reporting Period, all Directors received the following training and updates during the the year ended 31 December 2024:

| Name of Directors | Attendance at seminars and/ or training relevant to the professional knowledge and skills of Directors in discharging their duties and responsibilities | Reading materials relevant to the professional knowledge and skills of Directors in discharging their duties and responsibilities |
|--|---|--|
| Mr. Li Zhen | ✓ | ✓ |
| Mr. Zhang Guangping | ✓ | ✓ |
| Mr. Li Yi | ✓ | ✓ |
| Mr. Kong Jianhua | ✓ | ✓ |
| Mr. Zhou Yufeng (resigned on 15 April 2024) | ✓ | ✓ |
| Mr. Zhao Heming | ✓ | ✓ |
| Mr. Wen Chengge | ✓ | ✓ |
| Mr. Ma Ming | ✓ | ✓ |
| Ms. Kang Yuanshu | ✓ | ✓ |

Chairman and General Manager

Provision C.2.1 of the Code Provisions provides that the roles of chairman of the Board and chief executive officer should be separate and should not be performed by the same individual. The Company supports the division of responsibilities between the chairman and the general manager to ensure a balance of power and responsibility and maintain a balanced view of judgment. During the year ended 31 December 2024, the chairman of the Company was Mr. Li Zhen and the general manager of the Company was Mr. Zhang Guangping. The chairman presides over the Board and is responsible for the strategic planning and business management of the Company. The general manager is accountable to the Board and is responsible for the overall operation and management of the Company.

CORPORATE GOVERNANCE REPORT

Appointment of Directors

Paragraph B.2 of the Code Provisions provides that all Directors should be re-elected at certain intervals; provision B.2.2 of the Code Provisions provides that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

The term of office of each Director is three years or until the expiration of the term of office of the first session of the Board (11 November 2024). The term of the first session of the board of directors (the “**Board**”) has expired on 11 November 2024. As the preparation for the election of the new session of the Board is in progress, in order to ensure the continuity of the relevant work of the Company, the election of the new session of the Board will be postponed. For further details, please refer to the announcement of the Company dated 7 November 2024. If a director’s term of service expires but a new director is not yet appointed, the existing director shall continue to fulfill the duties as a director according to the laws, administrative regulations, departmental regulations and these Articles of Association until the newly elected director’s appointment comes into effect. Their re-election shall be subject to the provisions of the Articles.

Independence of the Board

The Company believes that the independence of the Board is essential to good corporate governance and the effectiveness of the Board. The Board has established mechanisms to ensure that the independent views of any Director can be communicated to the Board to enhance the objectivity and effectiveness of decision-making. The Board has reviewed the following key features or mechanisms under the Company’s governance structure and considers that they are effective in ensuring the provision of independent views and advice to the Board, which include, but not limited to, all Directors having the right to engage independent professional advisers as and when required, all Directors being encouraged to express their views openly and honestly at meetings of the Board or of Special Board Committees, and the number of independent non-executive Directors complying with the requirement of at least one-third of the Board as required by the Listing Rules for independent non-executive Directors, etc. The Audit Committee, the Remuneration and Evaluation Committee and the Nomination Committee of the Company are all chaired by independent non-executive Directors, and review annually the implementation and effectiveness of the relevant mechanism. During the year ended 31 December 2024, the Board has reviewed the implementation and effectiveness of the Board’s independent assessment mechanism and the results were satisfactory.

Structure of the Board and Special Board Committees

The Company has been led by a Board whose members are mostly non-executive Directors. As at 31 December 2024, the Board consists of three executive Directors, one non-executive Directors and four independent non-executive Directors.

All members of the Audit Committee are independent non-executive Directors, and the majority of the members of the Remuneration and Evaluation Committee and the Nomination Committee are independent non-executive Directors.

Remuneration of independent non-executive Directors

Independent non-executive Directors receive a fixed fee for their membership of the Board and the Special Board Committees, where appropriate.

CORPORATE GOVERNANCE REPORT

Appointment of Independent Non-executive Directors

The Company is committed to establishing an effective Board with members who have the appropriate competencies for the scale, complexity and strategic positioning of our business. In view of this, the independent non-executive Directors play an essential role in the Board through their independent professional judgment, and their views play an important role in the decisions of the Board. When assessing the suitability of a candidate, the Nomination Committee will review the candidate's curriculum vitae (including his qualifications and available time) and take into account the composition of the Board, the skills and experience of the Directors, the selection criteria approved by the Board, the nomination policy and the Board diversity policy. The independence of independent non-executive Directors will be reviewed annually.

The Board will evaluate the annual confirmations of independence received from each of the independent non-executive Directors, taking into account the relevant criteria under Rule 3.13 of the Listing Rules.

Management of Conflict of Interest

The Articles and the internal guidelines of the Company provide guidance to Directors on the avoidance of conflicts of interest and the appropriate action to be taken by Directors involved in conflicts of interest.

Professional opinions

To assist Directors in the proper discharge of their duties, all Directors may seek advice from the joint company secretaries of the Company or the in-house legal team, or from independent professional advisers at the Company's expense.

Board review

The quality and efficiency of Board discussions are reviewed each year in the annual review of Board performance.

The Company has reviewed the implementation of the mechanisms relating to the independence of the Board and considers them to be effective during the Reporting Period.

Board and General Meetings

The Company has adopted the practice of holding regular Board meetings, that is, the Board shall hold at least four regular meetings each year, roughly once a quarter, which shall be convened by the chairman and notified to all the Directors and Supervisors 14 days prior to the meeting in writing.

In respect of meetings of the Audit Committee, the Remuneration and Evaluation Committee and the Nomination Committee, notice of any meeting must be given at least five business days (excluding Saturdays, Sundays and public holidays in Mainland China and Hong Kong) before such meeting is to be held, unless all members of the said Special Board Committees unanimously waive such notice. Notwithstanding the notice period, the attendance of the members of the said Special Board Committees at a meeting shall be deemed to be a waiver of the requisite notice period by such members. No notice needs to be given for any adjourned meeting if it is held within 14 days of the meeting. For meetings of the Strategy Committee, all members shall be notified three days prior to the date of the meeting, provided that such notice period may be waived by unanimous agreement of all members of the Strategy Committee.

CORPORATE GOVERNANCE REPORT

Minutes of the Board meetings and Special Board Committee meetings are recorded in sufficient detail on the matters considered by the Board and the Special Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Special Board Committee meeting are/will be sent to the Directors for comments within a reasonable time after the date on which the meeting is held.

The General Meetings shall be the supreme authority of the Company, all Shareholders exercise their power through the General Meetings. The Company ensures that all Shareholders enjoy equal status and that the rights of all Shareholders are protected. The General Meeting shall be divided into the annual general meeting (the “**AGM**”) and the extraordinary general meeting (the “**EGM**”). The AGM shall be convened once a year, and shall be held within 6 months after the prior accounting year ends. The Company shall notify all Shareholders by way of announcement at least 21 days previous to the AGM, and shall notify all Shareholders by way of announcement at least 15 days or 10 business days (whichever is longer) prior to the EGM. If laws, administrative regulations and rules of the securities regulatory authorities where the shares of the Company (the “**Shares**”) are listed stipulate otherwise, the relevant provisions shall prevail.

During the year ended 31 December 2024, the Company held five Board meetings and two General Meetings. The attendance record of each Director is set out below:

| Name of Directors | Attendance/qualified to attend the Board meeting | Attendance/qualified to attend the General Meeting |
|-------------------------------------|--|--|
| Mr. Li Zhen | 5/5 | 2/2 |
| Mr. Zhang Guangping | 5/5 | 2/2 |
| Mr. Li Yi | 5/5 | 2/2 |
| Mr. Kong Jianhua | 5/5 | 2/2 |
| Mr. Zhou Yufeng ^(Note 1) | 1/1 | – |
| Mr. Zhao Heming | 5/5 | 2/2 |
| Mr. Wen Chengge | 5/5 | 2/2 |
| Mr. Ma Ming | 5/5 | 2/2 |
| Ms. Kang Yuanshu | 5/5 | 2/2 |

Note:

- (1) Mr. Zhou Yufeng resigned as a non-executive Director on 15 April 2024. During the year ended 31 December 2024, Mr. Zhou Yufeng attended one out of one Board meeting and did not attend any General Meeting. Please refer to the announcement of the Company dated 15 April 2024 for details.

Model Code for Securities Transactions

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

CORPORATE GOVERNANCE REPORT

Delegation by the Board

The Board reserves the right to make decision on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors, and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense. The Company also encourages the Directors to consult with its Senior Management independently.

The daily management, administration, and operation of the Company are delegated to the Senior Management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

Corporate Governance Functions

The Board recognizes that corporate governance is a collective responsibility of the Directors as set out in provision A.2.1 of the Code Provisions, and the corporate governance responsibilities include:

- (a) To develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (b) To review and monitor the training and continuous professional development of the Directors and Senior Management;
- (c) To review and monitor the Company's policies and practices in complying with legal and regulatory requirements;
- (d) To develop, review, and monitor the code of conduct and compliance manual applicable to employees and the Directors; and
- (e) To review the Company's compliance with the Code Provisions and the disclosure in the corporate governance report of the Company.

During the year ended 31 December 2024, the Board has performed the above-mentioned corporate governance functions, including reviewing a series of corporate governance documents and monitoring the implementation of such documents from time to time; reviewing and actively organizing the training and continuous professional development of Directors and Senior Management; reviewing and monitoring whether the Company has violated laws and regulatory requirements; reviewing and monitoring the Shareholders' communication policy to ensure its effectiveness.

Remuneration of Directors and Senior Management

The Company has established a formal and transparent process for setting the remuneration policy of the Directors and Senior Management. The remuneration of Directors and Senior Management is determined by the Board taking into account their respective responsibilities, duties, experience, personal performance and time devoted to the Company, and may be adjusted according to the suggestions of the Remuneration and Evaluation Committee. Details of the remuneration of each Director for the year ended 31 December 2024 are set out in note 8 to the financial statements in this annual report.

No Directors have waived or agreed to waive any emoluments during the year ended 31 December 2024.

CORPORATE GOVERNANCE REPORT

The biographies of the Senior Management as at the date of this report are set out in section headed “Biographical Details of Directors, Supervisors and Senior Management” in this annual report. For the year ended 31 December 2024, the remuneration paid to the Senior Management falls within the following ranges:

| Remuneration level (HK\$) | Number of individuals |
|---------------------------|-----------------------|
| 1–1,000,000 | – |
| 1,000,001–1,500,000 | 1 |
| 1,500,001–2,000,000 | 1 |

Director liability insurance

The Company has made appropriate insurance arrangements against any legal proceedings that its Directors may face.

Special Board Committees

During the year ended 31 December 2024, the Company has held 4 Audit Committee meetings, 3 Remuneration and Evaluation Committee meeting, 1 Nomination Committee meetings and 1 Strategy Committee meetings. Attendance records of each Director are set out below:

| Name of Directors | Attendance/ qualified to attend the Audit Committee meeting | Attendance/ qualified to attend the Remuneration and Evaluation Committee meeting | Attendance/ qualified to attend the Nomination Committee meeting | Attendance/ qualified to attend the Strategy Committee meeting |
|-------------------------------------|--|---|---|---|
| Mr. Li Zhen | – | – | – | 1/1 |
| Mr. Zhang Guangping | – | 3/3 | – | 1/1 |
| Mr. Li Yi | – | – | 1/1 | 1/1 |
| Mr. Kong Jianhua | – | – | – | – |
| Mr. Zhou Yufeng ^(Note 1) | – | – | – | – |
| Mr. Zhao Heming | 4/4 | – | 1/1 | – |
| Mr. Wen Chengge | 4/4 | 3/3 | 1/1 | – |
| Mr. Ma Ming | 4/4 | 3/3 | – | – |
| Ms. Kang Yuanshu | – | – | – | – |

Note:

- ¹ Mr. Zhou Yufeng resigned as a non-executive Director on 15 April 2024. Please refer to the announcement of the Company dated 15 April 2024 for details.

Audit Committee

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

The terms of reference of the Audit Committee are in compliance with paragraph D.3 of the Code Provisions. The principal duties of the Audit Committee include, but are not limited to, (i) reviewing and supervising the Company's financial reporting process and internal control system, risk management and internal audit; (ii) making recommendations to the Board on the appointment, reappointment and removal of the external auditors; (iii) providing recommendations and advice to the Board; and (iv) performing such other duties and responsibilities as may be assigned by the Board. Terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

The Audit Committee held four meetings in 2024. The work performed by the Audit Committee is summarized as follows:

- (1) Reviewed the financial statements and reports of the Company for the year ended 31 December 2024 including the accounting policies, financial performance and position contained therein;
- (2) Reviewed the 2023 annual results, 2024 interim results, quarterly internal audit report, annual profit distribution plan and other matters;
- (3) Reviewed the findings and recommendations of the external auditor and the independent internal control reviewer;
- (4) Reviewed the independence and the appointment of the external auditor;
- (5) Reviewed the audit plan, internal control plan, development of accounting standards and their impact on the Company, financial statements and risk management matters;
- (6) Reviewed the adequacy of the Company's resources, the qualifications and experience of its staff for the accounting and financial statements functions; and
- (7) Reviewed the effectiveness of the Company's risk management and internal control system.

Remuneration and Evaluation Committee

The Remuneration and Evaluation Committee is composed of two independent non-executive Directors, namely Mr. Wen Chengge and Mr. Ma Ming, and one executive Director, Mr. Zhang Guangping. The chairman of the Remuneration and Evaluation Committee is Mr. Wen Chengge.

CORPORATE GOVERNANCE REPORT

The terms of reference of the Remuneration and Evaluation Committee are in compliance with paragraph E.1 of the Code Provisions. The principal duties of the Remuneration and Evaluation Committee include, but are not limited to, (i) formulating, reviewing and making recommendations to the Board on the development of policies and structures relating to the remuneration of Directors and Senior Management and the establishment of a formal and transparent procedure for setting up the remuneration policy; (ii) determining the terms of the specific remuneration packages of each of the executive Directors and Senior Management; and (iii) reviewing and approving the performance-based remuneration, with reference to the Company's goals and objectives as resolved by the Directors from time to time. Terms of reference of the Remuneration and Evaluation Committee are available on the websites of the Stock Exchange and the Company.

The Remuneration and Evaluation Committee held three meetings in 2024 to assess the performance of the Directors and Senior Management in 2023 as well as review and approve the policy on the remuneration of Directors and Senior Management, and to review the options on the Restricted Share Unit Scheme(H share).

Nomination Committee

The Nomination Committee is composed of two independent non-executive Directors, namely Mr. Zhao Heming and Mr. Wen Chengge, and one executive Director, Mr. Li Yi. The chairman of the Nomination Committee is Mr. Zhao Heming.

The terms of reference of the Nomination Committee are in compliance with paragraph B.3 of the Code Provisions. The principal duties of the Nomination Committee include, but are not limited to, (i) reviewing the structure, size and composition of the Board on a regular basis and making recommendations to the Board on any proposed changes to the composition of the Board; (ii) identifying, selecting or making recommendations to the Board on the nomination of persons to become Directors and ensuring the diversity of the Board's membership; (iii) evaluating the independence of the independent non-executive Directors; and (iv) making recommendations to the Board on matters relating to the appointment, reappointment and removal of Directors and succession planning for Directors. Terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

The Nomination Committee held a meeting in 2024 to review proposals related to the composition of the Board.

Before recommending a proposed candidate to the Board for election as a Director by the Shareholders at a General Meeting or for appointment as a Director to fill a casual vacancy, the Nomination Committee will, in order to assess the suitability of the proposed candidate, take into account, including but not limited to, the following factors: the character and integrity of the proposed candidate; the qualifications of the proposed candidate (including the professional qualifications, skills, knowledge and experience); the achievements and experience in the business of the proposed candidate from time to time; the time and attention the proposed candidate is capable of devoting to the relevant areas; the diversity and balance of the Board membership; and any other factors appropriate to the business of the Company.

Nomination Policy

The Board has adopted a Director nomination policy (the “**Nomination Policy**”) to enhance the transparency and accountability of the Director nomination process and enable the Company to ensure that the Board has a balanced mix of skills, experience and diversity of perspectives appropriate to the business needs of the Company.

The selection criteria that the Nomination Committee will use as reference to assess the suitability of the nominated candidates include: character and integrity, professional qualifications, skills, knowledge and experience relevant to the Company’s business and strategy, potential contribution to board diversity (including but not limited to age, gender, international background and professional experience), the candidate’s time commitment to the Company, the candidate’s service to other boards of the Company or other companies (whether listed or not) and any other factors which the Nomination Committee may deem to be in the best interests of the Company and its Shareholders. The above selection criteria are not exhaustive or decisive. The Nomination Committee will consider any other factors that it may deem to be in the best interests of the Company and its Shareholders.

In respect of the relevant potential new Director candidate who is considered by the Board to meet the selection criteria in the first instance, the Nomination Committee will meet to discuss and consider making a recommendation to the Board for the appointment of the candidate as a Director once the prescribed information on the candidate is available. The Nomination Committee will review the eligibility of candidates for appointment, election or re-election to the Board in accordance with the relevant Listing Rules and the Company’s policies.

The Board and the Nomination Committee intend to review the Nomination Policy at least annually and anticipate that it may be revised from time to time as necessary to meet the evolving needs and circumstances of the Company and where statutory obligations or requirements under the Listing Rules or the laws of Hong Kong or the laws of the PRC or other regulatory changes apply.

Board Diversity Policy and Employee Diversity

The Board has adopted a Board Diversity Policy, which sets out the guidelines for achieving diversity on the Board. The Company recognizes and embraces the benefits of diversity on the Board and considers the enhancement of the level of diversity at the Board level as an important factor in supporting the achievement of the Company’s strategic objectives and sustainable development. The Company seeks to diversify its Board by taking into account a number of factors, including, but not limited to, talent, skills, gender, age, ethnicity, experience, independence and knowledge. The Company will screen potential Director candidates on the basis of their merit and their likely contribution to the Board, taking into account the Board’s diversity policy and other factors. The Company will also take into account its own business model and specific needs from time to time. All appointments to the Board will be made on the basis of merit and candidates will be considered on the basis of objective criteria with due regard to the benefits of diversity on the Board.

Directors have a balanced mix of knowledge and skills, including electronic science, mathematics, physics, engineering, business management, strategic planning, accounting and financial management, investments, jurisprudence and corporate governance. They have obtained degrees in a variety of disciplines, including electrical science and engineering, computer science, mathematics and physics, accounting, business administration and law. The Company has four independent non-executive Directors with different industry backgrounds, representing more than one-third of the Board. The age range of the Directors is wide, from 35 to 67 years old. The composition of the Board is in line with the Board Diversity policy, taking into account the existing business model and specific needs of the Company and the diverse backgrounds of the Directors.

CORPORATE GOVERNANCE REPORT

The Company will continue to take measures and steps to promote and enhance gender diversity at all levels of the Company. The Company will screen potential Director candidates on the basis of their merit and their likely contribution to the Board, taking into account the Board's diversity policy and other factors. The Company will also take into account its own business model and specific needs from time to time. All appointments to the Board will be made on the basis of merit and candidates will be considered on the basis of objective criteria with due regard to the benefits of diversity on the Board.

The Nomination Committee is responsible for ensuring the diversity of the Board. The Nomination Committee will review the Board Diversity Policy and its implementation from time to time to ensure its implementation and monitor its continued effectiveness and disclose the same in the Corporate Governance Report in accordance with the Listing Rules. Directors recognize that gender diversity is particularly important. The Board currently consists of one female Director and seven male Directors. The Company will continue to take measures to promote and enhance gender diversity at all levels of the Company, including but not limited to, the Board and Senior Management level.

In order to ensure diversity of the Board to develop the pool of potential successors to the Board, Supervisors and Senior Management, the Company will also (i) ensure that gender diversity is maintained in the recruitment of mid- and senior-level employees, the retention of sufficient female talent and the promotion of employees; (ii) devote more resources to train female employees who, in the opinion of the Company, possess the appropriate experience, skills and knowledge required for the Company's business, so as to assist them in developing the character and competence required for serving as members of the Board in accordance with the Company's strategic needs and the industries in which the Company operates, with a view to promoting them to the Board in a few years; (iii) conduct an annual review of the structure and composition of the Board with due regard to gender diversity; (iv) request the Nomination Committee to screen and recommend suitable candidates for appointment to the Board on the basis of merit, with preference given to female candidates, with the aim of bringing a more diverse range of perspectives to the Board; and (v) make appointments on the basis of merit with reference to the diversity of the Board as a whole. The Company expects more female members to become eligible to serve on the Board in the future as the number of female representatives and eligible women in senior positions continues to increase throughout the industry. The Company will ensure that an appropriate balance of gender diversity is achieved, with the ultimate goal of achieving gender parity on the Board, taking into account the expectations of stakeholders and the recommended international and local best practices.

As at 31 December 2024, approximately 58.62% of the Company's employees (including its Senior Management) were male and 41.38% were female. Due to the nature of work in the IC industry, the Company mainly considers factors such as the candidates' ability and experience rather than their gender when recruiting employees.

Strategy Committee

The Strategy Committee comprises three executive Directors, namely Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi. The chairman of the Strategy Committee is Mr. Li Zhen.

The principal duties of the Strategy Committee include, but are not limited to, (i) reviewing and advising on the Company's overall development and strategic plans and making recommendations to the Board on the related matters; (ii) reviewing and advising on operational, investment and financing plans and making recommendations to the Board on the related matters; and (iii) overseeing the implementation of plans and corporate governance matters and making recommendations to the Board. Terms of reference of the Strategy Committee are available on the websites of the Stock Exchange and the Company.

CORPORATE GOVERNANCE REPORT

In 2024, the Strategy Committee held a meeting to discuss the 2024 development strategy from the aspects of market, marketing, research and development, talent, etc., based on the company's development situation in 2023 and the market study and judgment.

Directors' Responsibilities for Financial Reporting in Respect of Financial Statements

The Directors are fully aware of their responsibilities for the preparation of financial statements for the year ended 31 December 2024 that give a true and fair view of the Company, the Company's affairs and the Company's results and cash flows.

The management has provided the Board with the relevant explanations and information necessary for the Board to make an informed assessment of the financial statements of the Company, which shall be submitted to the Board for approval. The Company will provide monthly updates to all members of the Board on the Company's performance, position and prospects.

The Directors are not aware of any material uncertainties relating to matters or circumstances which may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the auditors regarding their responsibility for the Company's financial statements is set out in the Independent Auditor's Report of this Annual Report.

Risk Management and Internal Control

The Board is fully aware that it is accountable for the risk management and internal control system to safeguard Shareholders' investment and the Company's assets. The Board reviews the effectiveness of the system on an annual basis. According to the Board, such systems are designed to manage rather than eliminate the failure to achieve business objectives and can only provide reasonable but not absolute assurance that there will be no material misrepresentation or loss.

The Company has established an internal audit department to review the Company's financial position, operating conditions, risk management, compliance monitoring and internal controls. The management is responsible for performing risk assessments and implementing and maintaining internal controls. It is essential to the risk management and internal control system that clearly and properly written policies and procedures are established and communicated to employees.

The Board reviews the effectiveness of the Company's risk management and internal control systems at least once a year through the Audit Committee, including the adequacy of the Company's resources, the qualifications and experience of its staff, its training programmes and budget for the accounting and financial reporting functions, and considers the internal control systems to be effective and adequate. During the year ended 31 December 2024, the Board reviewed the effectiveness of the Company's risk management and internal control systems through the Audit Committee, including the adequacy of the Company's resources, the qualifications and experience of its staff, its training programmes and budget for the accounting and financial reporting functions, and considered the risk management and internal control systems to be effective and adequate.

CORPORATE GOVERNANCE REPORT

The risk management and internal control systems have been integrated into the business processes and become an integral part of the Company's overall operations. The system includes a comprehensive organizational structure in which each position is assigned clear responsibilities and delegated appropriate authority. The Company has established a reporting system in accordance with the organizational structure, which includes a channel for the heads of each major business unit to report to the Board.

The Company has established risk management and internal control system and an accounting system to identify and assess the Company's risks, develop strategies to mitigate the risks, and provide reasonable assurance that assets are not used or sold without authorization, that transactions are carried out with the management's authorization, and that the accounts can be reliably used to prepare the financial information in the business for publication, maintain accountability for assets and liabilities, and ensure that the business is conducted in accordance with the relevant statutes, regulations and internal guidelines.

The Company has an organizational structure with clear lines of authority and responsibility. Each department is responsible for its day-to-day operations and is required to report regularly to the Executive Directors. Each department has established policies and procedures, which include establishing and maintaining effective policies to ensure that the Company's risks are properly identified and that appropriate action is taken to manage those risks; establishing a structure with clear lines of authority and responsibility and proper segregation of duties; monitoring the strategic plan and performance, designing an effective accounting and information system; controlling sensitive information affecting the price of the shares; and ensuring that fast and timely communications are maintained with the Company's stakeholders.

Based on the internal control review conducted during the year ended 31 December 2024, the Company did not identify any material internal control deficiencies.

Whistle-blowing Policy

The Company has a whistle-blowing policy in place for employees of the Company and others who deal with the Company to raise their concerns, covertly and anonymously, with the Audit Committee about any possible improprieties regarding the Company.

Anti-fraud and Anti-bribery Policy

The Company also has an anti-fraud and anti-bribery policy in place to prevent fraud and bribery within the Company. The Company has an internal whistle-blowing channel which is open to the Company's employees to report any suspected fraud and bribery. Employees may also make anonymous reports as set forth in the Whistle-blowing Policy.

CORPORATE GOVERNANCE REPORT

Release of Inside Information

To enhance the Company's system for handling and releasing inside information and ensure the authenticity, accuracy, completeness and timeliness of its public disclosure, the Company has adopted and implemented inside information policies and procedures. The Company has from time to time taken a number of reasonable steps to ensure that it is in possession of potential inside information and to maintain the confidentiality of such information, with a view to preventing breaches of the disclosure requirements relating to the Company, including:

- Access to the information is limited to a small number of employees on a "need-to-know" basis. Employees in possession of inside information are fully aware of their duty of confidentiality.
- Confidentiality agreements will be entered into when the Company engages in significant negotiations.
- Different operating units have reporting channels to report potential inside information to the designated departments.
- The Executive Director is the designated person who speaks on behalf of the Company when communicating with external parties such as the media, analysts or investors and responding to external inquiries.

Auditor's Remuneration

An analysis of the fees paid or payable to the Company's auditors, KPMG, for the year ended 31 December 2024 is set forth below:

| Service provided | Amount (RMB'000) |
|-------------------------------------|------------------|
| Audit service | 2,060 |
| Non-audit service ^(Note) | 120 |
| Total | 2,180 |

Note: The non-audit service is Environmental, Social and Governance (the "ESG") reporting advisory service.

Joint Company Secretaries

Mr. Li Yi and Mr. Cheung Kai Cheong Willie have been appointed as the joint company secretaries of the Company with effect from 1 June 2023 and 1 December 2023, respectively. Mr. Cheung Kai Cheong Willie is a senior manager of SWCS Corporate Services Group (Hong Kong) Limited, mainly responsible for assisting listed companies in handling professional company secretarial work. Mr. Cheung Kai Cheong Willie's principal contact person in the Company is Mr. Li Yi.

For the year ended 31 December 2024, Mr. Li Yi and Mr. Cheung Kai Cheong Willie have undertaken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY

The Company did not pay or declare any dividend for the year ended 31 December 2024. There can be no assurance that dividends of any amount will be declared or distributed in any year. Although the Company currently does not have a formal dividend policy or a fixed dividend distribution ratio, the Board may declare dividends in the future after taking into account various factors including the Company's future earnings and cash inflows, future plans for the use of funds, long-term development of the business, statutory reserves, discretionary provident funds, legal and regulatory restrictions, and other factors that the Directors consider relevant. Dividend distribution will be at the discretion of the Board and subject to Shareholders' approval. In addition, the Company's dividend policy will be subject to the Articles, the PRC Company Law and any other applicable PRC laws and regulations. In any event, the Company will only pay dividends out of profits after tax after making the following allocations:

- (a) To cover accumulated losses, if any;
- (b) To allocate 10% of the Company's profit after tax determined in accordance with the Accounting Standards for Business Enterprises (the **"PRC GAAP"**) issued by the Ministry of Finance to a statutory reserve until such reserve reaches a level of more than 50% of the Company's registered capital; and
- (c) To allocate the amount approved by the Shareholders at the General Meetings to the discretionary provident fund, if any.

The payment of dividends is subject to restrictions under PRC law. Under PRC law, dividends may only be paid out of distributable profits. Distributable profit represents the net profit of the Company determined in accordance with PRC GAAP less any accumulated losses made good and any appropriations to statutory and other reserves that the Company is required to make.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONSHIP

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and informing the investors about the Company's business, performance, and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information on the Company for the Shareholders and investors to make informed investment decisions.

The AGMs provide opportunities for Shareholders to communicate directly with the Directors. The chairman of the Board and the chairmen of the Special Board Committees will attend the AGMs to answer Shareholders' questions. The external auditor of the Company will also attend the AGMs to answer questions about the preparation and content of the auditor's report, the accounting policies, and auditor's independence.

In order to facilitate effective communication, the Company has adopted a shareholder communication policy (the **"Shareholder Communication Policy"**) which aims to build up mutual relationship and communication between the Company and its Shareholders, and maintains a website at www.batelab.com where updated information on its business operations and development, financial information, corporate governance practices and other information are published and made available to the public. The Board has reviewed the implementation of the Shareholder Communication Policy and considers its implementation to be effective. Having considered the various channels of communication available, the Board is satisfied that the Shareholder Communication Policy has been properly implemented and is effective.

CORPORATE GOVERNANCE REPORT

Shareholders may at any time send their inquiries and concerns to the Board by post or email through the joint company secretaries of the Company:

| | |
|--|--|
| Principal Place of Business in Hong Kong: | 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong |
| Headquarters and registered office in the PRC: | Building 1, No. 150 Jici Road, Science and Technology Town, Gaoxin District, Suzhou, Jiangsu Province, PRC |
| Email: | securities@suzhou.batelab.com |

Shareholders may also make inquiries to the Board at General Meetings. The Shareholders are encouraged to attend General Meetings or to appoint proxies to attend and vote at the meetings for them if they are unable to attend the meetings. The Board and the management are eager to meet and interact with Shareholders at the General Meetings.

Having considered the multiple channels of Communications and Shareholders' engagement in the General Meetings, the Board is satisfied that the Shareholders Communication Policy has been properly implemented and is effective.

Shareholders' Rights

To safeguard the Shareholders' interests and rights, the Company will propose a separate resolution for each issue at General Meetings, including the election of individual Directors. All resolutions put forward at General Meetings will be voted on by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each General Meeting.

Holding of EGM

In accordance with Article 46 of the Articles, when a Shareholder requests to convene an EGM, the following procedures shall be followed:

Shareholders individually or jointly holding more than 10% of the Shares shall have the right to request the Board to convene an EGM, and shall make such request to the Board in writing. The Board shall, pursuant to laws, administrative regulations, securities regulatory rules of the place where the Shares are listed and the Articles, give a written reply on whether or not to convene the EGM within 10 days upon the receipt of the written request.

If agreeing to convene the EGM, the Board shall serve a notice of the EGM within five days after the resolution is made by the Board. In the event of any change to the original proposal, the consent of the relevant Shareholder(s) shall be obtained.

If the Board of Directors does not agree to hold the EMG or fails to give a reply within 10 days after receipt of the request, Shareholder(s) severally or jointly holding no less than 10% Shares shall be entitled to request in writing the Supervisory Committee to convene an EGM.

If agreeing to convene an EGM, the Supervisory Committee shall, within 5 days upon receipt of the request, issue a notice calling for the EGM. Changes to the original request in the notice shall be subject to the approval of the relevant Shareholders.

CORPORATE GOVERNANCE REPORT

Where the Supervisory Committee fails to issue a notice about convening of the EGM within the said time limit, it will be deemed that the Supervisory Committee refuses to convene and preside over an EGM, and in this case, Shareholders holding, individually or in aggregate, 10% or more of the Shares for more than 90 consecutive days may convene and preside over such meeting.

Putting Forward Proposals at General Meetings

According to Article 51 of the Articles, where the Company convenes a General Meeting, the Board, the Supervisory Committee, and the Shareholder(s) holding more than 3% of the Shares individually or in aggregate may make proposals to the Company.

The Shareholders individually or jointly holding more than 3% of the Shares may raise temporary proposal and submit it to the convener in writing 10 days before the General Meeting is held. The convener shall, within 2 days after the receipt of the proposal, issue a supplementary notice to inform the General Meeting of the content of the temporary proposal. If laws, administrative regulations and rules of the securities regulatory authorities where the Shares are listed stipulate otherwise, the relevant provisions shall prevail. If the General Meeting needs to be postponed for the publication of the supplementary notice of the General Meeting in accordance with the provisions in the securities regulatory rules of the place where the Shares are listed, the General Meeting shall be postponed in accordance such the provisions.

Change of Articles

In accordance with the provisions of the Company Law of the People's Republic of China, the Trial Measures for the Administration of Overseas Issuance and Listing of Securities by Domestic Enterprises, the Guidelines for the Articles of Association of Listed Companies and other relevant laws and regulations, and in light of the actual situation of the Company, the Company has amended the registered capital, the total amount of shares and the number of members of the Board of Directors as set out in the Articles of Association. Meanwhile, the Company proposes to the general meeting to authorize the management to handle the industrial and commercial registration in relation to the amendments to the Articles of Association and other related matters. For further details, please refer to the Company's announcements dated 27 May 2024 and 21 June 2024, which are available on the respective websites of the Company and the Stock Exchange.

REPORT OF THE BOARD OF DIRECTORS

The Directors are pleased to present the report of the Board of Directors and the audited financial statements of the Company for the year ended 31 December 2024.

Corporate Information

The Company was incorporated in the PRC as a limited liability company on 12 November 2010 and was restructured into a joint stock limited company on 15 November 2021 in accordance with the PRC Company Law. The H Shares have been listed on the Main Board of the Stock Exchange since 28 December 2023 onwards.

Principal Business

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

Business Review and Performance

An impartial review of the Company's business for the year ended 31 December 2024, including an analysis using key indicators of financial performance and the outlook for the Company's business, is set out in the section headed "Management Discussion and Analysis" in this report, the discussion of which forms part of this "Report of the Board of Directors".

Final Dividend

The Board does not recommend the payment of the final dividend for the year ended 31 December 2024 (For the year ended 31 December 2023: Nil).

2024 Annual General Meeting

The notice of the 2024 annual general meeting of the Company (the "2024 AGM"), which contains the date, time and place of the 2024 AGM, as well as details of the period during which the register of members and the registration of share transfers is closed, will be published and dispatched to the Shareholders of the Company who requested for a printed copy in due course.

Financial Summary

A summary of the results, assets and liabilities of the Company for the last five financial years is set out in the section headed "Financial Highlights" of this report. This summary does not form part of the audited financial statements.

Risks and Uncertainties Relating to the Company's Business

The Company's financial condition, results of operations and business prospects may be affected by a number of risks and uncertainties related directly or indirectly to the Company's business. Below sets out the main risks and uncertainties of which the Company is aware. In addition to those listed below, there may be other risks and uncertainties not known to the Company or which may not be material at present but may become material in the future.

REPORT OF THE BOARD OF DIRECTORS

Market Risk

Market risk is the risk that profitability will be impaired or the ability to meet business objectives will be affected by changes in market prices. The management of the Company manages and monitors these risks to ensure that appropriate measures can be taken in a timely and effective manner.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or missing internal processes, personnel or systems, or from external events. Responsibility for the management of operational risk rests primarily with the functional divisions and departments. The key functions of the Company are guided by its own standard operating procedures, authorities and reporting framework. The management will regularly identify and assess key operational risks in order to take appropriate risk response measures.

Investment Risk

Investment risk is defined as the possibility that any particular investment will suffer a loss relative to its expected return. The key consideration of the investment framework is to balance the risks and returns of various types of investments, and risk assessment is therefore an important part of the investment decision-making process. The Company has an appropriate authorization system in place and will conduct a detailed analysis before approving an investment. The progress of the Company's investments is updated regularly and will be presented to the Board.

Risks to Manpower Supply and Retention

The Company may be exposed to the risk of not being able to attract and retain key personnel and talent with the appropriate and required skills, experience and aptitude, which are necessary to achieve the Company's business objectives. The Company will offer attractive remuneration packages to suitable candidates and personnel.

Financial Risk

The Company is also exposed to financial risks such as interest rate risk, credit risk and liquidity risk. Details of these financial risks are set out in note 27 to the Company's financial statements.

In response to the above risks, which are significant and potentially impactful to the Company's business, the Company has a number of risk management processes in place to minimize such risks and to manage, rather than eliminate, the risk of failure to achieve business objectives. For the policies on the Company's risk management system, please refer to the section headed "Risk Management and Internal Controls" in the Corporate Governance Report.

Environmental Policies and Performance

The Company believes the continued growth rests on integrating social values into the Company's business and is committed to being a responsible corporate citizen. The Company is committed to promoting corporate social responsibility and sustainable development and integrating it into all major aspects of the Company's business operations. The Company is also committed to complying with PRC regulatory requirements, abiding by environmental protection laws and regulations, and ensuring the health and safety of its employees. For further discussion of the environmental policies and performance of the Company, see the section headed "Environmental, Social and Governance Report" in this report.

REPORT OF THE BOARD OF DIRECTORS

Key Relationships with Employees, Customers and Suppliers

The Company adheres to a people-oriented approach and ensures that all employees are reasonably remunerated, while continuously improving and regularly reviewing and updating its policies on remuneration and benefits, training, and occupational health and safety.

The Company maintains a good relationship with its customers and has established a customer complaint handling mechanism to receive, analyze and study complaints and to recommend remedial measures with a view to enhancing the quality of its products and services.

The Company maintains good relationships with its suppliers and conducts fair and rigorous evaluations of its suppliers on an annual basis.

Major Customers and Suppliers

For the year ended 31 December 2024, purchases made from the Company's five largest suppliers accounted for approximately 99.3% of total annual purchases, with purchases from the largest supplier accounting for 72.2% of total annual purchases.

For the year ended 31 December 2024, sales to the Company's five largest customers accounted for approximately 99.6% of total annual sales, with sales to the largest customer accounting for 41.3% of total annual sales.

So far as the Directors are aware, for the year ended 31 December 2024, none of the Directors, Supervisors or their respective close associates or Shareholders who are interested in more than 5% of the issued share capital of the Company had any interest in the top five customers and suppliers of the Company.

Property, Plant and Equipment

Details of the movements in the Company's property, plant and equipment during the year ended 31 December 2024 are set out in note 11 to the financial statements in this annual report.

REPORT OF THE BOARD OF DIRECTORS

Share Capital

On 28 December 2023, the Company allotted and issued 15,000,000 H Shares at a price of HK\$27.47 per H Share in connection with the Global Offering. As at 28 December 2023, the Company issued 60,000,000 Shares, comprising 45,000,000 unlisted domestic shares (the “**Unlisted Domestic Shares**”) and 15,000,000 H Shares.

Details of the movements in the Company’s share capital during the year ended 31 December 2024 are set out in note 26(b) to the financial statements in this annual report.

Distributable Reserves

As at 31 December 2024, the Company’s total reserves available for distribution to equity Shareholders of the Company amounted to approximately RMB374.2 million. Details of the movements in the Company’s reserves during the year are set out in the statement of changes in equity on pages 101 of this report.

Bank Loans and Other Borrowings

Details of the Company’s bank loans as at 31 December 2024 are set out in note 21 to the financial statements in this report.

Donations

For the year ended 31 December 2024, the Company has not made any donations (2023: RMB0.02 million).

Use of Proceeds from the Global Offering

On 28 December 2023, the Company completed a global offering of its H Shares. The public offering and international placing totaled 15,000,000 H Shares at an issue price of HK\$27.47 per Share. As of 31 December 2024, the net proceeds from the Global Offering amounted to approximately HK\$354.1 million (after deducting the listing expenses paid or payable).

REPORT OF THE BOARD OF DIRECTORS

The use of proceeds from the Global Offering as of 31 December 2024 was as follows:

| Intended use of proceeds | Approximate percentage of total amount | Approximate distribution of previously disclosed net proceeds and unutilized amount as at 31 December 2023 (HK\$ million) | Approximate utilization of proceeds during the Reporting Period (HK\$ million) | Approximate amount of net unutilized proceeds as at 31 December 2024 (HK\$ million) | Expected timing of utilization of unutilized proceeds |
|--|--|---|--|---|---|
| Enhance R&D and innovation capabilities | 30% | 106.2 | – | 106.2 | Before 31 December 2028 |
| Invest in R&D infrastructure and upgrade the R&D center | 20% | 70.8 | – | 70.8 | Before 31 December 2028 |
| Upgrade R&D technology | 5% | 17.7 | – | 17.7 | Before 31 December 2028 |
| Expand R&D team | 5% | 17.7 | – | 17.7 | Before 31 December 2028 |
| Enrich product portfolio and expand business | 30% | 106.2 | – | 106.2 | Before 31 December 2028 |
| Improve and upgrade the analog IC product line | 20% | 70.8 | – | 70.8 | Before 31 December 2028 |
| Develop a mixed-signal IC product line | 10% | 35.4 | – | 35.4 | Before 31 December 2028 |
| Expand customer base and strengthen relationship with customers | 10% | 35.4 | – | 35.4 | Before 31 December 2028 |
| Establish sales centers | 5% | 17.7 | – | 17.7 | Before 31 December 2028 |
| Maintain customer relationship and develop new customers | 5% | 17.7 | – | 17.7 | Before 31 December 2028 |
| Strategic investments and/or acquisition⁽¹⁾ | 20% | 70.8 | 27.1 | 43.7 | Before 31 December 2028 |
| Working capital and general corporate purposes | 10% | 35.4 | 1.6 | 33.8 | Before 31 December 2028 |
| Total | | 354.1 | 28.7 | 325.4 | – |

Note:

- (1) The implementation timeline for strategic investments and/or acquisition depends on investment and acquisition opportunities and the selection process based on the Company's selection criteria.

REPORT OF THE BOARD OF DIRECTORS

Subsequent to the Listing Date, the unutilized net proceeds were deposited into licensed commercial banks in Hong Kong.

The Company intends to utilize the net proceeds in the same manner and proportion as set out in the section headed “Future Plans and Use of Proceeds” of the Prospectus. The net proceeds ultimately received from the Global Offering were lower than the estimated net proceeds as disclosed in the Prospectus, and the difference of approximately HK\$75.11 million has been adjusted in the same manner and in the same proportion as the use of proceeds as disclosed in the Prospectus.

For the year ended 31 December 2024, the Company does not anticipate any changes to its plans for the use of proceeds.

Directors

Directors for the year ended 31 December 2024 and up to the disclosure date of this report include:

Executive Directors:

Mr. Li Zhen (*Chairman*)

Mr. Zhang Guangping

Mr. Li Yi

Non-executive Directors:

Mr. Kong Jianhua

Mr. Zhou Yufeng^{Note 1}

Independent non-executive Directors:

Mr. Zhao Heming

Mr. Wen Chengge

Mr. Ma Ming

Ms. Kang Yuanshu

Note 1: Mr. Zhou Yufeng was appointed as Director on 12 November 2021, re-designated as non-executive Director on 27 April 2023, and resigned as a non-executive Director by reason of work reassignment with effect on 15 April 2024. Mr. Zhou Yufeng has confirmed that he does not have any disagreement with the Board and that there are no other matters relating to his resignation which need to be brought to the attention of the shareholders of the Company. Please refer to the announcement of the Company dated on 15 April 2024 for details.

REPORT OF THE BOARD OF DIRECTORS

Directors, Supervisors and Senior Management

Biographical details of the Directors, Supervisors and Senior Management as at the disclosure date of this report are set out in the section headed “Biographical Details of the Directors, Supervisors and Senior Management” of this report.

Confirmation of Independence of Independent Non-executive Directors

The Company has received annual confirmation of independence from each of the independent non-executive Directors, namely Mr. Zhao Heming, Mr. Wen Chengge, Mr. Ma Ming and Ms. Kang Yuanshu, pursuant to Rule 3.13 of the Listing Rules. Pursuant to Rule 3.13 of the Listing Rules, the Company considers that all the independent non- executive Directors are independent during the year ended 31 December 2024.

Directors’ and Supervisors’ Service Contracts and Letters of Appointment

Each of the Directors and Supervisors has entered into a service contract or letter of appointment with the Company. The key details of such service contracts and letters of appointment include (a) the term of service; (b) the termination clause; and (c) the dispute resolution clause. The service contract and the letter of appointment may be renewed from time to time in accordance with the Articles of Association and applicable laws, rules and regulations.

The term of office of the current Board of Directors and Supervisory Committee expires on 11 November 2024. As the renewal is still under preparation, the renewal of the Board of Directors and Supervisory Committee will be postponed in order to ensure the continuity of the relevant work of the Company. Please refer to the announcement of the Company dated 7 November 2024 for further details.

Save as disclosed above, none of the Directors nor Supervisors has signed any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors’ and Supervisors’ Material Interests in Significant Transactions, Arrangements or Contracts

So far as the Directors are aware, during the year ended 31 December 2024, none of the Directors, Supervisors or any entity connected with the Directors or Supervisors had a material interest, whether directly or indirectly, in a transaction, arrangement or contract of significance in relation to the business of the Company to which the Company or any of its subsidiaries was a party.

Management Contract

During the year ended 31 December 2024, the Company did not enter into or had in existence any contracts relating to the management and administration of all or any substantial part of the Company’s business.

REPORT OF THE BOARD OF DIRECTORS

Share-linked Agreement

Save as disclosed herein, the Company has not entered into any share-linked agreements during the year ended 31 December 2024 that will or may result in the issuance of Shares by the Company or require the Company to enter into an agreement that will or may result in the issuance of Shares by the Company, and there were no such agreements subsisting at the end of the current year.

Retirement Benefit Plan

All full-time employees of the Company participate in the defined contribution retirement plan administrated and operated by the local municipal government in accordance with the national policy, namely the basic pension insurance. The Company contributed to basic pension insurance for the year ended 31 December 2024 in accordance with the base and ratio of social basic pension insurance set by local government and at a portion not exceeding the upper limit prescribed by government authorities, and the employees contribute to basic pension insurance at a government-prescribed percentage of their own salaries. Upon reaching the statutory retirement age, employees receive a monthly basic pension. The Company paid basic pension insurance premiums of approximately RMB1.28 million for the year 2024 (2023: RMB1.04 million). Corresponding expenditures are recognized in profit or loss or in the cost of the related assets when incurred. During the year ended 31 December 2024, the Company did not have the right to utilize the forfeited contributions to the above plan available to reduce the current level of contributions, and therefore no contribution was utilized. During the year ended 31 December 2024, the Company did not have any defined benefit plans. Please refer to note 6 to the financial statements in this report for further details regarding employee retirement benefits.

Employee and Training and Development

As at 31 December 2024, the Company had 116 employees (31 December 2023: 113 employees), all of whom were based in China. For the year ended 31 December 2024, the total staff costs of the Company were approximately RMB41.26 million (31 December 2023: approximately RMB49.75 million).

The Company provides induction training for all employees and organizes regular training or seminars to ensure their self-development. Specifically, the Company provides special training programs of two to three weeks' duration for R&D employees to help them familiarize themselves with R&D activities and project management. Experienced engineers serve as project mentors to new R&D employees. In addition, the Company organizes lectures and exchanges views with external professionals through seminars. The Company also offers courses to its employees as an important part of their continuous self-learning. The Company strives to create diversified incentives and a friendly working environment in order to fully utilize the potential of its employees and to maintain a stable and continuously contributing team of employees.

Remuneration of Directors, Supervisors and Five Individuals with Highest Emoluments

Details of the remuneration of Directors, Supervisors and five individuals with highest emoluments of the Company are set out in note 8 and note 9 to the financial statements in this report respectively.

REPORT OF THE BOARD OF DIRECTORS

Restricted Share Unit Scheme (the “RSU Scheme”)

The shareholders of the Company approved the adoption of the RSU Scheme at the First 2024 EGM held on 2 December 2024. The Board confirms that the terms of the RSU Scheme are in compliance with Chapter 17 of the Listing Rules. For further details, please refer to the circular dated 15 November 2024 issued by the Company. A summary of the principal terms of the RSU Scheme is set out below:

Purpose

The purpose of the RSU Scheme is to attract new talents and retain employees whose contributions are important to the long-term growth and success of the Group, to recognise and reward Employee Participants for their contributions to the Group, to provide Employee Participants with the opportunity to acquire proprietary interests in the Company and to encourage Employee Participants to further contribute to the Company and work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole. The RSU Scheme will provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to Employee Participants.

Employee Participants

Employee Participants who may participate in the RSU Scheme include any Director (executive Directors or non-executive Directors but does not include independent non-executive Directors), member of the management team, senior management and current employee of the Company or any of its subsidiaries (if established) (including any persons who are granted Share Awards under the RSU Scheme as an inducement to enter into employment contracts with these companies). The above is subject to the Board's consideration, in its sole discretion, that the Employee Participants have contributed or will contribute to the Group.

Maximum Number of RSUs

The total number of Shares which may be issued in respect of all options and awards involving issue of new Shares that may be granted under the RSU Scheme and any other share scheme(s) adopted by the Company must not in aggregate exceed 10% of the total number of Shares in issue (excluding Treasury Shares) as at the Adoption Date and the date of this annual report, being 6,000,000 Shares (the “**Scheme Mandate Limit**”), unless otherwise permitted by the Listing Rules or the Company obtains the approval of its Shareholders to refresh the Scheme Mandate Limit. Share Awards which have lapsed in accordance with the terms of the RSU Scheme without Shares being issued and options and awards lapsed in accordance with any other share scheme(s) of the Company shall not be counted for the purpose of calculating the Scheme Mandate Limit.

REPORT OF THE BOARD OF DIRECTORS

Maximum Entitlement to Each Employee Participant

According to the RSU Scheme, there are no restrictions on the maximum entitlement of Share Awards to be granted to an Employee Participant (save for any requirements under the Listing Rules).

Where any grant of Share Awards to an Employee Participant would result in the Shares issued and to be issued in respect of all options and awards involving issue of new Shares granted under the RSU Scheme and any other share scheme(s) of the Company (excluding any options and awards lapsed in accordance with the terms of the RSU Scheme or any other share scheme(s) of the Company) granted to such person in the 12-month period up to and including the date of such grant representing in aggregate over 1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the total number of Shares in issue (excluding Treasury Shares), such grant must be separately approved by Shareholders in general meeting with such Employee Participant and his/her close associates (or associates if the participant is a connected person) abstaining from voting.

Where any grant of Share Awards (excluding grant of options) to a Director (other than an independent non-executive Director) or chief executive of the Company (or any of their associates) would result in the number of Shares issued and to be issued in respect of all awards involving issue of new Shares granted under the RSU Scheme and any other share scheme(s) of the Company (excluding any awards lapsed in accordance with the terms of the RSU Scheme or any other share scheme(s) of the Company) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the total number of Shares in issue (excluding Treasury Shares) as at the Date of Grant, such further grant of Share Awards shall be subject to prior approval by the Shareholders (voting by way of poll) in general meeting.

Where any grant of Share Awards to a substantial shareholder of the Company (or any of their respective associates) would result in the number of Shares issued and to be issued in respect of all options and awards involving issue of new Shares granted under the RSU Scheme and any other share scheme(s) of the Company (excluding any options or awards lapsed in accordance with the terms of the Scheme or any other share scheme(s) of the Company) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the total number of Shares in issue (excluding Treasury Shares) as at the Date of Grant, such further grant of Share Awards shall be subject to prior approval by the Shareholders (voting by way of poll) in general meeting.

Duration

Subject to any early termination provisions pursuant to the RSU Scheme, the RSU Scheme shall be valid and effective for the Award Period (the period commencing on the date on which the Shareholders approved the RSU Scheme, and ending on the business day immediately prior to the tenth (10th) anniversary of the date on which the Shareholders approved the RSU Scheme). After the expiry of the Award Period, no further Share Awards shall be offered or granted, but in all other respects the provisions of the RSU Scheme shall remain in full force and effect to the extent necessary to give effect to the settlement of any Share Awards granted prior thereto or otherwise as may be required in accordance with the provisions of the RSU Scheme.

As at the date of this report, the remaining life of the RSU Scheme is approximately nine years and eight months.

REPORT OF THE BOARD OF DIRECTORS

Vesting Period

Save for the circumstances described below, the vesting period in respect of any Share Award granted shall be no less than twelve (12) months from (and including) the Date of Grant. Share Awards granted to an Employee Participant may be subject to a shorter vesting period in the following circumstances at the sole discretion of the Board or the Remuneration Committee (as the case may be):

- (a) grants of “make-whole” Share Awards to new joiners to replace the share awards they forfeited when leaving their previous employers;
- (b) grants that are made in batches during a year for administrative or compliance reasons, which include Share Awards that should have been granted earlier if not for such administrative or compliance reasons but had to wait for a subsequent batch. In such case, the vesting period may be shorter to reflect the time from which the Share Award would have been granted;
- (c) grants with a mixed or accelerated vesting schedule such as where the Share Awards may vest evenly over a period of twelve (12) months, or where the Share Awards may vest by several batches with the first batch to vest within 12 months of the Date of Grant and the last batch to vest twelve (12) months after the Date of Grant;
- (d) grants with performance-based vesting conditions provided in the RSU Scheme or as specified in the Offer documentation in lieu of time-based vesting criteria; and
- (e) grants with a total vesting and holding period of more than twelve (12) months.

Purchase Price of the Share Award

A Grantee to whom a RSU shall be granted under the RSU Scheme is required to pay RMB1.00 (per RSU) for any grant or purchase price to the Company to purchase each RSU underlying a Share Award granted, unless otherwise determined by the Board at its sole discretion or as required by applicable law. The purchase price of RMB1.00 is determined with reference to the nominal value of the Shares. Considering that the Employee Participants have contributed or will contribute to the Group, the Board is of the view that the nominal consideration of RMB1.00 (instead of any lower or higher amount) to be paid by each Employee Participant for purchasing each RSU is fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Board considers that such arrangement aligns with the purpose of the RSU Scheme where the Share Awards are intended to be granted to the Employee Participants to reward their contributions to the Group.

REPORT OF THE BOARD OF DIRECTORS

Performance Targets and Clawback Mechanism

Vesting of Share Award shall be subject to the performance targets, if any, to be satisfied by the Grantees as determined by the Remuneration Committee from time to time. The Remuneration Committee shall have the authority, after the grant of any Share Award which is performance-linked, to make fair and reasonable adjustments to the prescribed performance targets during the vesting period if there is a change in circumstances, provided that any such adjustments shall be less onerous than the prescribed performance targets and are considered fair and reasonable by the Remuneration Committee. The performance targets may include the attainment of program milestones and market capitalisation milestones by the Company, which may vary among the Grantees. The Remuneration Committee will conduct assessment from time to time by comparing the performance with the pre-set targets to determine whether such targets and the extents to which have been met. If, after the assessment, the Remuneration Committee determines that any prescribed performance targets have not been met, the unvested Share Award shall lapse automatically.

The RSU Scheme will give the Board discretion (but not obligation) to impose that any Share Award shall be subject to a clawback under certain circumstances. Upon occurrence of such circumstances, the Board may (but is not obliged to) by notice in writing to the relevant Grantee (in the case of a Share Award) claw back such number of Share Awards granted (to the extent not already vested) as the Board may consider appropriate. The Share Awards that are clawed back shall be regarded as cancelled and the Share Awards so cancelled shall be regarded as utilised for the purpose of calculating the Scheme Mandate Limit.

As at 31 December 2024, the details of the grant the of RSUs under RSU Scheme as follows, please refer to the announcement dated 15 December 2024 issued by the Company for further details.

| Type of Grantee | Date of Grant | Number of RSUs granted | Purchase price for the grant (RMB/RSU) | Vesting period | Number of RSUs unvested as at 1 January 2024 | Number of RSUs granted during the Reporting Period | Number of RSUs vested during the Reporting Period | Number of RSUs cancelled during the Reporting Period | Number of RSUs lapsed during the Reporting Period | Number of RSUs unvested as at 31 December 2024 |
|--------------------|------------------|------------------------------|---|--|---|---|---|---|---|---|
| Employee A | 5 December 2024 | 371,876 | 1 | 5 December 2028: 25% 5 December 2029: 25% 5 December 2030: 25% 5 December 2031: 25% | - | 371,876 | - | - | - | 371,876 |
| Employee B | 5 December 2024 | 122,719 | 1 | 5 December 2028: 100% | - | 122,719 | - | - | 122,719 | - |
| Total | - | 494,595 | - | - | - | 494,595 | - | - | 122,719 | 371,876 |

REPORT OF THE BOARD OF DIRECTORS

Changes in Information of Directors and Supervisors

During the Reporting Period, save as disclosed in the section headed “Biographical Details of the Directors, Supervisors and Senior Management” in this report, there has not been any change in information relating to any Directors and Supervisors that is required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

Interests and Short Positions of Directors, Supervisors and Chief Executive in Shares, Underlying Shares and Debentures

As at 31 December 2024, the interests or short positions of the Directors, Supervisors or chief executive of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, under Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, under the Model Code, to be notified to our Company and the Stock Exchange will be as follows:

| Name of Director | Nature of interest | Type of Shares ⁽²⁾ | Number of Shares ⁽¹⁾ | Approximately percentage of shareholding in the relevant type of Shares ⁽²⁾ | Approximate percentage of shareholding in the total share capital ⁽²⁾ |
|---------------------|---|-------------------------------|---------------------------------|--|--|
| Mr. Li Zhen | Beneficial owner | Unlisted Domestic Shares | 1,049,632 (L) | 2.33% | 1.75% |
| | Interest in controlled corporation ⁽³⁾ | Unlisted Domestic Shares | 14,134,213 (L) | 31.41% | 23.56% |
| | Interest held jointly with other persons ⁽⁴⁾ | Unlisted Domestic Shares | 252,800 (L) | 0.56% | 0.42% |
| Mr. Zhang Guangping | Interest held jointly with other persons ⁽⁴⁾ | Unlisted Domestic Shares | 15,436,645 (L) | 34.30% | 25.73% |
| Mr. Li Yi | Beneficial owner | Unlisted Domestic Shares | 252,800 (L) | 0.56% | 0.42% |
| | Interest held jointly with other persons ⁽⁴⁾ | Unlisted Domestic Shares | 15,183,845 (L) | 33.74% | 25.31% |
| Mr. Kong Jianhua | Interest in controlled corporation ⁽³⁾ | Unlisted Domestic Shares | 2,846,352 (L) | 6.33% | 4.74% |

Notes:

- (1) The letter “L” denotes the person’s long position in our Shares.
- (2) As at 31 December 2024, the Company issued 60,000,000 Shares, comprising 45,000,000 Unlisted Domestic Shares and 15,000,000 H Shares.
- (3) The general partner of Suzhou Backward Investment Partnership (Limited Partnership) (“**Backward Partnership**”) is Suzhou Backward Electronic Co., Ltd. (“**Backward Electronic**”), which is in turn owned as to 53.50% by Mr. Li Zhen. By virtue of the SFO, Mr. Li Zhen is deemed to be interested in the Shares held by each of Backward Electronic and Backward Partnership.

REPORT OF THE BOARD OF DIRECTORS

- (4) Pursuant to the acting in concert agreement dated 31 March 2022 and executed by Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi (the **"Concert Party Agreement"**), Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi (the **"Concert Parties"**) agreed and confirmed, among others, that from the date when they became direct and/or indirect Shareholders to such date when all of them cease to be directly or indirectly interested in our Company, they had been and would continue to be acting in concert. Pursuant to the Concert Party Agreement, the Concert Parties had consulted and would consult with each other and reach a unanimous consensus among themselves before the decision, implementation and agreement on material operation and development affairs and/or all voting at Board and Shareholders' meetings. In the event that they are unable to reach consensus on any matter presented, it shall be resolved by a simple majority vote, with each Concert Party entitled to one vote. For details of the Concert Party Agreement, please see the section headed "History, Development and Corporate Structure" of the Prospectus. By virtue of the SFO, each of Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi together with their respective investment holding companies (being Backward Electronic and Backward Partnership) are deemed to be interested in the Shares held by each other.
- (5) The general partner of Suzhou Rongxiang Beiyong Venture Capital Partnership (Limited Partnership) (蘇州融享貝贏創業投資合夥企業(有限合夥)) was Suzhou Hi-tech Venture Capital Group Rongxiang Investment Management Co., Ltd. (蘇州高新創業投資集團融享投資管理有限公司), which was ultimately controlled by Mr. Kong Jianhua, a non-executive Directors. By virtue of the SFO, Mr. Kong Jianhua is deemed to be interested in the Shares held by Suzhou Rongxiang Beiyong Venture Capital Partnership (Limited Partnership) (蘇州融享貝贏創業投資合夥企業(有限合夥)).

Save as disclosed above, as at 31 December 2024, none of the Directors, Supervisors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (i) are required to be entered in the register pursuant to Section 352 of the SFO, or (ii) are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

Save as otherwise disclosed herein, no rights to acquire benefits by means of the acquisition of Shares or debentures of the Company have been granted to, or any such rights have been exercised by, any Directors or their respective spouses or children under the age of 18 years; or during the year ended 31 December 2024, the Company has not entered into any arrangement to permit the Directors or their respective spouses or children under the age of 18 years to acquire rights in respect of any other body corporate.

REPORT OF THE BOARD OF DIRECTORS

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2024, to the best knowledge of the Directors, the following persons (excluding the Directors, Supervisors and chief executives of the Company) had, or were deemed or taken to have, an interest and/or short position in the Shares or underlying Shares which would fall to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO:

| Name of Shareholders | Nature of interest | Type of Shares ⁽²⁾ | Number of Shares ⁽¹⁾ | Approximately percentage of shareholding in the relevant type of Shares ⁽²⁾ | Approximate percentage of shareholding in the total share capital ⁽²⁾ |
|---|---|-------------------------------|---------------------------------|--|--|
| Ms. Zhang Jingwen (張靖雯) | Interest of spouse ⁽⁴⁾ | Unlisted Domestic Shares | 15,436,645 (L) | 34.30% | 25.73% |
| Backward Electronic | Beneficial owner | Unlisted Domestic Shares | 8,753,678 (L) | 19.45% | 14.59% |
| | Interest in controlled corporation ⁽³⁾ | Unlisted Domestic Shares | 5,380,535 (L) | 11.96% | 8.97% |
| | Interest held jointly with other persons ⁽⁴⁾ | Unlisted Domestic Shares | 1,302,432 (L) | 2.89% | 2.17% |
| Backward Partnership | Beneficial owner | Unlisted Domestic Shares | 5,380,535 (L) | 11.96% | 8.97% |
| | Interest held jointly with other persons ⁽⁴⁾ | Unlisted Domestic Shares | 10,056,110 (L) | 22.35% | 16.76% |
| Zhuhai Guangfa Xinde Intelligent Innovation and Upgrade Equity Investment Fund (Limited Partnership) (珠海廣發信德智能創新升級股權投資基金(有限合夥)) | Beneficial owner | Unlisted Domestic Shares | 2,265,399 (L) | 5.03% | 3.78% |
| GF Xinde Investment Management Co., Ltd. (廣發信德投資管理有限公司) | Interest in controlled corporation ⁽⁵⁾ | Unlisted Domestic Shares | 3,012,837 (L) | 6.70% | 5.02% |
| GF Securities Co., Ltd. (廣發證券股份有限公司) | Interest in controlled corporation ⁽⁵⁾ | Unlisted Domestic Shares | 3,012,837 (L) | 6.70% | 5.02% |
| Suzhou Rongxiang Beiyong Venture Capital Partnership (Limited Partnership) (蘇州融享貝贏創業投資合夥企業(有限合夥)) | Beneficial owner | Unlisted Domestic Shares | 2,846,352 (L) | 6.33% | 4.74% |

REPORT OF THE BOARD OF DIRECTORS

| Name of Shareholders | Nature of interest | Type of Shares ⁽²⁾ | Number of Shares ⁽¹⁾ | Approximately percentage of shareholding in the relevant type of Shares ⁽²⁾ | Approximate percentage of shareholding in the total share capital ⁽²⁾ |
|---|---|-------------------------------|---------------------------------|--|--|
| Suzhou Huqiu District People's Government (蘇州市虎丘區人民政府) | Interest in controlled corporation ⁽⁶⁾ | Unlisted Domestic Shares | 4,906,092 (L) | 10.90% | 8.18% |
| Jiangsu Jiequan Yuanhe Puhua Equity Investment Partnership (Limited Partnership) (江蘇韋泉元禾璞華股權投資合夥企業(有限合夥)) | Beneficial owner | Unlisted Domestic Shares | 2,718,339 (L) | 6.04% | 4.53% |
| JoulWatt Technology Co.,Ltd. (傑華特微電子股份有限公司) | Beneficial owner | Unlisted Domestic Shares | 2,718,339 (L) | 6.04% | 4.53% |
| China International Capital Corporation Limited | Interest in controlled corporation ⁽⁷⁾ | H Shares | 2,225,300 (L) | 14.84% | 3.71% |
| | | | 2,225,300 (S) | 14.84% | 3.71% |
| Huatai Securities Co., Ltd. | Interest in controlled corporation ⁽⁶⁾ | H Shares | 767,800 (L) | 5.11% | 1.28% |

Notes:

- (1) The letter "L" denotes the person's long position in our Shares, and the letter "S" denotes the person's short position in our Shares.
- (2) Unlisted Domestic Shares and H Shares are regarded as two different types of Shares for the purpose of Part XV of the SFO. As at 31 December 2024, the Company issued 60,000,000 Shares, comprising 45,000,000 Unlisted Domestic Shares and 15,000,000 H Shares.
- (3) The general partner of Backward Partnership is Backward Electronic, which is in turn owned as to 53.50% by Mr. Li Zhen. By virtue of the SFO, Mr. Li Zhen is deemed to be interested in the Shares held by each of Backward Electronic and Backward Partnership.
- (4) Pursuant to the Concert Party Agreement, Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi agreed and confirmed, among others, that from the date when they became direct and/or indirect Shareholders of our Company to such date when all of them cease to be directly or indirectly interested in our Company, they had been and would continue to be acting in concert. Pursuant to the Concert Party Agreement, the Concert Parties had consulted and would consult with each other and reach a unanimous consensus among themselves before the decision, implementation and agreement on material operation and development affairs and/or all voting at Shareholders' meetings. In the event that they are unable to reach consensus on any matter presented, it shall be resolved by a simple majority vote, with each Concert Party entitled to one vote. For details of the Concert Party Agreement, please see the section headed "History, Development and Corporate Structure" of the Prospectus. By virtue of the SFO, each of Mr. Li Zhen, Mr. Zhang Guangping and Mr. Li Yi together with their respective investment holding companies (being Backward Electronic and Backward Partnership) are deemed to be interested in the Shares held by each other. Ms. Zhang Jingwen is the spouse of Mr. Zhang Guangping and is deemed to be interested in all the Shares held by Mr. Zhang Guangping by virtue of the SFO.

REPORT OF THE BOARD OF DIRECTORS

- (5) The general partner of Zhuhai Guangfa Xinde Intelligent Innovation and Upgrade Equity Investment Fund (Limited Partnership) (珠海廣發信德智能創新升級股權投資基金(有限合夥)) and Zhuhai Guangfa Xinde Environmental Industry Investment Fund Partnership (Limited Partnership) (珠海廣發信德環保產業投資基金合夥企業(有限合夥)) is GF Xinde Investment Management Co., Ltd. (廣發信德投資管理有限公司). By virtue of the SFO, GF Xinde Investment Management Co., Ltd. (廣發信德投資管理有限公司) is deemed to be interested in the Shares held by Zhuhai Guangfa Xinde Intelligent Innovation and Upgrade Equity Investment Fund (Limited Partnership) (珠海廣發信德智能創新升級股權投資基金(有限合夥)) and Zhuhai Guangfa Xinde Environmental Industry Investment Fund Partnership (Limited Partnership) (珠海廣發信德環保產業投資基金合夥企業(有限合夥)). GF Xinde Investment Management Co., Ltd. (廣發信德投資管理有限公司) is ultimately controlled by GF Securities Co., Ltd. (廣發證券股份有限公司) (Stock Code: 000776.SZ).
- (6) As of 31 December 2024, Suzhou New District Venture Technology Investment Management Co., Ltd. (蘇州高新區創業科技投資管理有限公司) is owned as to 57.93% by Suzhou Overseas Students Entrepreneurship Park Co., Ltd. (蘇州留學人員創業園有限公司) (which is ultimately controlled by the Suzhou Huqiu District People's Government (蘇州市虎丘區人民政府)). Suzhou Rongxiang Beiyong Venture Capital Partnership (Limited Partnership) (蘇州融享貝贏創業投資合夥企業(有限合夥)) is owned as to 59.01% by Suzhou High-Tech Venture Capital Group Co., Ltd. (蘇州高新創業投資集團有限公司) (ultimately controlled by the Suzhou Huqiu District People's Government (蘇州市虎丘區人民政府)) as a limited partner. By virtue of the SFO, Suzhou Huqiu District People's Government (蘇州市虎丘區人民政府) is deemed to be interested in the Shares held by Suzhou New District Venture Technology Investment Management Co., Ltd. (蘇州高新區創業科技投資管理有限公司) and Suzhou Rongxiang Beiyong Venture Capital Partnership (Limited Partnership) (蘇州融享貝贏創業投資合夥企業(有限合夥)).
- (7) According to the disclosure of interest form filed by China International Capital Corporation Limited on 26 March 2025, which contains a relevant event date of 21 March 2024, these Shares are held by CICC Financial Trading Limited, the indirect wholly-owned subsidiaries of China International Capital Corporation Limited. By virtue of the SFO, China International Capital Corporation Limited is deemed to be interested in the Shares held by CICC Financial Trading Limited.
- (8) According to the disclosure of interest form filed by Huatai Securities Co., Ltd. on 3 January 2025, which contains a relevant event date of 30 December 2024, these Shares are held by Huatai Financial Holdings (Hong Kong) Limited, the indirect wholly-owned subsidiary of Huatai Securities Co., Ltd. By virtue of the SFO, Huatai Securities Co., Ltd. is deemed to be interested in the Shares held by Huatai Financial Holdings (Hong Kong) Limited.

Save as disclosed above, as at 31 December 2024, the Directors are not aware of any person who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which are recorded in the register required to be kept under Section 336 of the SFO.

Purchase, Sale or Redemption of Listed Securities

During the Reporting Period, the Company did not purchase, sell or redeem any of the Company's listed securities (including the treasury shares). The Company did not hold any treasury shares as of 31 December 2024.

Tax Relief

The Company is not aware of any tax relief available to Shareholders as a result of their holding of the Company's securities.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Articles of Association or the laws of the PRC which would oblige the Company to offer new Shares on a pro rata basis to its existing Shareholders.

Permitted Indemnity Provision

The Company has taken out Directors' liability insurance to protect the Directors of the Company against any loss they may incur as a result of their factual or alleged misconduct. For the year ended 31 December 2024, such Directors' liability insurance has been in force.

REPORT OF THE BOARD OF DIRECTORS

Material Contract with the Single Largest Group of Shareholders

During the year ended 31 December 2024, the Company has not entered into any material contracts with the single largest group of Shareholders of the Company comprising Mr. Li Zhen, Mr. Zhang Guangping, Mr. Li Yi, Backward Partnership and Backward Electronic (the **“Single Largest Group of Shareholders”**) and there are no material contracts for the provision of services by the Single Largest Group of Shareholders to the Company.

Interests of the Single Largest Group of Shareholders and Directors in Competing Businesses

The Single Largest Group of Shareholders and the Directors confirm that for the year ended 31 December 2024, apart from the business of the Company, they did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business that is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

Deed of Non-Competition

As disclosed in the Prospectus, each of the Single Largest Group of Shareholders has entered into a Deed of Non-Competition dated 2 December 2023 in favor of the Company (for itself and as a trustee for the Company's subsidiaries, as applicable), pursuant to which each of them has unconditionally and irrevocably undertaken to our Company that it will not, and will procure its close associates (save for members of our Company and its subsidiaries) not to directly or indirectly be involved in, interested in or undertake any business that directly or indirectly competes, or may compete, with our business which includes the provision of Analog IC Patterned Wafers (referred to as the **“Restricted Businesses”**), or hold shares or interest in any company or business that competes or may compete directly or indirectly with the business engaged by the Company from time to time, or conduct any Restricted Businesses, except where the Single Largest Group of Shareholders and their close associates hold less than 30% of interest of any company, which is engaged in any business that is or may be in competition with any business engaged by any member of our Company and its subsidiaries and they do not possess the right to control the board of directors of such company.

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

Each of the Single Largest Group of Shareholders has confirmed in writing to the Company that it has complied with the Deed of Non-Competition for the year ended 31 December 2024 as disclosed herein. The independent non-executive Directors have also reviewed the compliance of each of the Single Largest Group of Shareholders with the undertakings in the Deed of Non-Competition and confirmed that, so far as they are able to ascertain, there has been no breach of any of the undertakings in the Deed of Non-Competition.

Connected Transactions and Related Party Transactions

The Company has not entered into any “Connected Transaction” or “Continuing Connected Transaction” under Chapter 14A of the Listing Rules during the Reporting Period.

Details of material related party transactions entered into by the Company during the year ended 31 December 2024 are set out in note 29 to the financial statements. The related party transactions set out in the above note do not fall within the definition of “Connected Transaction” or “Continuing Connected Transaction” under Chapter 14A of the Listing Rules.

REPORT OF THE BOARD OF DIRECTORS

The Directors confirm that the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

Significant Events after the End of the Reporting Period

Subsequent to 31 December 2024 and up to the date of this report, so far as the Directors are aware, there have been no events that have materially affected the Company.

Review of Annual Accounts by the Audit Committee

The Audit Committee has reviewed the audited financial statements of the Company for the year ended 31 December 2024 and discussed with the management of the Company and the auditor the accounting principles and practices adopted by the Company, risk management and internal controls and financial reporting. The Audit Committee is of the opinion that the relevant statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that appropriate disclosures have been made.

Corporate Governance

The Company has adopted the Code Provisions as its own corporate governance code. For the period from the Listing Date to 31 December 2024, the Company has complied with all applicable Code Provisions. Information on the corporate governance practices adopted by the Company is set out in the section headed “Corporate Governance Report” of this annual report.

Sufficient Public Float

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, since the listing of the Company on 28 December 2023 and up to the date of this report, the Company has maintained sufficient public float in compliance with the Listing Rules.

Auditor

The H Shares were listed on the Stock Exchange with effect from 28 December 2023 and there has been no change in auditors since the Listing Date. At the 2023 annual general meeting held on 21 June 2024, the Shareholders approved the appointment of KPMG, Certified Public Accountants, as the Company’s auditor for the year ended 31 December 2024 and authorized the Board or the Audit Committee to fix its remuneration. The financial statements for the year ended 31 December 2024 have been audited by KPMG, Certified Public Accountants.

On behalf of the Board

Chairman

Li Zhen

Hong Kong,
20 March 2025

REPORT OF THE SUPERVISORY COMMITTEE

In 2024, the Supervisory Committee, in accordance with relevant regulations and in the spirit of being responsible for all Shareholders, conscientiously performed its duties of supervision, ensured the implementation of the resolutions of the General Meetings, and safeguarded the legitimate rights and interests of the Shareholders. It also fulfilled the tasks entrusted by the Articles and the General Meetings, thus playing a good role in the Company's standardized operation and sustainable development.

Meetings and Resolutions of the Supervisory Committee during the Reporting Period

| No. | Date | Session | Attendance | Matters discussed and resolutions adopted |
|-----|-------------------|---|------------|--|
| 1 | March 25, 2024 | ninth meeting of the first Supervisory Committee | 3 | Proposal on the Work Report of the Supervisory Committee for 2023 |
| | | | 3 | Proposal on the audited financial statements for 2023 of the Company |
| | | | 3 | Proposal on the annual report and results announcement for 2023 of the Company |
| | | | 3 | Proposal on the profit distribution plan for 2023 of the Company |
| | | | 3 | Proposal on the application for a bank credit line for 2024 of the Company |
| | | | 3 | Proposal on the appointment of auditors for 2024 |
| 2 | August 15, 2024 | tenth meeting of the first Supervisory Committee | 3 | Proposal on the Interim Report and Interim Results for 2024 of the Company |
| 3 | November 15, 2024 | Eleventh meeting of the first Supervisory Committee | 3 | Proposal on proposed adoption of the Restricted Share Unit Scheme (H Share) |
| 4 | December 5, 2024 | Twelfth meeting of the first Supervisory Committee | 3 | Proposal on the Grant of Restricted Stock Units |

REPORT OF THE SUPERVISORY COMMITTEE

Work of the Supervisory Committee during the Reporting Period

During the Reporting Period, the Supervisory Committee faithfully performed its supervisory functions and carefully supervised the Company's finances, the implementation of the resolutions of the General Meetings by the Board, the management's business decisions and the Company's operation in accordance with the law. In the opinion of the Supervisory Committee:

1. There was no violation of the Company Law, the Articles and the laws and regulations issued by the State in the Company's business activities in 2024.
2. The General Meetings and the Board exercise their powers and functions in strict accordance with the Company Law and the Articles and other relevant laws and regulations issued by the State. The procedures for convening, holding, voting and resolution of the meetings are legally compliant and up to standard. Each Directors and Senior Management have performed their duties to the best of their ability, strictly implemented the resolutions of the General Meetings and the Board, exercised their powers correctly and diligently, and are not found to have violated any laws, regulations and the Articles or committed any act that is detrimental to the interests of the Company and its Shareholders.
3. The auditing firm issued an unqualified audit report. The report concludes that the Company's financial statements give a true and fair view of the Company's financial position and results of operations.

Other Matters

The term of the current Supervisory Committee expires on 11 November 2024. As the replacement work is still under preparation, the Supervisory Committee will be postponed in order to ensure the continuity of the relevant work of the Company. Before the completion of the renewal of the Supervisory Committee, all members of the former Supervisory Committee will continue to perform their duties and obligations as Supervisors in accordance with the relevant provisions of laws, regulations, regulatory documents and the Articles of Association of the Company. The postponement of the renewal will not affect the normal operation of the Company. Please refer to the announcement of the Company dated 7 November 2024 for further details.

The Supervisory Committee has full confidence in the prospects of the Company and will, as always, exercise effective supervision over the Company's operations to safeguard the interests of Shareholders and the Company as a whole.

President of the Supervisory Committee

Zhou Taotao

20 March 2025

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

About This Report

Report Overview

This report is the second Environmental, Social and Governance Report (the “**ESG Report**”) of BaTeLab Co., Ltd. (the “**Company**”) and is designed to present the Company’s performance in fulfilling its environmental responsibility and social responsibility practices in 2024, covering the environmental, social and governance (ESG) issues that stakeholders are concerned about.

Basis of Preparation

This report has been formulated in accordance with Appendix C2 the Environmental, Social and Governance Reporting Guide and its “comply or explain” provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), and covers the period from 1 January 2024 to 31 December 2024, with some parts providing a brief review of previous relevant activities. This report is published on the website of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) and the official website of the Company.

Reporting Period

This is an annual report starting from 1 January 2024 to 31 December 2024 (the “**Reporting Period**”), and the report for the next reporting period (the year 2025) is expected to be issued in 2026.

Reporting Scope

The subject of this report is the Company and the data in the scope of policy, society and environment covers all its business.

Data Source

The data as used in this report is sourced from internal documents and relevant statistics of the Company.

Reporting Principles

Materiality: The Company has identified important stakeholders and determined the key ESG issues through materiality assessment as a basis for determining the focus of disclosure in this report, and the relevant process and results have been disclosed in this report.

Quantitative: In accordance with the “Key Performance Indicators” requirement in Appendix C2 the Environmental, Social and Governance Reporting Guide of the Listing Rules, the Company makes quantitative disclosure of key performance in the environmental and social categories with historical data, and quantitative disclosure of forward-looking information such as targets as far as possible, and plans to improve the statistical process for future full disclosure.

Balance: The disclosure of this report is designed to objectively, impartially and truthfully reflect the Company’s performance and practices on environmental and social affairs in 2024, and this report responsibly discloses the problems we have encountered and improvement measures we have taken.

Consistency: The Company follows a consistent approach to disclosure statistics and for the information disclosed for the first time, the Company will use such an approach for ESG information disclosure in subsequent years to facilitate meaningful comparisons from year to year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Directors' Declaration

The Board of Directors (the “**Board**”) and all directors of the Company guarantee that there are no false records, misleading statements or major omissions in this report, and bear individual and joint responsibility for the truthfulness, accuracy and completeness of the contents.

During the Reporting Period, the Board, as the highest decision-making organization for the Company's ESG efforts, joined by the management team, was responsible for monitoring and managing material ESG issues. The Board is primarily responsible for mapping out the Company's overall ESG vision, direction and strategy, and monitoring and reviewing the Company's ESG performance. The Board has also assigned the general manager to oversee the coordination between teams for the consistency between the Company's operations and practices and the relevant ESG strategies.

The Board is also responsible for deliberating and making decisions on major ESG issues for the year and closely following up on them and keeping abreast of the latest requirements on ESG disclosure and regulatory compliance. Given the big picture and the Company's development strategy, the Company during the Reporting Period communicated with stakeholders and identified key ESG issues in order to clarify its work priorities, including: employee rights and benefits, R&D and innovation, product and service quality, and supply chain management and more, and focused on the above issues in its daily work to scrutinize and improve its performance, and managed its targets accordingly. The Board and the general manager supervise the formulation of the Company's ESG Report and review the content and quality of the report to ensure that the disclosure of information herein complies with the ESG requirements of the Stock Exchange. Striving forward, the Company will continue to adjust its sustainable development management strategies and promotion methods in accordance with the expectations of our stakeholders and the realities of the Company's operations, so as to bolster the sustainable development of the Company.

Stakeholder Communication

The Company conducts adequate stakeholder communication on ESG objectives and results for stakeholder feedback and integrates it into the ESG management system to guide its daily operating activities through information disclosure, regular meetings, interviews and questionnaires.

| Stakeholders | Concerns | Communication channels and means | Key actions |
|-------------------------------------|--|---|--|
| Government and regulatory authority | Compliant operation Technological enhancement Tax paying according to the law Economic and social benefits | On-site investigation, talks and exchanges Proactive taxation Filling in with the relevant government systems | Compliance with laws and regulations Daily policy implementation |
| Shareholders and investors | Operation strategy Corporate governance Business sustainability R&D investment Information disclosure transparency | General Meeting/Board meeting Performance announcement meetings Regular reports Interim announcements Web portals | Holding General Meetings on a regular basis Holding Board meetings on a regular basis Hold performance investor presentation on an annual basis Timely information disclosure |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| Stakeholders | Concerns | Communication channels and means | Key actions |
|-----------------------|--|--|---|
| Customers | Technology and service quality Technological innovation Business development Information protection | Customer satisfaction survey Customer business/quality/technical review conferences Other daily customer communication | Mapping out the customer satisfaction survey system Visiting customers Collecting customer feedback |
| Suppliers | Business ethics Transparent procurement Technological enhancement | Daily business communication Procurement activities Document and correspondence exchanges | Conducting supply chain audits and assessments |
| Employees | Compensation benefits and care Health and safety Training and development Talent retention Corporate culture | Physical examination of employees Employee training Employee activities | Organizing regular meetings Issuing employee benefits Organizing sports activities Making possible complaints and feedback |
| Industry associations | Economic benefits External cooperation | Industry association activities Cooperation in projects | Joining several industry associations and chambers of commerce Involvement in R&D cooperation |
| The public | Support social development Community involvement | Web portals Public welfare activities | Additional notice by the official website Mapping out public welfare services |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Materiality Assessment

The Company has formed the following materiality assessment matrix based on the analysis and summary of the materiality assessment results of all stakeholders. Given the stakeholders' concerns on corporate operations and environmental and social governance and the Environmental, Social and Governance Reporting Guide under Appendix C2 of the Listing Rules, the Company focuses on social aspects such as employees' rights and benefits, R&D and innovation, supply chain management, product and service quality, environmental aspects such as energy management, GHG emissions, and governance issues such as business ethics and more.



1. Sustainable Operations

1.1 ESG Governance

The Company is committed to working on sustainable corporate governance and including ESG in its business management by cementing its ESG governance framework. Having formulated its Corporate Social Responsibility Management System, the Company aims for a responsible corporate citizen by regulating the specific efforts of its social responsibility management. The Company works on its corporate social responsibility and sustainable development and embeds them into all material aspects of its business operations. The Company is a strong champion of the regulatory requirements of the PRC by observing environmental protection laws and regulations to ensure the health and safety of its employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Board is responsible for monitoring and managing material ESG issues and has the following key control points over the Company's ESG governance:

- The Board assigns the general manager to oversee the coordination between teams in identifying, monitoring and evaluating major environmental, social and governance issues.
- The Board has specified the fulfillment of social responsibility, so that the Company and its department have clear guidelines for the fulfillment of social responsibility.
- The Board is responsible for providing publicity and training on the fulfillment of social responsibility within the Company, so that the Company and its employees can enhance their awareness of the fulfillment of social responsibility.
- The Board regularly summarizes and reports on the fulfillment of social responsibility to serve as a basis and reference for future efforts.
- The Board sets ESG objectives, including the development of policies, systematic measures, and one- and five-year budgets, to balance business growth and environmental protection and manage material ESG issues for sustainable development.

During the Reporting Period, the Company implemented the concept of sustainable development and was not subject to any fines or other penalties for violations of the relevant ESG regulations, nor the Company's employees subject to any accident or claim relating to personal or property damage that would have had a material adverse effect on the Company's financial position or business operations.

1.2 Anti-corruption

The Company is committed to establishing transparent and effective anti-bribery and anti-corruption compliance management and has had in place anti-bribery and fraud prevention management mechanisms. The Company firmly complies with the Company Law of the People's Republic of China, the Law of the People's Republic of China Against Unfair Competition, the Interim Provisions on the Prohibition of Commercial Bribery, the Criminal Law of the People's Republic of China, and other laws and regulations related to anti-corruption and anti-corruption, and has formulated and enforces the internal systems of the Fraud Prevention and Management System, the Employee Handbook, and the Declaration of Interests System and more for standardizing and improving the code of conduct and requirements related to business ethics, so as to cover the requirements of anti-corruption and other requirements for all the employees. The Company prohibits the acceptance of bribes and kickbacks in all business processes, from procurement throughout the supply chain and chip testing to customer sales and delivery of patterned wafer products. In 2024, we have signed integrity commitment with more than 90% of our large clients, those with over 10 million registered capitals.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To ensure compliance and integrity, the Company has taken the following measures:

- **System construction.** The Company has improved its internal control system for its culture of integrity and compliance, and provided good education, prevention, inspection, supervision and timely correction of fraudulent behavior.
- **Training and publicity.** The Company has sought education and training in regular daily meetings of each department and utilized daily emails for standardized supervision and implementation. The Board meeting involves a management discussion of the relevant content, aiming to strengthen the integrity and compliance training of officers and employees within the department and proactively prevent fraudulent behavior.
- **Advocating self-discipline.** All employees shall abide by the ethics of integrity and establish a sense of honesty and self-discipline and compliance with the law against the temptation of improper interests and fraudulent behavior. If an employee accepts a gift from a supplier, he/she shall take the initiative to report the details via email. The gift shall be handed over and handled by the Company for unified arrangement in light of the actual situation.

The Company advocates a clean corporate culture and emphasizes anti-corruption and integrity education. The Company offered anti-corruption training in 2024 and the Directors and employees were trained for 210 hours in total. The Company conducted one anti-corruption training for all the members of the Board and the Supervisory Committee, with 11 participants, realizing a 100% full coverage of the Directors and Supervisors.

Whistle-blowing and whistle-blower protection mechanism

The Company prioritizes the management of whistle-blowing by ramping up the protection of whistle-blowers. Employees of the Company who find the fraudulent behavior may whistle-blow it through letters and visits. Upon the whistle-blowing, the Audit Department may set up an investigation panel to investigate and verify the contents of the whistle-blowing through letters and visits through access to information, interviews and other ways and issue a written investigation report, which shall be timely filed and archived for the integrity of the relevant materials. In handling whistle-blowing, justice, fairness, principles, impartiality shall be followed to safeguard the lawful rights and interests of the Company and the whistle-blower. It is not allowed without authorization to offer any department or individual the materials about the whistle-blowing through letters and visits, investigation and verification, accountability or the information about the whistle-blower.

During the Reporting Period, the Company had no improper behavior in its operations or received any relevant whistle-blowing and there was no filing of corruption lawsuits against the Company or its employees.

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1.3 Supply Chain Management

The Company follows responsible sourcing and sound supply chain management. The Company has established a comprehensive procurement process and formulated the Purchasing and Payment Management System to ensure reliable product quality and supply chain sustainability.

Responsible procurement

The Company has inked the Business Ethics Responsibility Statement annexed to the Supplier Framework Agreement with its major suppliers, which prohibits the suppliers from providing improper benefits to the staff of the Company or its associates, and the Company shall have the right to immediately terminate the cooperative relationship with the suppliers if the bribery of the suppliers is found to be substantiated and at the same time to take other punitive measures, such as the return of goods and the charging of fines. Meanwhile, suppliers are obliged to report relevant misconduct of the Company and its associates' staff to the Company, and the Company will investigate and deal with the matter in a timely manner.

The distribution of suppliers with whom the Company has established cooperative relationships in all aspects is as follows:

| Unit: supplier | 2024 | 2023 |
|--------------------------|------------|------|
| Jiangsu Province | 208 | 189 |
| Other domestic provinces | 205 | 165 |
| Total | 413 | 354 |

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Supplier access

The Company has had in place a supply chain approval process through which suppliers must provide relevant qualifications or certifications and demonstrate legal compliance with environmental and social policies prior to approval. The Company investigates the details of suppliers through interviews, on-site visits, open channel searches, and sample testing. For new foundries, the Company mainly evaluates them based on their process technology and compatibility criteria with its products. Additionally, the Company tends to select suppliers that meet environmental requirements and have a high sense of social responsibility.

Supplier evaluation

The Company periodically evaluates selected foundries to ensure their always compliance with its internal controls and timely qualified supplies. For existing suppliers, the Procurement Department conducts a comprehensive supplier evaluation at the end of each year. The Company puts strict and precise demands on product quality to minimize material waste for the environment. The Company reserves the right to terminate the contract where the supplier fails to comply with the applicable laws and regulations on safety and quality or commits an improper act. The Company also requires that all products obtained from patterned wafer channel partners are in full conformity with applicable industry standards. The Company expects its foundries to meet its supplier access standards and to take proactive measures in environmental protection, labor standards, and employee health. In 2024, the Company conducted performance evaluations of certain wafer-based suppliers and found no exceptions.

Supply chain stability

The Company has always attached great importance to supply chain stability. During the Reporting Period, the Company signed annual framework agreements with major wafer-based and testing suppliers, and further adopted a prepayment approach to lock in wafer production capacity in advance, ensuring the continuity and stability of production capacity supply in all aspects.

1.4 Product Responsibility

The Company places product quality control at the core of its business. The Company has been certified with ISO9001 and strictly controls the quality of R&D and suppliers. All of the Company's products are tested and certified for reliability according to product level requirements. The Company's tests cover a wide range of scenarios and applications to ensure that the products work stably and meet customer expectations under all conditions. This rigorous testing process not only contributes to the reliability and stability of our products, but also demonstrates the Company's unswerving pursuit of and commitment to quality for minimized risk of product recalls.

During the Reporting Period, there was no recall of products for safety and health reasons.

The Company observes the Advertising Law of the People's Republic of China by regularly reviewing its management system for the safety, advertising, labeling and privacy of its products and services. The Company was not subject to litigation and there were no violations or breaches of laws and regulations relating to the safety, advertising, labeling and privacy of its products and services in 2024.

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1.5 Intellectual Property Rights Protection and R&D Innovation

Intellectual property rights protection

The Company puts the protection of intellectual property rights high on its priority list by following the Patent Law of the People's Republic of China and its implementation rules, and has been certified with GB/T29490–2023, which covers the R&D and sales of power management chips and the development of analog integrated circuit design software. The Company also regularly conducts Freedom to Operate (FTO) searches and power management chip patents navigational analyses. In 2024, the Company added 32 authorized invention patents and developed a number of core technologies. Investment in R&D expenses as a percentage of revenue was approximately 22%.

As of the end of the Reporting Period, the Company's patents were as follows:

| Patent type | Number (patent) |
|--|-----------------|
| Cumulative number of patents granted | 118 |
| Among them: cumulative number of invention patents | 115 |
| cumulative number of utility patents | 3 |
| Cumulative number of software copyrights | 20 |
| Cumulative number of exclusive rights for layout design of integrated circuits | 325 |
| Cumulative number of trademarks registered | 90 |

The Company has revised the Invention Patent "Growth" Incentive Measures (2024 Edition), simplified the reward process to mobilize the employee's initiative and creativity in technological innovation for the output of intellectual property achievements in order to strengthen its independent innovation for better competitiveness and respond to the call for high-quality patents in the National 14th Five-Year Plan. In addition, the Company stresses the training and cultivation of scientific research talents, and offers intellectual property training every year, teaching all R&D personnel patent basics and layout, patent mining and proposal writing. Going forward, the Company will continue to work on the protection of intellectual property and accelerate the transformation and application of knowledge results to optimize the intellectual property management system.

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R&D and Innovation

The Company has had in place a sound R&D management mechanism by formulating and implementing the Rules for the Management of the Work of the Research and Development Department, which specifies the process, the management mode, and the duties and authorities of the personnel for R&D projects, to ensure that the R&D efforts are on course for a better R&D cycle, quality and cost. The Company conducts regular evaluations for improvements, and has continued to enhance the innovation and execution capabilities of its R&D team to sustain the Company's development. During the Reporting Period, the valid honors of the Company include the National Intellectual Property Advantageous Enterprise, the National Specialized, Sophisticated, Distinctive and Innovative Small Giant Enterprise, the National High-tech Enterprise, the Private Science and Technology Enterprise in Jiangsu Province and the Top 32 Private Enterprise in Innovation in Suzhou and the Gazella Company in Jiangsu Province.

Apart from its self-developed analog integrated circuits (IC) business, during the Reporting Period, the Company was tasked with the R&D of provincial scientific and technological topics as a provincial-level engineering technology research center. Furthermore, the Company continues to on cooperation between enterprises, universities and research institutes and the cycle of the technology development cooperation project with Tsinghua University. Additionally, the Company also regularly participates in scientific research activities held by the School of Electronic and Information Engineering, Soochow University and Suzhou Electronic Society for good communication with universities and institutes in the industry.

As of the end of the Reporting Period, the Company has joined the following industrial associations:

| Industry Association Name | Role |
|---|----------------|
| Jiangsu Youth Chamber of Commerce | Director |
| Suzhou Integrated Circuit Industry Association | Vice president |
| Suzhou Institute of Electronics | Vice president |
| Chamber of Commerce of Taihu Lake Science City of Suzhou New District (Huqiu District) | Supervisor |
| Chamber of Commerce for New Generation Entrepreneurs of Suzhou New District (Huqiu District) | Director |
| Youth Chamber of Commerce of Suzhou New District, Huqiu District | Vice president |

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1.6 Customer Services

The Company applies itself to a superior customer service experience by mapping out the Customer Service Policy and System. The Company, driven by the service aim of being “customer-centered, providing professional, efficient, and caring services to win customers’ trust and satisfaction”, refreshes its efforts to improve its customer management for better customer service experiences. As a company boasting the self-developed full-stack analog IC design platform, the Company has opened up the whole process of analog IC “EDA+IP+Design”, and is committed to forging a close relationship with our customers and understanding their needs for customized solutions.

The Company responds to the needs of customers timely to provide technical support and product consulting services, covering the whole process of services such as reception of customers, understanding of needs, provision of solutions, implementation of services, completion of services, and follow-up. The Company has also established the Customer Satisfaction Survey Procedures, according to which it organizes customer satisfaction surveys every year, and implements improvement measures by the relevant departments based on feedback evaluations.

Customer complaint handling

In terms of the handling of customer complaints, the Company has established the Customer Complaint Management Standards to clarify the handling and process of customer complaint information feedback for information support for its products and services.

The Company categorizes customer complaints into the following types to improve the customer complaint process:

- **General customer complaint:** they refer to the problems that do not affect the actual application of or cause property damage to the customer, including but not limited to: packaging, customer misunderstanding, and express logistics.
- **Quality customer complaint:** they refer to the problems that affect the actual application of the customer due to the product itself, causing controllable losses to the customer within a certain range, including but not limited to, failing to cater to customers, product failure, functional parameters deviating from the scope of the instruction manual and more.
- **Serious customer complaint:** they refer to the problems that have a material impact or cause major losses to the customer, which involve the Company in the compensation.

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Upon receiving the customer complaint feedback from the Marketing Department, the Quality Department shall assign the receiver to fill in the Customer Complaint Acceptance Form (the “**Form**”). Upon the receipt of the Form, the head of the responsible department shall immediately convene the staff in question to form a customer complaint handling team to fill out the 8 Disciplines Report on Customer Complaints (the “**8D Report**”), propose Makeshift Measures within 3 days and report them to the acceptor. Based on the results of the feedback communication with the Marketing Department and customers and listening to the customer’s views on the handling of the complaint, the acceptor shall fill out the Form again according to the customer feedback. Following the acceptance of the complaint handling method by the customer, the Quality Department shall handle the defective products (if any), and the person who receives the Form and the 8D Report shall fill in the electronic and textual information and close the customer complaint.

During the Reporting Period, the Company received a total of 1 customer complaint, which was general and did not involve quality issues. The complaint has been handled with the above method with a 100% rate.

Information Security

The Company has established the Internal Control Management System of the Information and Software Department for better data security management following the Data Security Law of the People’s Republic of China, the Cyber Security Law of the People’s Republic of China, and the Administrative Measures on Data Security in the Field of Industry and Information Technology (for Trial Implementation), and more. The Company regularly conducts security assessments and rectification of its IT systems to strengthen cyber security management, technical monitoring and software maintenance. In the event of such an incident, the Company will immediately cut off the leakage channel, notify the relevant parties to take remedial measures, such as providing network privilege monitoring, changing passwords, etc., and fix the vulnerabilities to improve security measures after determining the cause through investigation. The Company also requires all its employees to implement the requirements related to information security and privacy protection in the Employee Handbook.

During the Reporting Period, there were no breaches of data security or customer privacy protection.

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1.7. Social Contribution

The Company prioritizes social responsibility by participating in public welfare activities. Mr. Li Zhen and Mr. Zhang Guangping, co-founders of the Company, gave talks to students with different educational backgrounds, sharing their views and insights on the IC industry from time to time. Corporate Social Responsibility is part of the Company's core development philosophy, and it means that safeguarding the public interest can largely enhance the Company's capacity to create sustainable value for its Shareholders.

In its business activities, the Company follows the development of the local economy and the cultivation of human resources, and contributes to the development of education, science, culture, health, sports and environmental protection in the local community within its reach.

2. Environment Responsibility

2.1 Emissions Management

Responsibility management

The Company does not involve production in its daily operations and is not a key emission enterprise as announced by the environmental protection authority. The Company has incorporated major energy- saving and emission reduction measures into its daily office. The Company works as a strong champion of the green development and emission reduction concept by ramping up the management of emissions in strict accordance with the Environmental Protection Law of the People's Republic of China and the Environmental Impact Assessment Law of the People's Republic of China and more.

Exhaust emissions

The Company's emissions are mainly from vehicle exhaust, including sulfur dioxide, nitrogen oxides and soot as it doesn't involve any production equipment in its operations. The Company has two official vehicles, which are primarily for business trips. Following the Law of the People's Republic of China on Prevention and Control of Atmosphere Pollution, the Company's exhaust emissions in 2024 were as follows:

| | 2024 ¹ | 2023 |
|-------------------------------|-------------------|------|
| Sulfur dioxide emissions (kg) | 0.02 | 0.01 |
| Nitrogen oxide emissions (kg) | 20.22 | 6.99 |
| Dust (kg) | 1.88 | 0.65 |

During the Reporting Period, the Company had no failure to meet the exhaust emission standard.

In terms of the management of exhaust emissions, the Company aims for compliant emissions and will work to improve its management system. That means strengthening the management of official vehicles, i.e. recording their fuel consumption, regularly overhauling them and reducing their non-essential use. Furthermore, the Company maps out its reduction targets in response to the ever-demanding regulatory requirements.

¹ In 2024, the Company's efforts to expand its business resulted in a significant increase in gasoline consumption and exhaust emission.

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Wastewater discharge

Not operating any manufacturing facilities, the Company is not involved in wastewater discharge. During the Reporting Period, the Company's wastewater is mainly domestic wastewater generated from daily office and a construction project. Following the Law of the People's Republic of China on Prevention and Control of Water Pollution, the Company works to ensure that the discharge of its domestic wastewater meets the compliance requirements in the place where it operates.

| | 2024 ² | 2023 |
|------------------------------|-------------------|------|
| Wastewater discharge (tonne) | 1,710 | 648 |

During the Reporting Period, the Company had no failure to meet the emission standard in wastewater.

In the short term, the total discharge volume will be on the constant rise as the business and personnel continue to expand, the Company, however, in terms of the wastewater discharge management, plans to reverse the growth through initiatives such as multi-use of water and gradient utilization, and will work to decrease discharge density. In the medium to long term, the Company will further the efficiency of water resource use for reduced absolute amount of water used and the amount of recycled water through recycling.

Waste

Observing the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Wastes and more, the Company introduces the sort management of wastes, which fall into hazardous wastes, non-hazardous wastes (recyclable) and non-hazardous wastes (non-recyclable). Hazardous wastes are collected by cleaners and stored separately. The property management office will commission a qualified third party to dispose of the wastes after collecting them. Non-hazardous wastes are sorted and placed in the holding area on the basement floor, and then recycled and disposed of by the property management office.

The Company's discharge of hazardous wastes is as follows:

| | 2024 | 2023 |
|--|-------|-------|
| Cartridge (kg) | 20.90 | 37.80 |
| Total hazardous waste (kg) | 20.90 | 37.80 |
| Hazardous waste intensity (kg/RMB1 million of revenue) | 0.04 | 0.08 |

² In 2024, due to the water leakage during the construction period of the Company's construction project from February to April in 2024, resulting in an increase wastewater discharge.

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The Company's emission of non-hazardous waste is as follows:

| | 2024 | 2023 |
|--|--------|--------|
| Paper consumption (kg) | 755.00 | 752.50 |
| Total non-hazardous waste (kg) | 755.00 | 752.50 |
| Non-hazardous waste intensity (kg/RMB1 million of revenue) | 1.30 | 1.62 |

During the Reporting Period, the Company had no failure to meet the waste discharge standards.

In terms of the management of waste discharge targets, the Company expects that in the short term, with the growing business and personnel, the resulting waste emissions will naturally increase. In response to it, the Company, committed to the philosophy of environmental protection, keeps emission growth at a lower level through waste sort management and waste reduction and works to reduce emissions intensity. In the medium to long term, the Company plans to implement separate treatment of sorted hazardous waste for a better recycling rate of non-hazardous waste. Meanwhile, the Company will establish a sound waste treatment management process and do more in data statistics and maintenance to reduce or control the overall discharge of wastes.

GHG emissions

The Company's GHG missions mainly come from purchased electricity and the gasoline from official vehicles. Being well aware of the impact of these emissions on climate change and the environment, the Company is committed to practically reducing its operational carbon footprint. For purchased electricity, the Company will work on the procurement and use of renewable energy and introduce more environment-friendly and energy-saving measures for improving its daily operations to reduce greenhouse gas emissions. For official vehicles, the Company encourages its employees to use green means of transportation and optimize travel plans to cut down the frequency of vehicle use, and install charging piles for new energy vehicles in the parking lot. In addition, the Company will continue to monitor and report on the Company's greenhouse gas emissions by setting specific reduction targets, and work with its suppliers, employees and stakeholders for less greenhouse gas emissions as contributions to environmental protection.

The Company's GHG emissions are as follows:

| | | 2024 | 2023 |
|---|--|---------------------|--------|
| Direct greenhouse gas emission (Scope 1) | Tonne of CO ₂ equivalent | 3.30 ³ | 1.25 |
| Indirect greenhouse gas emission (Scope 2) | Tonne of CO ₂ equivalent | 293.83 ⁴ | 182.85 |
| Total greenhouse gas emissions | Tonne of CO ₂ equivalent | 297.13 | 184.10 |
| Greenhouse gas emission intensity | Tonne CO ₂ equivalent/RMB1 million of revenue | 0.51 | 0.40 |

³ In 2024, the Company's efforts to expand its business resulted in a significant increase in gasoline consumption and direct greenhouse gas emission.

⁴ In 2024, the Company purchased large equipment and built a new laboratory, resulting in an increase purchased electricity and indirect greenhouse gas emission.

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2.2 Use of Resources

Water resources

The Company gives top priority to the conservation and utilization of water resources by strictly following the Water Law of the People's Republic of China, Jiangsu Water Conservation Ordinance and the Regulations of Suzhou City on Water Conservation and more, and makes water conservation figure prominently in its sustainable development.

For water conservation, the Company has posted water conservation signs prominently in key areas within the Company to remind employees to always pay attention to the use of water resources in their daily work and their better awareness of water conservation. These signs, featuring eye-catching design and clear and concise content, enable a strong "water conservation" atmosphere while serving as a reminder.

The Company's use of water resources is as follows:

| | | 2024 | 2023 |
|-----------------------------|-------------------------------|--------------------|------|
| Total water consumption | Tonne | 1,953 ⁵ | 810 |
| Water consumption intensity | Tonne/RMB1 million of revenue | 3.37 | 1.75 |

The water used by the Company is urban tap water, and there is no problem with water sources. Going forward, the Company will seek kinetic energy analysis in conjunction with previous years' energy and water usage data and set specific water usage targets based on the realities and development needs as a way to continue to refine its improvement measures and allocation of responsibilities for better water usage performance.

Energy consumption

The Company implements the responsibility of energy conservation and emission reduction for comprehensive utilization rates of resources pursuant to the Energy Conservation Law of the People's Republic of China and other laws and regulations. The Company's energy consumption consists primarily of electricity and gasoline.

During the Reporting Period, the total electricity purchased by the Company amounted to 515,233.00kWh. The consumption of gasoline usage was 1,506.35liters, which is within a controllable range.

| | | 2024 | 2023 |
|---|-----------------------------|-------------------------|--------------|
| Purchased electricity | kWh | 515,233.00 ⁶ | 320,625.79 |
| Gasoline consumption | Liter | 1,506.35 ⁷ | 567.91 |
| Total integrated energy consumption | kWh | 18,549,750.18 | 7,119,834.69 |
| Integrated energy consumption intensity | kWh/RMB1 million of revenue | 32,048.08 | 15,348.41 |

⁵ In 2024, due to the water leakage during the construction period of the Company's construction project from February to April in 2024, resulting in an increase water consumption.

⁶ In 2024, the Company purchased large equipment and built a new laboratory, resulting in an increase purchased electricity.

⁷ In 2024, the Company's efforts to expand its business resulted in a significant increase in gasoline consumption.

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The Company values the efficient utilization of power resources. The administrative department is responsible for daily supervision and reporting, coordinated by the company's general manager. The Company has minimized power wastage for better efficiency of electricity consumption through a number of energy-saving measures, such as:

- Turning off idle electronic equipment during daily inspections.
- Limiting the range of office temperature settings using the air conditioning system and automatically turning off the equipment after personnel leave. By scientifically regulating the temperature, we have cut energy consumption while ensuring a comfortable working environment for our employees.
- Posting signs at the power switch to remind employees to save electricity and promote green operation.
- The Company considers introducing third-party photovoltaic systems in the future, to achieve long-term energy-saving.

Looking ahead, the Company will continue to ramp up energy-saving management by promoting energy-saving technologies for employees' better awareness of energy saving to ensure that all the measures are put into practice.

Packaging materials

The Company has been committed to carrying forward the practice of environmental protection concepts, and the recycling and sorting management of packaging materials is part of our unremitting efforts. The Company has established a perfect packaging material recycling system to ensure that all kinds of packaging materials are reasonably and effectively reused. In 2024, the reused rate of cartons provided by suppliers reaches 80%. In daily office and sending express, the Company advocates and implements the carton recycling system to minimize the use of new cartons for less resource waste, and actively guides employees to correctly recycle packaging to improve the recycling rate of packaging materials. Additionally, the Company stresses simplified packaging and lightweighted design. That means optimizing packaging design for less unnecessary packaging materials and costs and burdens on the environment. These have cut the costs for enterprises, securing economic and environmental benefits.

| | | 2024 | 2023 |
|--|----------------------------|------------------|------|
| Carton | kg | 460 | 540 |
| Plastic | kg | 240 ⁸ | N/A |
| Total packaging material consumption | kg | 700 | 540 |
| Total amount of recycled packaging materials | kg | 236 | N/A |
| Packing material intensity | kg/RMB1 million of revenue | 1.21 | 1.16 |

⁸ Plastic is mainly used in bubble film packaging when sending wafers and other fragile products.

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Green office

Pursuing the new green development concept, the Company is committed to leading and promoting the popularization and practice of green travel and green culture. To that end, the Company has prepared the Convenience Guide, which, in detail marking the routes, stops and operating hours of buses, streetcars, public bicycles and other green travel modes, is designed to offer a comprehensive and practical manual on green travel for employees and the public, and to encourage everyone to choose low-carbon and green travel modes for an improved the urban environment.

In promoting green travel, the Company not only provides information and guidance, but also supports it in practical actions. The Company has responded to the national policy guidance on the development of new energy vehicles (NEVs) by installing a number of charging piles for NEVs and EVs in the parking lot to meet the growing demand for green travel of employees.

For the office, the Company is also sparing no effort to advance a green office culture. The Company is a strong champion of a paperless office by encouraging employees to communicate and transfer documents through electronic documents and online meetings for less use and waste of paper documents. Apart from that, the Company puts the rational use of paper resources high on its agenda. That means advocating double-sided printing, and encouraging employees to recycle and reuse used paper for less waste of resources and the burden on the environment.

Green product design

The Company's main business is the design of analog and mixed-signal "full-range chips" and "system-level solutions". Excellent chip design helps reduce the environmental impact of the product throughout its life cycle. In 2024, the Company required suppliers and foundries to use raw materials that meet REACH standards, ensuring that all products meet RoHS requirements for less environmental impacts of production.

2.3 Environment and Natural Resources

With the design of integrated circuits as its principal business, which does not include manufacturing and has no significant manufacturing and production activities, the Company's operations do not have a direct significant impact on the environment or natural resources. The Company is working on minimizing the indirect impacts of its operations on the environment. For that, the Company follows the laws and regulations related to environmental protection and a workable environmental management system with the goal of becoming a responsible and sustainable enterprise.

2.4 Addressing Climate Change

Braving the challenges posed by climate change, the Company keeps a close eye on the risks and opportunities associated with climate change through proactive countermeasures to sustain the development of the enterprise. With reference to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), this section describes the Company's commitment and future efforts to address climate change, categorized by governance, strategy, risk management, and metrics and targets.

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Governance

The Company has initially defined the Board's responsibility for oversight of climate-related risks and opportunities and the roles and responsibilities of management on climate change, based on the disclosure recommendations made by the TCFD. The Board needs to take full consideration climate-related risks and opportunities in the development of the Company's strategy, the updating of the risk management system, and the planning of the annual budget to make relevant decisions. The management will organize the identification, assessment and management of climate-related risks, and will take appropriate actions according to the materiality of the risks.

Strategy

The Company takes into account environmental, social and climate-related risks that may have an impact on its business, strategy and financial performance when developing its business strategy and adapts it to meet changing environmental, social and climate-related circumstances. Well addressing ESG issues presents an opportunity for the Company to shape better communities. As part of its strategy, the Company is committed to sustainable development and endeavors to follow the concept of sustainable development among our employees and in the workplace.

Risk management

Climate-related risks may fall under the transition risks arising from the transition to a low-carbon economy and the physical risks from climate change. Transition risks can be subdivided into policy and regulatory risks, market and technology risks, and reputation risks, and physical risks include acute physical risks (e.g., extreme weather such as typhoons and floods) and chronic physical risks (which refer to long-term changes in climate patterns such as a sea level rise and persistently rising temperatures).

Based on the industry in which the Company operates and the Company's realities, the Company has identified and assessed its management process for climate-related risks. The Company has identified the risk that climate change may bring increasingly severe extreme weather events, such as more frequent storms, floods and typhoons. The Company may be potentially impacted by increased operating and maintenance costs and increased premiums payable for insurance coverage. The health and safety of employees may also be put at risk. Regulators may require disclosure of a wider range of ESG-related information due to job security as well as climate-related issues. The Company may be subject to increased costs due to more stringent resource consumption requirements and the measures for employee protection and monitoring.

Metrics and Targets

In order to assess the performance of the Company's response to climate change, it holds the key to selecting appropriate parameters and indicators and setting objectives accordingly. The Company has selected unit energy consumption as the main performance indicator for energy conservation and emission reduction, and plans to analyze the trend of changes on a regular basis, with the goal of improving the efficiency of energy use. The Company encourages all departments to practice energy conservation and consumption reduction in order to enhance the overall energy and water utilization efficiency for less waste emissions. Given the changing operation and economic environment, the Company will review its goals and examine its practical activities annually, and will adjust its goals and measures taken in a timely manner.

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Striving forward, the Company will continue bettering the governance, strategy development, risk management, metrics and targets identification and management of climate-related risks. We will work together with all sectors to address climate change, to achieve common sustainable development.

3. Employment and Labor Management

3.1 Employment

Staying true to the principle of the rule of law, the Company works to ensure that all management decisions and practices meet national legal requirements by following the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China and more. Underpinned by it, the Company, having formulated a series of internal management systems, such as the Employee Handbook and the Human Resource Management Measures, aims to build a frank and transparent communication bridge with its employees, clarifying the Company's expectations of its employees, and making every effort to safeguard the lawful rights and interests and obligations of its employees.

As at the end of the Reporting Period, the Company had a total of 115 full-time employees under direct labor contracts and 1 employee under service contract, with an overall employee turnover rate of 7.20%, of which:

Number of full-time employees and turnover rate by gender:

| | 2024 | | | 2023 | | |
|--------|------------------------|--------------------------------|----------------------|------------------------|--------------------------------|----------------------|
| | Number of (Persons) | Percentage by number (%) | Turnover rate (%) | Number of (Persons) | Percentage by number (%) | Turnover rate (%) |
| Male | 68 | 58.62 | 5.56 | 63 | 55.75 | 1.56 |
| Female | 48 | 41.38 | 9.43 | 50 | 44.25 | 3.84 |

Number of employees and employee turnover rate by age group:

| | 2024 | | | 2023 | | |
|-------------|------------------------|--------------------------------|----------------------|------------------------|--------------------------------|----------------------|
| | Number of (Persons) | Percentage by number (%) | Turnover rate (%) | Number of (Persons) | Percentage by number (%) | Turnover rate (%) |
| 30 or below | 68 | 58.62 | 11.69 | 73 | 64.60 | 2.67 |
| 31-39 | 43 | 37.07 | 0 | 35 | 30.97 | 2.78 |
| 40 or above | 5 | 4.31 | 0 | 5 | 4.43 | 0 |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Data of employees by geographical region:

| | 2024 | | | 2023 | | |
|--------------------------|------------------------|--------------------------------|----------------------|------------------------|--------------------------------|----------------------|
| | Number of (Persons) | Percentage by number (%) | Turnover rate (%) | Number of (Persons) | Percentage by number (%) | Turnover rate (%) |
| Jiangsu Province | 113 | 97.41 | 7.38 | 110 | 97.35 | 2.65 |
| Other domestic provinces | 3 | 2.59 | 0 | 3 | 2.65 | 0 |

Number of employee turnover and turnover rate by employee category:

| | 2024 | | | 2023 | | |
|-----------------------------------|------------------------|--------------------------------|----------------------|------------------------|--------------------------------|----------------------|
| | Number of (Persons) | Percentage by number (%) | Turnover rate (%) | Number of (Persons) | Percentage by number (%) | Turnover rate (%) |
| Chairman and Senior Management | 3 | 2.59 | 0 | 2 | 1.77 | 0 |
| General staff | 113 | 97.41 | 7.38 | 111 | 98.23 | 2.63 |

Employee recruitment

To meet the particular talent needs of each department, the Company works to seek talent recruitment through two channels: social recruitment and campus recruitment. The Company follows a recruitment process that comprises a series of steps including resume collection, resume screening, written tests, interviews, issuance of offers, and induction of new employees. Holding on to the principles of fairness and impartiality, the Company ensures that factors unrelated to job competency, such as skin color, age, ethnicity, gender, etc., are excluded in recruitment decisions. The Company works on attracting and selecting exceptional talent to the Company and joins hands to sustain its development and prosperity.

The Company is convinced that the essence of the employment relationship lies in the two-way choice and mutual respect between the Company and the employee, and is firmly opposed to any form of forced labor, including unreasonable overtime work, excessive work pressure, and inappropriate working conditions. Following the laws and regulations issued by the State, the Company launches the comprehensive calculation work system or irregular work system according to the work of different positions, thus ensuring that the rights and interests of the employees are protected to the greatest extent possible.

The Company stresses employees' right to rest and vacation, and is committed to enabling a sound and harmonious working atmosphere. In addition to ensuring weekly weekend rest and full rest on statutory holidays, the Company has a number of leave systems that are for sick, marriage, maternity, paternity, breastfeeding, bereavement and annual leave and more, in order to meet all kinds of needs of employees and ensure that every employee can feel the warmth and care in their work for a harmonious balance between work and life.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.2 Labor Standards

The Company holds on to the bottom line of labor laws and regulations by resolutely eliminating any form of illegal employment. The Company ensures that all of its employees are of legal age and are not forced to engage in labor that is beyond their willingness and ability by following the Law of the PRC on the Protection of Minors and the Provisions on the Prohibition of Child Labor and other laws and regulations issued by the State on the age of employment and labor conditions. Meanwhile, the Company emphasizes the recruitment and induction process of employees. That means following the principles of fairness, impartiality and openness to ensure that every employee enters the Company through the normal interview and selection process. In this process, all induction procedures are carried out in strict accordance with the provisions of laws and regulations to ensure their legality and standardization. Employees shall not engage in any deception, concealment, misrepresentation or dishonesty in applying for employment, otherwise the Company shall have the right to refuse to ink an employment contract with them. Where it is proved that an employee has engaged in so in the process above following the establishment of the labor relationship, the Company shall have the right to take disciplinary actions against him/her, including the termination of the labor relationship. Following a rigorous review and self-examination, the Company confirms that it has not identified any potential risks or exceptions during the Reporting Period.

Valuing the security of employees' personal information for their rights and interests, the Company complies with the regulations on file storage to ensure that employee information is properly stored. The Company aims to enable a workplace environment featuring zero harassment and zero bullying. Where an employee believes that he or she has been subjected to sexual harassment, other forms of harassment or bullying at work, whether the harasser is his or her supervisor, a co-worker, or another person with whom he or she comes into contact in connection with his or her work, the employee is encouraged to report the matter to the relevant authorities. During the Reporting Period, there were no cases related to discrimination or harassment.

3.3 Employee Care

Employees drive and sustain the development of the Company. Being well aware of how important employees are, the Company brings them equal access to their due rights and interests by following the laws and regulations issued by the State. This is how we are shaping a comprehensive and rich benefit and remuneration system for them.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee benefits

In terms of employee benefits, the Company assists employees in need of housing to apply for public rental housing; provides afternoon tea to create a warm and comfortable resting environment for them; during the Mid-Autumn Festival, Chinese New Year and other traditional Chinese festivals, carefully prepares gifts to convey its love and blessings to employees; organizes regular health checkups for their health; and arranges group trips to enhance the communication and team cohesion among the employees.

The Company organizes kinds of sports activities, movie viewing and extra meals every week in order to enrich the spare time life of the employees and enhance their physical and mental health. The Company makes available a variety of sports facilities, such as badminton, basketball, tennis, etc., equipped with professional sports equipment, so that employees can increase exercise and release pressure after work.

Employee rights and interests

The Company has established a variety of internal corporate complaint channels, such as suggestion boxes and symposiums in order to ensure that employees can express their ideas and demands without hindrance. And it provides a platform for employees to communicate directly with the relevant departments or supervisors, so that they can give timely feedback on problems with their work, and make suggestions for improvements or lodge complaints.

The Company will continue to strengthen communication and exchange with its employees by organizing regular symposiums and other interactive activities to encourage them to participate and offer valuable opinions. Furthermore, the Company will also periodically evaluate and improve the complaint channel to ensure that it operates smoothly and efficiently. During the Reporting Period, the Company did not receive any complaints from its employees.

3.4 Development and Training

Employee training

The Company stresses internal training of its employees by stretching its internal and external training resources to help employees improve themselves and develop their core competitiveness. Catering to the actual specific needs, the Company has elaborated a full range of training contents including pre-employment training, job skills improvement, corporate culture inheritance, company system and professional knowledge transfer. The employee training rate was 100% in 2024.

We offered a two-week “BaTeLab IC Intensive Training” session in July 2024 to provide new employees with an in-depth understanding of the details of R&D work in order to help new employees to quickly integrate and acquire the necessary knowledge and skills.

The R&D department launches weekly technical review events involving various R&D aspects, such as mini block review, schematic design review, layout review, DEMO review and more. These events, led by experienced designers, are designed to provide valuable learning opportunities for less experienced colleagues. In addition, the Company regularly arranges weekly circuit analysis study for specific projects and reading activities of designated literature to continuously improve the professional skills and knowledge of its employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company encourages the experience exchange between its employees while focusing on technical learning. Regularly, the Company organizes “lesson learn” experience sharing sessions for employees to teach each other valuable positive and negative experience. From time to time, the Company provides employees with training on laboratory systems and instruction on the use of new laboratory equipment to ensure that they are able to skillfully operate the laboratory equipment for better efficiency of experiments.

In the actual R&D process, all R&D personnel form cross departmental R&D teams according to the project system. For the convenience of communication, team members work in the same area and regularly display project data and progress in the public area every week to ensure transparency and orderly progress of the project.

As at the end of the Reporting Period, statistics on the training of our employees were as follows:

The number of employees receiving training and average training hours by gender:

| | 2024 | | | 2023 | | |
|--------|------------------------|-----------------------------|--|------------------------|-----------------------------|--|
| | Number of (Persons) | Training coverage (%) | Average training hours (hours/year) | Number of (Persons) | Training coverage (%) | Average training hours (hours/year) |
| Male | 68 | 100 | 8 | 63 | 100 | 8 |
| Female | 48 | 100 | 8 | 50 | 100 | 8 |

The number of employees receiving training and average training hours by employee category:

| | 2024 | | | 2023 | | |
|-----------------------------------|------------------------|-----------------------------|--|------------------------|-----------------------------|--|
| | Number of (Persons) | Training coverage (%) | Average training hours (hours/year) | Number of (Persons) | Training coverage (%) | Average training hours (hours/year) |
| Chairman and Senior management | 3 | 100 | 8 | 2 | 100 | 8 |
| General staff | 113 | 100 | 8 | 111 | 100 | 8 |

The Company cooperates with Tsinghua University, Soochow University, Jiangsu Ocean University and other colleges and universities in cooperation between enterprises, universities and research institutes, and achieves the two-way development of professional optimization and talent training through joint R&D, training, internship, and more.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Case: Professors from Tsinghua University supports communication in the chip field of the company

As outstanding students from well-known universities participating in the 2024 “New” Program, three doctoral students from the School of Integrated Circuits at Tsinghua University conducted a 6-week summer internship at the Company. During this period, professors from Tsinghua University visited the Company to provide guidance and teaching activities. Both parties had in-depth exchanges and discussions on the Company’s multi category chip design, as well as the wide application of products in automotive electronics, medical and other fields. This practice is of great significance, as it not only helped students gain a deep understanding of the national conditions and establish a correct career outlook, but also injected new vitality into the company’s industry university research cooperation.

Development and promotion

The Company prioritizes the career development of employees by improving the “management development path+professional and technical path” career development channel. The two paths mean opportunities for the diversified development of employees, either of which they can choose according to their own interest, specialty and development goals.

For the management development path, the Company encourages employees with leadership potential and management talent to walk their way up to higher level management positions by improving their management capabilities. The professional and technical path stresses enhancing the skills and accumulating the knowledge of employees in their profession, making them experts in their respective fields.

In terms of employee promotion, the Company follows the principles of fairness and impartiality and the promotion criteria guided by “ability, performance and qualifications” to smooth the path of employee promotion by standardizing the promotion channels. With respect to the distribution of remuneration, the Company mainly adopts incentives for its management, and remuneration is closely linked not only to the performance appraisal of employees and their rewards and punishments, but also to the Company’s incentive mechanism.

3.5 Health and Safety

The Company has been always regarding the health and safety of its employees as a top priority in the workplace and is committed to enabling a safe and healthy working environment for them. The Company prevents accidents by adopting control initiatives such as providing employees with workplaces that comply with national occupational health standards and hygiene requirements, and organizing regular training on safety, so that employees can devote themselves to their work with peace of mind and high efficiency, and continues to strengthen the control over its occupational health and safety risks.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company places the health of its employees on its higher agenda. The number of workplace fatalities in the Company has been 0 for three consecutive years, and the number of lost workdays due to workplace injuries⁹ has been 40. The Company has had in place a regular medical examination program for all employees to monitor their health and to take necessary interventions in a timely manner. In 2024, the medical examination coverage rate of employees was 100%. The Company was not aware of any situations involving serious violations of laws or regulations relating to the provision of a safe working environment and the protection of employees against occupational hazards, including but not limited to the Labor Law of the PRC and the Law of PRC on the Prevention & Control of Occupational Diseases, and there were no incidents of occupational diseases during the Reporting Period.

Appendix

Stock Exchange ESG Reporting Guide Content Index

| The Environmental, Social and Governance Reporting Guide | | Section |
|--|---|-----------------------------|
| Main Category A. Environmental | | |
| Aspect A1: Emissions | | |
| A1 | General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | 2.1 Emissions Management |
| A1.1 | The types of emissions and respective emissions data. | 2.1 Emissions Management |
| A1.2 | Direct (scope 1) and indirect energy (scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | 2.1 Emissions Management |
| A1.3 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | 2.1 Emissions Management |
| A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | 2.1 Emissions Management |
| A1.5 | Description of emissions targets and the steps taken to achieve such targets. | 2.1 Emissions Management |
| A1.6 | Description of how hazardous and harmless wastes are handled, reduction initiatives and results achieved. | 2.1 Emissions Management |

⁹ In 2024, there is one injury occurred during employee commuting, not directly to the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance Reporting Guide

Section

Aspect A2: Use of Resources

| | | |
|------|--|----------------------|
| A2 | General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. | 2.2 Use of Resources |
| A2.1 | Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility). | 2.2 Use of Resources |
| A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility). | 2.2 Use of Resources |
| A2.3 | Description of energy use efficiency initiatives and results achieved. | 2.2 Use of Resources |
| A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved. | 2.2 Use of Resources |
| A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | 2.2 Use of Resources |

Aspect A3: Environment and Natural Resources

| | | |
|------|---|---------------------------------------|
| A3 | General Disclosure Policies on minimizing the issuer's significant impact on the environment and natural resources. | 2.3 Environment and Natural Resources |
| A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | 2.3 Environment and Natural Resources |

Aspect A4: Climate Change

| | | |
|------|--|-------------------------------|
| A4 | General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer. | 2.4 Addressing Climate Change |
| A4.1 | Description of the significant climate-related issues which have impacted, and those which may impact, the issuer and the actions taken to manage them. | 2.4 Addressing Climate Change |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| The Environmental, Social and Governance Reporting Guide | | Section |
|--|---|-----------------------|
| Main Category B. Social | | |
| Employment and Labor Practices | | |
| Aspect B1: Employment | | |
| B1 | General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | 3.1 Employment |
| B1.1 | Total workforce by gender, employment type (e.g. full time or part time), age group and geographical region. | 3.1 Employment |
| B1.2 | Employee turnover rate by gender, age group and geographical region. | 3.1 Employment |
| Aspect B2: Health and Safety | | |
| B2 | General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. | 3.5 Health and Safety |
| B2.1 | Number and rate of work-related fatalities in each of the past three years (including the reporting year). | 3.5 Health and Safety |
| B2.2 | Lost days due to work injury. | 3.5 Health and Safety |
| B2.3 | Description of occupational health and safety measures adopted, how they are implemented and monitored. | 3.5 Health and Safety |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance Reporting Guide

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Aspect B3: Development and Training

| | | |
|------|---|------------------------------|
| B3 | General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | 3.4 Development and training |
| B3.1 | The percentage of employees trained by gender and employee category (e.g. senior management, middle management). | 3.4 Development and training |
| B3.2 | The average training hours completed per employee by gender and employee category. | 3.4 Development and training |

Aspect B4: Labor Standards

| | | |
|------|---|---------------------|
| B4 | General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor. | 3.2 Labor Standards |
| B4.1 | Description of measures to review employment practices to avoid child and forced labor. | 3.2 Labor Standards |
| B4.2 | Description of steps taken to eliminate such practices when discovered. | 3.2 Labor Standards |

Operating Practices

Aspect B5: Supply Chain Management

| | | |
|------|---|-----------------------------|
| B5 | General Disclosure Policies on managing environmental and social risks of the supply chain. | 1.3 Supply Chain Management |
| B5.1 | Number of suppliers by geographical region. | 1.3 Supply Chain Management |
| B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored. | 1.3 Supply Chain Management |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| The Environmental, Social and Governance Reporting Guide | | Section |
|--|---|--|
| B5.3 | Description of practices relating to identifying environmental and social risks at each link of the supply chain where the practices are being implemented, how they are implemented and monitored. | 1.3 Supply Chain Management |
| B5.4 | Description of practices relating to selecting suppliers to promote the use of green products and services where the practices are being implemented, how they are implemented and monitored. | 1.3 Supply Chain Management |
| Aspect B6: Product Responsibility | | |
| B6 | General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | 1.4 Product Responsibility |
| B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | 1.4 Product Responsibility |
| B6.2 | Number of products and service related complaints received and how they are dealt with. | 1.6 Customer Services |
| B6.3 | Description of practices relating to observing and protecting intellectual property rights. | 1.5 Intellectual property rights protection and R&D innovation |
| B6.4 | Description of quality assurance process and recall procedures. | 1.6 Customer Services |
| B6.5 | Description of consumer data protection and privacy policies, how they are implemented and monitored. | 1.6 Customer Services |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance Reporting Guide

Section

Aspect B7: Anti-corruption

| | | |
|------|--|---------------------|
| B7 | General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | 1.2 Anti-corruption |
| B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. | 1.2 Anti-corruption |
| B7.2 | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. | 1.2 Anti-corruption |
| B7.3 | Description of anti-corruption trainings provided to directors and employees. | 1.2 Anti-corruption |

Community

Aspect B8: Community Investment

| | | |
|------|--|--------------------------|
| B8 | General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | 1.7. Social contribution |
| B8.1 | Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport). | 1.7. Social contribution |
| B8.2 | Resources contributed (e.g. money or time) to the focus area. | 1.7. Social contribution |

INDEPENDENT AUDITOR'S REPORT



Independent auditor's report to the shareholders of BaTeLab Co., Ltd.

(Incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the financial statements of BaTeLab Co., Ltd. (**"the Company"**) set out on pages 98 to 152, which comprise the statement of financial position as at 31 December 2024, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2024 and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (**"HKFRSs"**) issued by the Hong Kong Institute of Certified Public Accountants (**"HKICPA"**) and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (**"HKSAs"**) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (**"the Code"**) together with any ethical requirements that are relevant to our audit of the financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

Key audit matter

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

| Revenue Recognition | |
|---|--|
| Refer to Note 4 to the financial statements and the accounting policies on page 116 to 117. | |
| The Key Audit Matter | How the matter was addressed in our audit |
| <p>Revenue of the Company mainly comprises sales of signal chain products and power management products to distributors and direct customers.</p> <p>The Company recognises revenue from sales of signal chain products and power management products at the point in time when control of the goods is transferred to the customer. This point in time will be when the goods are accepted by the distributors or the direct customers.</p> <p>We identified the recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Company and is, therefore, subject to possible manipulation through the timing of revenue recognition to meet targets or expectations.</p> | <p>Our audit procedures to assess the recognition of revenue included the following:</p> <ul style="list-style-type: none">• obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls in relation to revenue recognition;• inspecting sales contracts with customers, on a sample basis, to understand the terms of the sales transactions including the terms of delivery and acceptance, and any sales return arrangements, in order to assess the Company's revenue recognition policies with reference to the requirements of the prevailing accounting standards;• comparing, on a sample basis, specific revenue transactions recorded before and after the financial year-end date with goods acceptance notes, invoices and sales contracts ("underlying documentation"), to assess whether the related revenue had been recognised in the appropriate financial period on the basis of the terms of sale as set out in the respective sales contracts;• comparing revenue transactions recorded during the current year, on a sample basis, with underlying documentation to assess whether the related revenue was recognised in accordance with the Company's revenue recognition accounting policies; |

INDEPENDENT AUDITOR'S REPORT

Key audit matter (continued)

| Revenue Recognition (continued) | |
|---|--|
| Refer to Note 4 to the financial statements and the accounting policies on page 116 to 117. | |
| The Key Audit Matter | How the matter was addressed in our audit |
| | <ul style="list-style-type: none">obtaining confirmations, on a sample basis, from customers of the Company to confirm the sales transactions during the year and, for unreturned confirmations, performing alternative procedures by comparing details of the transactions with relevant underlying documentation; andinspecting sales journals during the financial year that met certain risk-based criteria and comparing details of these journals with the relevant underlying documents. |

Information other than the financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT

Auditor's responsibilities for the audit of the financial statements (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the company audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the Company financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the company audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yue Tat Wai.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

20 March 2025

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

(Expressed in Renminbi)

| | Note | 2024 RMB'000 | 2023 RMB'000 |
|--|------|------------------|-----------------|
| Revenue | 4 | 578,807 | 463,881 |
| Cost of sales | | (271,890) | (206,770) |
| Gross profit | | 306,917 | 257,111 |
| Other income and net gain | 5 | 34,839 | 8,092 |
| Distribution costs | | (6,893) | (6,503) |
| Administrative expenses | | (31,693) | (26,126) |
| Research and development expenses | | (129,220) | (119,147) |
| Profit from operations | | 173,950 | 113,427 |
| Finance costs | 6(a) | (7,990) | (4,269) |
| Profit before taxation | 6 | 165,960 | 109,158 |
| Income tax | 7(a) | 641 | – |
| Profit for the year | | 166,601 | 109,158 |
| Other comprehensive income for the year, net of nil tax | | – | – |
| Total comprehensive income for the year | | 166,601 | 109,158 |
| Earnings per share (RMB) | 10 | | |
| Basic | | 2.78 | 2.42 |
| Diluted | | 2.78 | 2.42 |

The notes on pages 104 to 152 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 December 2024

(Expressed in Renminbi)

| | Note | 31 December 2024 RMB'000 | 31 December 2023 RMB'000 |
|--|------|--------------------------------|--------------------------------|
| Non-current assets | | | |
| Property, plant and equipment | 11 | 62,114 | 62,329 |
| Right-of-use assets | 12 | 4,033 | 6,873 |
| Intangible assets | 13 | 619 | 374 |
| Financial assets measured at fair value through other comprehensive income | 14 | 30,000 | – |
| Other non-current assets | 15 | 61,073 | 35,032 |
| | | 157,839 | 104,608 |
| Current assets | | | |
| Inventories | 16 | 315,402 | 218,131 |
| Trade and other receivables | 17 | 51,503 | 69,169 |
| Prepayments | 18 | 396,291 | 261,319 |
| Pledged bank deposits | 19 | 51,757 | 66,862 |
| Cash and cash equivalents | 20 | 636,020 | 550,838 |
| | | 1,450,973 | 1,166,319 |
| Current liabilities | | | |
| Loans and borrowings | 21 | 320,173 | 171,601 |
| Trade and other payables | 22 | 277,667 | 248,501 |
| Lease liabilities | 23 | 3,986 | 6,579 |
| | | 601,826 | 426,681 |
| Net current assets | | 849,147 | 739,638 |
| Total assets less current liabilities | | 1,006,986 | 844,246 |

The notes on pages 104 to 152 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION (Continued)

At 31 December 2024

(Expressed in Renminbi)

| | Note | 31 December 2024 RMB'000 | 31 December 2023 RMB'000 |
|--------------------------------|-------|--------------------------------|--------------------------------|
| Non-current liabilities | | | |
| Lease liabilities | 23 | 1,061 | 4,455 |
| Deferred tax liabilities | 24(a) | 921 | 1,562 |
| | | 1,982 | 6,017 |
| NET ASSETS | | 1,005,004 | 838,229 |
| EQUITY | | | |
| Share capital | 26(b) | 60,000 | 60,000 |
| Reserves | 26(c) | 945,004 | 778,229 |
| TOTAL EQUITY | | 1,005,004 | 838,229 |

Approved and authorised for issue by the board of directors on 20 March 2025.

Li Zhen

Chairman

Li Yi

Chief Financial Officer

The notes on pages 104 to 152 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

(Expressed in Renminbi)

| | | | | | PRC | | |
|--|------|-------------------------|----------------------------|-----------------------------|------------------------------|------------------|--------------|
| | Note | Share capital | Share premium | Capital reserve | statutory reserves | Retained profits | Total equity |
| | | RMB'000 (note 26(b)) | RMB'000 (note 26(c)(i)) | RMB'000 (note 26(c)(ii)) | RMB'000 (note 26(c)(iii)) | RMB'000 | RMB'000 |
| Balance at 1 January 2023 | | 45,000 | 222,407 | – | 14,257 | 114,171 | 395,835 |
| Issue of ordinary shares by initial public offering, net of issuance costs | | 15,000 | 308,241 | – | – | – | 323,241 |
| Profit and total comprehensive income for the year | | – | – | – | – | 109,158 | 109,158 |
| Appropriation to reserves | | – | – | – | 10,912 | (10,912) | – |
| Equity-settled share-based transactions | | – | – | 9,995 | – | – | 9,995 |
| Balance at 31 December 2023 and 1 January 2024 | | 60,000 | 530,648 | 9,995 | 25,169 | 212,417 | 838,229 |
| Profit and total comprehensive income for the year | | – | – | – | – | 166,601 | 166,601 |
| Appropriation to reserves | | – | – | – | 4,831 | (4,831) | – |
| Equity-settled share-based transactions | 25 | – | – | 174 | – | – | 174 |
| Balance at 31 December 2024 | | 60,000 | 530,648 | 10,169 | 30,000 | 374,187 | 1,005,004 |

The notes on pages 104 to 152 form part of these financial statements.

CASH FLOW STATEMENT

For the year ended 31 December 2024

(Expressed in Renminbi)

| | Note | 2024 RMB'000 | 2023 RMB'000 |
|---|------|------------------|-----------------|
| Operating activities | | | |
| Profit before taxation | | 165,960 | 109,158 |
| Adjustments for: | | | |
| – Depreciation of property, plant and equipment | 6(c) | 5,055 | 3,702 |
| – Depreciation of right-of-use assets | 6(c) | 3,334 | 1,841 |
| – Amortisation of intangible assets | 6(c) | 77 | 48 |
| – Net loss on disposal of property, plant and equipment | | – | 1 |
| – Finance costs | 6(a) | 7,990 | 4,269 |
| – Interest income | 5 | – | (1,746) |
| – Net realised and unrealised gains on financial assets measured at fair value through profit or loss | 5 | – | (237) |
| – Equity-settled share-based transactions | 25 | 174 | 9,995 |
| – Foreign exchange (gain)/loss | | (7,267) | 922 |
| Changes in working capital: | | | |
| Increase in inventories | | (97,271) | (141,815) |
| Decrease/(increase) in trade and other receivables | | 17,666 | (3,517) |
| Increase in prepayments | | (134,972) | (58,474) |
| Decrease/(increase) in pledged bank deposits | | 15,105 | (45,711) |
| Increase in trade and other payables | | 37,710 | 151,841 |
| Net cash generated from operating activities | | 13,561 | 30,277 |
| Investing activities: | | | |
| Payment for the purchase of property, plant and equipment and other non-current assets | | (33,920) | (43,492) |
| Payment for purchase of intangible assets | | (25) | (190) |
| Interest received | | – | 1,746 |
| Payments for acquisition of financial assets measured at fair value through profit or loss | | – | (30,000) |
| Proceeds from disposal of financial assets measured at fair value through profit or loss | | – | 30,237 |
| Payment for investments measured at fair value through other comprehensive income | | (30,000) | – |
| Net cash used in investing activities | | (63,945) | (41,699) |

The notes on pages 104 to 152 form part of these financial statements.

CASH FLOW STATEMENT (Continued)

For the year ended 31 December 2024

(Expressed in Renminbi)

| | Note | 2024 RMB'000 | 2023 RMB'000 |
|---|-------|-----------------|-----------------|
| Financing activities: | | | |
| Capital element of lease rentals paid | 20(b) | (6,481) | (805) |
| Interest element of lease rentals paid | 20(b) | (273) | (218) |
| Proceeds from loans and borrowings | 20(b) | 377,937 | 171,439 |
| Repayment of loans and borrowings | 20(b) | (229,656) | (95,414) |
| Proceeds from issuance of H shares, net of issuance costs | | (6,540) | 329,660 |
| Interest paid | 20(b) | (7,426) | (3,987) |
| Net cash generated from financing activities | | 127,561 | 400,675 |
| Net increase in cash and cash equivalents | | 77,177 | 389,253 |
| Cash and cash equivalents at 1 January | 20(a) | 550,838 | 162,507 |
| Effect of foreign exchange rate changes | | 8,005 | (922) |
| Cash and cash equivalents at 31 December | 20(a) | 636,020 | 550,838 |

The notes on pages 104 to 152 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 General Information

BaTeLab Co., Ltd. (the “**Company**”) (蘇州貝克微電子股份有限公司) was incorporated in Suzhou, Jiangsu Province, People’s Republic of China (the “**PRC**”) on 12 November 2010 as a limited liability company. In November 2021, the Company was converted from a limited liability company into a joint stock limited liability company. The Company’s shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 28 December 2023 (the “**Listing**”).

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

2 Material accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Material accounting policies adopted by the Company are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Company for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except that certain assets are stated at their fair value as explained in the accounting policies set out in note 2(d).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

NOTES TO THE FINANCIAL STATEMENTS

2 Material accounting policies (continued)

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements 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) Changes in accounting policies

The Company has applied the following new and amended HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKAS 1, *Presentation of financial statements – Classification of liabilities as current or non-current* (“**2020 amendments**”) and amendments to HKAS 1, *Presentation of financial statements – Non-current liabilities with covenants* (“**2022 amendments**”)
- Amendments to HKFRS 16, *Leases – Lease liability in a sale and leaseback*
- Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

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

(d) Other investments in securities

The Company’s policies for investments in securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in securities are recognised/derecognised 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 FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the group determines fair value of financial instruments, see note 27(d). These investments are subsequently accounted for as follows, depending on their classification.

NOTES TO THE FINANCIAL STATEMENTS

2 Material accounting policies (continued)

(d) Other investments in securities (continued)

(i) *Non-equity investments*

Non-equity investments held by the Company are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see note 2(r)(iii)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- 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. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in OCI. When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.
- FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) *Equity investments*

An investment in equity securities is classified as FVPL, unless the investment is not held for trading purposes and on initial recognition the group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in OCI. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income (see note 2(r)(ii)).

NOTES TO THE FINANCIAL STATEMENTS

2 Material accounting policies (continued)

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and 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 (major components).

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

| | |
|----------------------------------|------------|
| – Leasehold improvements | 3–5 years |
| – Equipment and machinery | 3–10 years |
| – Passenger vehicles | 4 years |
| – Office equipment and furniture | 3–5 years |

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. 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 recognised 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 Company intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

Other intangible assets, including patents and trademarks, that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

2 Material accounting policies (continued)

(f) Intangible assets (continued)

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 recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

| | |
|------------|------------|
| – Software | 3–10 years |
|------------|------------|

Amortisation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

(g) Right-of-use assets

At inception of a contract, the Company 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 Company has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Company recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less, and leases of low-value items such as laptops and office furniture. When the Company enters into a lease in respect of a low-value item, the Company decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised 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 are charged to profit or loss as incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability 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. Depreciation is calculated using the straight-line method over the unexpired term of lease.

NOTES TO THE FINANCIAL STATEMENTS

2 Material accounting policies (continued)

(g) Right-of-use assets (continued)

(i) *As a lessee (continued)*

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 Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company 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, 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 statement 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.

(ii) *As a lessor*

The Company determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. Otherwise, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Company allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(r)(iv).

When the Company is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Company applies the exemption described in note 2(g)(i), then the Company classifies the sub-lease as an operating lease.

NOTES TO THE FINANCIAL STATEMENTS

2 Material accounting policies (continued)

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Company recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents, pledged bank deposits, trade and other receivables and prepayments).

Other financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. 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 effective interest rate determined at initial recognition or an approximation thereof if the effect is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are measured on either of 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 ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Company 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 and contract assets are always measured at an amount equal to lifetime ECLs.

NOTES TO THE FINANCIAL STATEMENTS

2 Material accounting policies (continued)

(h) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Company 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 Company's historical experience and informed credit assessment, that includes forward-looking information.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Company.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Company recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in non-equity securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in OCI and accumulated in the fair value reserve (recycling) does not reduce the carrying amount of the financial asset in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

2 Material accounting policies (continued)

(h) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Credit-impaired financial assets

At each reporting date, the Company assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- the restructuring of a loan or advance by the Company on terms that the Company 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 Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

At each reporting date, the group reviews the carrying amounts of its non-financial assets (other than property carried at revalued amounts, investment property, inventories and other contract costs, contract assets and deferred tax assets) 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).

NOTES TO THE FINANCIAL STATEMENTS

2 Material accounting policies (continued)

(h) Credit losses and impairment of assets (continued)

(ii) *Impairment of other non-current assets (continued)*

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 recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated to reduce the carrying amounts of assets in the CGU on a pro rata basis.

For 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 recognised.

(iii) *Interim financial reporting and impairment*

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(h)(i) and (ii)).

(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, costs of conversion 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.

(j) *Contract liabilities*

A contract liability is recognised when the customer pays non-refundable consideration before the Company recognises the related revenue (see note 2(r)). A contract liability is also recognised if the Company has an unconditional right to receive non-refundable consideration before the Company recognises the related revenue. In such cases, a corresponding receivable is also recognised (see note 2(k)).

NOTES TO THE FINANCIAL STATEMENTS

2 Material accounting policies (continued)

(j) Contract liabilities (continued)

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(k) Trade and other receivables

A receivable is recognised when the Company 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. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. 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 other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement. Cash and cash equivalents are assessed for ECL (see note 2(h)(i)).

(m) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(n) 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 recognised in accordance with note 2(t).

(o) 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 recognised for the amount expected to be paid if the Company 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.

NOTES TO THE FINANCIAL STATEMENTS

2 Material accounting policies (continued)

(o) Employee benefits (continued)

(ii) *Share-based payments*

The grant-date fair value of equity-settled share-based payments granted to employees is measured using the binomial model. The amount is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(iii) *Termination benefits*

Termination benefits are expensed at the earlier of when the group can no longer withdraw the offer of those benefits and when the group recognises costs for a restructuring.

(p) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in 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 recognised 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 recognised 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.

The Company recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

NOTES TO THE FINANCIAL STATEMENTS

2 Material accounting policies (continued)

(p) Income tax (continued)

Deferred tax assets are recognised 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 realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(q) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Revenue and other income

Income is classified by the Company as revenue when it arises from the sale of goods, the provision of services or the use by others of the Company's assets under leases in the ordinary course of the Company's business.

The Company is the principal for its revenue transactions and recognises revenue on a gross basis, including the sale of electronic products that are sourced externally. In determining whether the Company acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Company's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

NOTES TO THE FINANCIAL STATEMENTS

2 Material accounting policies (continued)

(r) Revenue and other income (continued)

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Company is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Company's revenue and other income recognition policies are as follows:

(i) *Sale of goods and provision of services*

Revenue is recognised when the customer takes possession of and accepts the products and/or services.

(ii) *Dividends*

Dividend income is recognised in profit or loss on the date on which the group's right to receive payment is established.

(iii) *Interest income*

Interest income is recognised 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.

(iv) *Rental income from operating leases*

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(v) *Government grants*

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Company will comply with the conditions attaching to them.

Grants that compensate the Company for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Company for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

NOTES TO THE FINANCIAL STATEMENTS

2 Material accounting policies (continued)

(s) Translation of foreign currencies

Transactions in foreign currencies are translated into the functional currency of the Company 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 recognised in profit or loss.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Company if that person:

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Company or the Company's parent.

(b) An entity is related to the Company if any of the following conditions applies:

- (i) The entity and the Company are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).

NOTES TO THE FINANCIAL STATEMENTS

2 Material accounting policies (continued)

(u) Related parties (continued)

(b) An entity is related to the Company if any of the following conditions applies: (continued)

- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Company's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Company's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Accounting judgement and estimates

There is no significant effect on the amounts recognised in the financial statements arising from the judgments, apart from those involving estimations, made by management in the process of applying the Company's accounting policies. The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(i) Allowance for impairment of trade and other receivables

The Company's management determines the loss allowance for expected credit losses on trade and other receivables based on an assessment of the present value of all expected cash shortfalls. These estimates are based on the information about past events, current conditions and forecasts of future economic conditions. The Company's management reassesses the loss allowance at the period end.

NOTES TO THE FINANCIAL STATEMENTS

3 Accounting judgement and estimates (continued)

(ii) Net realisable value of inventories

As described in note 2(i), net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions.

Management reassesses these estimations at the end of the period to ensure inventory is shown at the lower of cost and net realisable value.

4 Revenue and segment reporting

(a) Revenue

(i) Disaggregation of revenue

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

| | 2024 RMB'000 | 2023 RMB'000 |
|---|-----------------|-----------------|
| Revenue from contracts with customers within the scope of HKFRS 15 | | |
| – Analog IC patterned wafers | 572,428 | 463,881 |
| – Electronic components | 6,379 | – |
| | 578,807 | 463,881 |

All revenue was recognised at a point in time.

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date.

The Company has applied the practical expedient in paragraph 121(a) of HKFRS 15 to its sales contracts for analog IC patterned wafers and electronic components that the Company will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of analog IC patterned wafers and electronic components that had an original expected duration of one year or less.

(b) Segment reporting

HKFRS 8, *Operating Segments*, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Company's chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, the Company has determined that it only has one operating segment which is the sales of analog IC patterned wafers and electronic components.

NOTES TO THE FINANCIAL STATEMENTS

4 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

(i) Information about geographical area

All of the Company's revenue is derived from the sales of analog IC patterned wafers and electronic components in mainland China and the principal non-current assets employed by the Company are located in mainland China. Accordingly, no analysis by geographical segments has been provided for the reporting periods.

(ii) Information about major customers

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

| | 2024 RMB'000 | 2023 RMB'000 |
|------------|-----------------|-----------------|
| Customer A | 236,599 | 210,273 |
| Customer B | 227,070 | 195,222 |
| Customer C | 59,130 | N/A* |

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

5 Other income and net gain

| | 2024 RMB'000 | 2023 RMB'000 |
|--|-----------------|-----------------|
| Interest income | 14,027 | 1,746 |
| Net realised gains on financial assets measured at fair value through profit or loss | – | 237 |
| Government grants (Note) | 12,770 | 6,148 |
| Rental income | 775 | 798 |
| Net foreign exchange gain/(loss) | 7,267 | (922) |
| Others | – | 85 |
| | 34,839 | 8,092 |

Note: The government grant primarily comprise subsidies received from government for the encouragement of research and development projects and activities carried out in IC industry and high-technology advancement, incentive for the initial listing of the company's shares and additional deduction on input value-added tax. No other specific conditions are attached to the grant.

NOTES TO THE FINANCIAL STATEMENTS

6 Profit before taxation

Profit before taxation is arrived at after charging:

| | Note | 2024 RMB'000 | 2023 RMB'000 |
|--|------|-----------------|-----------------|
| (a) Finance costs: | | | |
| Interest on | | | |
| – loans and borrowings | | 7,717 | 4,051 |
| – lease liabilities | | 273 | 218 |
| Total interest expense | | 7,990 | 4,269 |
| (b) Staff costs: | | | |
| Salaries, wages and other benefits | | 39,811 | 38,712 |
| Contributions to defined contribution retirement plans (i) | | 1,275 | 1,039 |
| Equity-settled share-based payments | 25 | 174 | 9,995 |
| | | 41,260 | 49,746 |

- (i) Employees of the Company are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Company contributes funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Company has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

(c) Other items:

| | Note | 2024 RMB'000 | 2023 RMB'000 |
|---------------------------------------|-------|-----------------|-----------------|
| Cost of inventories | 16(b) | 372,719 | 284,692 |
| Depreciation: | | | |
| – owned property, plant and equipment | 11 | 5,055 | 3,702 |
| – right-of-use assets | 12 | 3,334 | 1,841 |
| Research and development expenses (i) | | 129,220 | 119,147 |
| Amortisation of intangible assets | 13 | 77 | 48 |
| Auditors' remuneration: | | | |
| – audit services | | 2,060 | 1,252 |
| – other services | | 120 | 128 |

- (i) During the year ended 31 December 2024, staff costs and depreciation expenses in research and development expenses are RMB23,370,000 (2023: RMB22,165,000), which are also included in the total amounts disclosed separately above.

NOTES TO THE FINANCIAL STATEMENTS

7 Income tax in the statement of profit or loss and other comprehensive income

(a) Taxation in the statement of profit or loss and other comprehensive income represents:

| | 2024 RMB'000 | 2023 RMB'000 |
|---|-----------------|-----------------|
| Current tax: | | |
| Provision for PRC income tax for the year | — | — |
| Deferred tax: | | |
| Effect on deferred tax balances resulting from a change in tax rate | (641) | — |
| | (641) | — |

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

| | 2024 RMB'000 | 2023 RMB'000 |
|---|-----------------|-----------------|
| Profit before taxation | 165,960 | 109,158 |
| Notional tax on profit before taxation, calculated at the rates applicable in the PRC (i) | 41,490 | 27,290 |
| Effect of preferential tax rate (ii) | (22,370) | (12,580) |
| Effect of additional deduction on research and development expenses (iii) | (19,281) | (16,310) |
| Effect on deferred tax balances resulting from a change in tax rate (ii) | (641) | — |
| Tax effect of non-deductible expenses | 161 | 1,600 |
| Actual tax expense | (641) | — |

(i) Pursuant to the Enterprise Income Tax (the “EIT”) Law of the PRC (the “EIT Law”), the Company is liable to EIT at a rate of 25% unless otherwise specified.

(ii) According to the Notice of the State Council on Promulgation of Several Policies for Promoting the High-quality Development of Integrated Circuit and Software Industries in the New Era, from the year of being profitable, the Company can enjoy the exemption from EIT for the first two years and half reduced rate on statutory rate at 25% for the following three years (the “Tax Holiday”). The Company has entered into the first tax profitable year in 2023, therefore it applies tax exemption in 2023 and 2024.

In April 2024, The Company has obtained government approval to be a key integrated circuit design enterprise encouraged by the state. According to the Announcement on Enterprise Income Tax Policies for Promoting the High-quality Development of the Integrated Circuit Industry and the Software Industry, from the year of being profitable, the enterprise can enjoy the exemption from EIT from the first to the fifth year, and will be taxed at a reduced rate of 10% in the following years. The Company has entered into the first tax profitable year in 2023, and it applies tax exemption from 2024 to 2027, and income tax rate of 10% in the following years.

(iii) Additionally, the company is entitled to a 100% super-deduction for qualified research and development expenses incurred from taxable income, in accordance with relevant regulations.

NOTES TO THE FINANCIAL STATEMENTS

8 Directors' and Supervisors' emoluments

Directors' and Supervisors' 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 2024

| | Directors' fees RMB'000 | Salaries, allowances and benefits in kind RMB'000 | Discretionary bonuses RMB'000 | Retirement scheme contributions RMB'000 | Total RMB'000 |
|--|----------------------------|--|----------------------------------|--|------------------|
| Executive directors | | | | | |
| Mr. Li Zhen | – | 486 | 420 | 15 | 921 |
| Mr. Zhang Guangping | – | 603 | 815 | 9 | 1,427 |
| Mr. Li Yi | – | 560 | 800 | 15 | 1,375 |
| Non-executive directors | | | | | |
| Mr. Kong Jianhua | – | – | – | – | – |
| Mr. Zhou Yufeng (resigned on 15 April 2024) | – | – | – | – | – |
| Independent non-executive directors | | | | | |
| Mr. Zhao Heming | 60 | – | – | – | 60 |
| Mr. Wen Chengge | 60 | – | – | – | 60 |
| Mr. Ma Ming | 60 | – | – | – | 60 |
| Ms. Kang Yuanshu | 60 | – | – | – | 60 |
| Supervisors | | | | | |
| Mr. Chen Xingyu | – | – | – | – | – |
| Mr. Zhou Taotao | – | 148 | 35 | 9 | 192 |
| Mr. Zhou Cheng | – | 281 | 90 | 9 | 380 |
| | 240 | 2078 | 2,160 | 57 | 4,535 |

NOTES TO THE FINANCIAL STATEMENTS

8 Directors' and Supervisors' emoluments (continued)

Directors' and Supervisors' 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: (continued)

Year ended 31 December 2023

| | Directors' fees RMB'000 | Salaries, allowances and benefits in kind RMB'000 | Discretionary bonuses RMB'000 | Retirement scheme contributions RMB'000 | Total RMB'000 |
|--|----------------------------|--|----------------------------------|--|------------------|
| Executive directors | | | | | |
| Mr. Li Zhen | – | 719 | 660 | 15 | 1,394 |
| Mr. Zhang Guangping | – | 670 | 767 | 9 | 1,446 |
| Mr. Li Yi | – | 622 | 655 | 15 | 1,292 |
| Non-executive directors | | | | | |
| Mr. Kong Jianhua | – | – | – | – | – |
| Mr. Chen Datong (<i>resigned on 24 April 2023</i>) | – | – | – | – | – |
| Independent non-executive directors | | | | | |
| Mr. Zhao Heming | 60 | – | – | – | 60 |
| Mr. Wen Chengge | 60 | – | – | – | 60 |
| Mr. Ma Ming | 60 | – | – | – | 60 |
| Ms. Kang Yuanshu (<i>appointed on 1 December 2023</i>) | 5 | – | – | – | 5 |
| Supervisors | | | | | |
| Mr. Chen Xingyu | – | – | – | – | – |
| Mr. Zhou Taotao | – | 138 | 31 | 9 | 178 |
| Mr. Zhou Cheng | – | 306 | 100 | 9 | 415 |
| | 185 | 2,455 | 2,213 | 57 | 4,910 |

During the year, 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.

NOTES TO THE FINANCIAL STATEMENTS

9 Individuals with highest emoluments

Of the five individuals with the highest emoluments, Two (2023: two) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other three (2023: three) individuals are as follows:

| | 2024 RMB'000 | 2023 RMB'000 |
|--|-----------------|-----------------|
| Salaries, allowance and benefits in kind | 3,408 | 3,513 |
| Discretionary bonuses | 2,032 | 1,855 |
| Retirement scheme contributions | 86 | 26 |
| Share-based payments | 121 | 9,995 |
| | 5,647 | 15,389 |

The emoluments of the individuals who are not director and with the highest emoluments are within the following bands:

| | 2024 Number of individuals | 2023 Number of individuals |
|-------------------------|----------------------------------|----------------------------------|
| HK\$ | | |
| 1,000,001 – 1,500,000 | 1 | 1 |
| 1,500,001 – 2,000,000 | 1 | 1 |
| 3,000,001 – 3,500,000 | 1 | – |
| 13,500,001 – 14,000,000 | – | 1 |

NOTES TO THE FINANCIAL STATEMENTS

10 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB166,601,000 (2023: RMB109,158,000) and the weighted average of 60,000,000 ordinary shares (2023: 45,164,000) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

| | 2024 '000 | 2023 '000 |
|---|--------------|--------------|
| Issued ordinary shares at 1 January | 60,000 | 45,000 |
| Effect of ordinary shares issued under initial public offering (note 26(b)) | – | 164 |
| Weighted average number of ordinary shares at 31 December | 60,000 | 45,164 |

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the company of RMB166,601,000 (2023: RMB109,158,000) and the weighted average number of ordinary shares of 60,025,000 shares (2023: 45,164,000 ordinary shares) after adjusting for the effect of all dilutive potential ordinary shares under the Company's employee Restricted Share Unit Scheme during the year ended 31 December 2024.

Weighted average number of ordinary shares (diluted)

| | 2024 '000 | 2023 '000 |
|---|--------------|--------------|
| Weighted average number of ordinary shares at 31 December | 60,000 | 45,164 |
| Effect of deemed issue of shares under the employee restricted share unite scheme (note 25) | 25 | – |
| Weighted average number of ordinary shares (diluted) at 31 December | 60,025 | 45,164 |

NOTES TO THE FINANCIAL STATEMENTS

11 Property, plant and equipment

| | Equipment and machinery RMB'000 | Passenger vehicles RMB'000 | Office equipment and furniture RMB'000 | Construction in progress RMB'000 | Leasehold improvements RMB'000 | Total RMB'000 |
|----------------------------------|--|----------------------------------|---|--|--------------------------------------|------------------|
| Cost: | | | | | | |
| At 1 January 2023 | 10,054 | 1,108 | 1,181 | 50,275 | 165 | 62,783 |
| Additions | 1,155 | 1,580 | 958 | 3,086 | – | 6,779 |
| Transfer | – | – | – | (11,264) | 11,264 | – |
| Disposals | – | – | (7) | – | – | (7) |
| At 31 December 2023 | 11,209 | 2,688 | 2,132 | 42,097 | 11,429 | 69,555 |
| At 1 January 2024 | 11,209 | 2,688 | 2,132 | 42,097 | 11,429 | 69,555 |
| Additions | 782 | – | 232 | 4,197 | – | 5,211 |
| Transfer | 17,355 | – | – | (19,206) | 1,480 | (371) |
| At 31 December 2024 | 29,346 | 2,688 | 2,364 | 27,088 | 12,909 | 74,395 |
| Accumulated depreciation: | | | | | | |
| At 1 January 2023 | (2,321) | (373) | (831) | – | (5) | (3,530) |
| Charge for the year | (883) | (607) | (280) | – | (1,932) | (3,702) |
| Written back on disposals | – | – | 6 | – | – | 6 |
| At 31 December 2023 | (3,204) | (980) | (1,105) | – | (1,937) | (7,226) |
| At 1 January 2024 | (3,204) | (980) | (1,105) | – | (1,937) | (7,226) |
| Charge for the year | (1,546) | (638) | (321) | – | (2,550) | (5,055) |
| At 31 December 2024 | (4,750) | (1,618) | (1,426) | – | (4,487) | (12,281) |
| Net book value: | | | | | | |
| At 31 December 2023 | 8,005 | 1,708 | 1,027 | 42,097 | 9,492 | 62,329 |
| At 31 December 2024 | 24,596 | 1,070 | 938 | 27,088 | 8,422 | 62,114 |

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

NOTES TO THE FINANCIAL STATEMENTS

12 Right-of-use assets

| | Properties leased for own use carried at cost (i) RMB'000 |
|--|--|
| Cost: | |
| At 1 January 2023 | 7,083 |
| Additions | 2,217 |
| Lease modification | 3,052 |
| At 31 December 2023 and 1 January 2024 | 12,352 |
| Additions | 494 |
| At 31 December 2024 | 12,846 |
| Accumulated amortisation: | |
| At 1 January 2023 | (3,638) |
| Charge for the year | (1,685) |
| Lease modification | (156) |
| At 31 December 2023 and 1 January 2024 | (5,479) |
| Charge for the year | (3,334) |
| At 31 December 2024 | (8,813) |
| Net book value: | |
| At 31 December 2023 | 6,873 |
| At 31 December 2024 | 4,033 |

NOTES TO THE FINANCIAL STATEMENTS

12 Right-of-use assets (continued)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

| | 2024 RMB'000 | 2023 RMB'000 |
|--|-----------------|-----------------|
| Depreciation charge of right-of-use assets by class of underlying asset: | | |
| Properties leased for own use | 3,334 | 1,841 |
| Interest on lease liabilities (note 6(a)) | 273 | 218 |
| Expense relating to short-term leases | 51 | 308 |

During the year ended 31 December 2024, additions to right-of-use assets of the Company were RMB494,000 (2023: RMB2,217,000). This amount was primarily related to the capitalised lease payments payable under new tenancy agreements.

During the year ended 31 December 2023, the Company entered into supplement lease agreement to extend lease term from 15 September 2024 to 31 December 2025 by RMB3,441,000, which were accounted for as lease modifications in accordance with the accounting policy set out in note 2(g).

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in notes 20(c), 23 and 27(b), respectively.

(i) Properties leased for own use

The Company has obtained the right to use properties through tenancy agreements. The leases typically run for an initial period of 2 to 3 years. None of the leases include variable lease payments.

Some leases include an option to terminate the lease before the end of the contract term. The Company considers it reasonably certain not to exercise the option to early terminate at lease commencement date.

NOTES TO THE FINANCIAL STATEMENTS

13 Intangible assets

| | Software RMB'000 |
|--|---------------------|
| Cost: | |
| At 1 January 2023 | 299 |
| Additions | 168 |
| At 31 December 2023 and 1 January 2024 | 467 |
| Additions | 322 |
| At 31 December 2024 | 789 |
| Accumulated amortisation: | |
| At 1 January 2023 | (45) |
| Charge for the year | (48) |
| At 31 December 2023 and 1 January 2024 | (93) |
| Charge for the year | (77) |
| At 31 December 2024 | (170) |
| Net book value: | |
| At 31 December 2023 | 374 |
| At 31 December 2024 | 619 |

NOTES TO THE FINANCIAL STATEMENTS

14 Financial assets measured at fair value through other comprehensive income

| | 2024 RMB'000 | 2023 RMB'000 |
|---|-----------------|-----------------|
| Investment in a Limited Liability Partnership ("LLP") | 30,000 | – |

The investment as at 31 December 2024 represent 29.4% of the LLP in the venture capital partnership as a limited partner. The company designated its investment in the LLP at FVOCI as the investment is held for strategic purposes. No dividends were received on this investment during the year.

15 Other non-current assets

| | 2024 RMB'000 | 2023 RMB'000 |
|--|-----------------|-----------------|
| Prepayments for construction and property, plant and equipment | 36,548 | 35,032 |
| Investment deposits (Note) | 24,525 | – |
| | 61,073 | 35,032 |

Note: The Investment deposits are the deposits paid by the Company for investment in a semiconductor manufacturing project.

16 Inventories

(a) Inventories in the statement of financial position comprise:

| | 2024 RMB'000 | 2023 RMB'000 |
|----------------|-----------------|-----------------|
| Raw materials | 194,149 | 179,638 |
| Finished goods | 121,253 | 38,493 |
| | 315,402 | 218,131 |

NOTES TO THE FINANCIAL STATEMENTS

16 Inventories (continued)

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

| | 2024 RMB'000 | 2023 RMB'000 |
|--|-----------------|-----------------|
| Carrying amount of inventories sold | 262,888 | 201,357 |
| Write-down of inventories | 8,570 | 4,563 |
| | 271,458 | 205,920 |
| Cost of inventories directly recognised as research and development expenses | 101,261 | 78,772 |
| | 372,719 | 284,692 |

17 Trade and other receivables

| | 2024 RMB'000 | 2023 RMB'000 |
|---|-----------------|-----------------|
| Amounts due from third parties | | |
| Bills receivable, net of loss allowance | – | 2,131 |
| Trade receivables, net of loss allowance | 50,541 | 61,257 |
| Other receivables and deposits, net of loss allowance | 962 | 5,781 |
| | 51,503 | 69,169 |

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

As of the end of each of the years ended 31 December 2024 and 2023, 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:

| | 2024 RMB'000 | 2023 RMB'000 |
|----------------|-----------------|-----------------|
| Within 1 month | 20,482 | 23,729 |
| 1 to 2 months | 20,132 | 25,539 |
| 2 to 3 months | 9,415 | 11,464 |
| Over 3 months | 512 | 525 |
| | 50,541 | 61,257 |

Details on the Company's credit policy and credit risk arising from trade and other receivables are set out in note 27(a).

NOTES TO THE FINANCIAL STATEMENTS

18 Prepayments

| | 2024 RMB'000 | 2023 RMB'000 |
|--------------------------|-----------------|-----------------|
| Prepayments to suppliers | 396,053 | 261,135 |
| Others | 238 | 184 |
| | 396,291 | 261,319 |

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

19 Pledged bank deposits

| | 2024 RMB'000 | 2023 RMB'000 |
|-----------------------|-----------------|-----------------|
| Pledged bank deposits | 51,757 | 66,862 |

As at 31 December 2024 and 2023, the Company's bank deposits were pledged as a guarantee to issue bank acceptance bills, which will be released upon the settlement of relevant bills payable.

20 Cash and cash equivalents and other cash flow information

(a) Cash and cash equivalents comprise:

| | 2024 RMB'000 | 2023 RMB'000 |
|--------------------------|-----------------|-----------------|
| Cash at bank and on hand | 636,020 | 550,838 |

(b) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Company's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Company's cash flow statement as cash flows from financing activities.

NOTES TO THE FINANCIAL STATEMENTS

20 Cash and cash equivalents and other cash flow information (continued)

(b) Reconciliation of liabilities arising from financing activities: (continued)

| | Bank loans and other borrowings RMB'000 (note 21) | Lease liabilities RMB'000 (note 23) | Total RMB'000 |
|--|---|--|------------------|
| At 1 January 2024 | 171,601 | 11,034 | 182,635 |
| Changes from financing cash flows: | | | |
| Proceeds from loans and borrowings | 377,937 | – | 377,937 |
| Repayment of loans and borrowings | (229,656) | – | (229,656) |
| Capital element of lease rentals paid | – | (6,481) | (6,481) |
| Interest element of lease rentals paid | – | (273) | (273) |
| Interest paid | (7,426) | – | (7,426) |
| Total changes from financing cash flows | 140,855 | (6,754) | 134,101 |
| Other changes: | | | |
| Increase in lease liabilities from entering into new leases during the year | – | 494 | 494 |
| Interest expenses (note 6(a)) | 7,717 | 273 | 7,990 |
| Total other changes | 7,717 | 767 | 8,484 |
| At 31 December 2024 | 320,173 | 5,047 | 325,220 |

NOTES TO THE FINANCIAL STATEMENTS

20 Cash and cash equivalents and other cash flow information (continued)

(b) Reconciliation of liabilities arising from financing activities: (continued)

| | Bank loans and other borrowings RMB'000 (note 21) | Lease liabilities RMB'000 (note 23) | Total RMB'000 |
|--|---|--|------------------|
| At 1 January 2023 | 95,512 | 6,570 | 102,082 |
| Changes from financing cash flows: | | | |
| Proceeds from loans and borrowings | 171,439 | – | 171,439 |
| Repayment of loans and borrowings | (95,414) | – | (95,414) |
| Capital element of lease rentals paid | – | (805) | (805) |
| Interest element of lease rentals paid | – | (218) | (218) |
| Interest paid | (3,987) | – | (3,987) |
| Total changes from financing cash flows | 72,038 | (1,023) | 71,015 |
| Other changes: | | | |
| Increase in lease liabilities from entering into new leases during the year | – | 2,217 | 2,217 |
| Lease modification | – | 3,052 | 3,052 |
| Interest expenses (note 6(a)) | 4,051 | 218 | 4,269 |
| Total other changes | 4,051 | 5,487 | 9,538 |
| At 31 December 2023 | 171,601 | 11,034 | 182,635 |

NOTES TO THE FINANCIAL STATEMENTS

20 Cash and cash equivalents and other cash flow information (continued)

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

| | 2024 RMB'000 | 2023 RMB'000 |
|-----------------------------|-----------------|-----------------|
| Within operating cash flows | 51 | 308 |
| Within financing cash flows | 6,754 | 1,023 |
| | 6,805 | 1,331 |

These amounts relate to the following:

| | 2024 RMB'000 | 2023 RMB'000 |
|--------------------|-----------------|-----------------|
| Lease rentals paid | 6,805 | 1,331 |

21 Loans and borrowings

As of the end of each reporting period, loans and borrowings were repayable as follows:

| | 2024 RMB'000 | 2023 RMB'000 |
|--|-----------------|-----------------|
| Bank loans, within 1 year or on demand | 320,173 | 171,601 |

NOTES TO THE FINANCIAL STATEMENTS

22 Trade and other payables

| | 2024 RMB'000 | 2023 RMB'000 |
|------------------------------|-----------------|-----------------|
| Amounts due to third parties | | |
| Trade payables | 4,897 | 4,391 |
| Bills payable | 211,666 | 213,841 |
| | 216,563 | 218,232 |
| Contract liabilities (i) | 40,138 | 7,538 |
| Other payables and accruals | 20,966 | 22,731 |
| Trade and other payables | 277,667 | 248,501 |

(i) Movements in contract liabilities:

| | 2024 RMB'000 | 2023 RMB'000 |
|--|-----------------|-----------------|
| Sale of goods or provision of services | | |
| Balance at the beginning of the year | 7,538 | 10,629 |
| Decrease in contract liabilities as a result of recognising revenue or other income during the year that was included in the contract liabilities at the beginning of the year | (7,538) | (10,629) |
| Increase in contract liabilities as a result of receiving prepayments for sale of goods or provision of services in the next year | 40,138 | 7,538 |
| Balance at the end of the year | 40,138 | 7,538 |

- (a) All trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.
- (b) As of the end of each reporting period, the ageing analysis of trade payables and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

| | 2024 RMB'000 | 2023 RMB'000 |
|------------------------------------|-----------------|-----------------|
| Within 3 months | 110,802 | 115,967 |
| After 3 months but within 6 months | 105,761 | 102,265 |
| | 216,563 | 218,232 |

NOTES TO THE FINANCIAL STATEMENTS

23 Lease liabilities

As of the end of each reporting period, the lease liabilities were repayable as follows:

| | 2024 RMB'000 | 2023 RMB'000 |
|----------------------------------|-----------------|-----------------|
| Within 1 year | 3,986 | 6,579 |
| After 1 year but within 2 years | 970 | 3,614 |
| After 2 years but within 5 years | 91 | 841 |
| | 1,061 | 4,455 |
| | 5,047 | 11,034 |

24 Income tax in the statement of financial position

(a) Deferred tax liabilities recognised:

(i) Movement of each component of deferred tax liabilities

The component of deferred tax liabilities recognised in the statement of financial position and the movements during the year are as follow:

| Deferred tax arising from: | Depreciation allowances in excess of the related depreciation RMB'000 |
|---|--|
| At 1 January 2023 and 31 December 2023 and 1 January 2024 | 1,562 |
| Effect on deferred tax balances resulting from a change in tax rate (note 7(a)) | (641) |
| At 31 December 2024 | 921 |

(ii) Reconciliation to the statement of financial position

| | 2024 RMB'000 | 2023 RMB'000 |
|--|-----------------|-----------------|
| Net deferred tax liabilities recognised in the statement of financial position | 921 | 1,562 |

NOTES TO THE FINANCIAL STATEMENTS

25 Equity-settled share-based transaction

On 17 February 2023, Suzhou Backward Investment Partnership (Limited Partnership) (“**Backward Partnership**”), which is one of the Company’s shareholders, entered into a capital injection agreement (the “**agreement**”) with the Company’s employee Mr. Shi Chao for his contribution to the Company and incentivising him for his future performance. Pursuant to the agreement, Mr. Shi Chao agreed to subscribe for the increased registered capital of RMB6,700 of Backward Partnership at a subscription price of RMB6,700 as limited partner, which represented 5.58% of Backward Partnership’s equity, equivalent to indirect interest in approximately 300,000 shares of the Company. The subscription price was fully paid on 27 March 2023.

The Company recognised this transaction as equity-settled share-based payments with no vesting conditions in recognition of Mr. Shi Chao’s contribution to the Company. The Company recognised a share-based compensation expenses of RMB9,995,300, being the difference between the fair value of equity interest of the Company and the consideration received by Backward Partnership.

Restricted Share Unit Scheme

The Company has adopted a share award scheme on 2 December 2024 (the “**Share Award Scheme**”) for the purpose of incentivise one key employee for their contribution to the Company, and to attract and retain skilled and experienced personnel for the future growth of the Company by providing them with the opportunity to own equity interests in the Company.

On 5 December 2024, an aggregate of 371,876 restricted shares were granted at an exercise price of RMB1.00 per share to one eligible employee of the Company under the Share Award Scheme. Each 25% of the RSUs will vest on 5 December 2028, 5 December 2029, 5 December 2030 and 5 December 2031, respectively, and be exercisable until 1 December 2034. In addition to the service condition, there are other vesting conditions related to the employee’s performance and the market condition about the underlying stock price.

NOTES TO THE FINANCIAL STATEMENTS

25 Equity-settled share-based transaction (continued)

Restricted Share Unit Scheme (continued)

(i) The terms and conditions of the grants are as follows:

| | Number of RSUs | Vesting Conditions | Contractual life of RSUs |
|--------------------------------------|----------------|--|--------------------------|
| RSUs granted to the employee: | | | |
| – 5 December 2024 | 371,876 | 25% on 5 December 2028 25% on 5 December 2029 25% on 5 December 2030 25% on 5 December 2031 | ten years |

(ii) The number of RSUs are as follows:

| | As at 31 December 2024 Number of RSUs |
|--|--|
| Outstanding at the beginning of the year | – |
| Granted during the year | 371,876 |
| Outstanding at the end of the year | 371,876 |

(iii) 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 a binary tree model.

| Fair value of RSUs and assumptions | 2024 |
|------------------------------------|----------------------|
| Fair value at measurement date | RMB24.44 to RMB25.02 |
| Share price | RMB26.78 |
| Exercise price | RMB1.00 |
| Expected dividend yield | 0% |

NOTES TO THE FINANCIAL STATEMENTS

26 Capital, reserves and dividends

(a) Dividends

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

(b) Share capital

Issued and fully paid:

| | Numbers of ordinary shares '000 | Share capital RMB'000 | Share premium RMB'000 | Total RMB'000 |
|---|---------------------------------------|--------------------------|--------------------------|------------------|
| Issued and fully paid | | | | |
| At 1 January 2023 | 45,000 | 45,000 | 222,407 | 267,407 |
| Shares issued under initial public offering | 15,000 | 15,000 | 308,241 | 323,241 |
| At 31 December 2023, 1 January 2024 and 31 December 2024 | 60,000 | 60,000 | 530,648 | 590,648 |

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

(c) 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.

NOTES TO THE FINANCIAL STATEMENTS

26 Capital, reserves and dividends (continued)

(c) Nature and purpose of reserves (continued)

(ii) Capital reserve

The capital reserve comprises the following:

- the portion of the capital injection agreement date fair value of equity interest of the Company subscribed by the employee of the company (see note 25) that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(o)(ii).
- the portion of the grant date fair value of unexercised restricted share units granted to employees of the company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(o)(ii).

(iii) PRC statutory reserve

PRC statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the Company.

Appropriation to the PRC statutory reserve is at least 10% of the Company's net profit each year until the reserve balance reaches 50% of its registered capital. The PRC statutory reserves can be used to make good of previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the reserve balance after such conversion is not less than 25% of the entity's registered capital.

PRC statutory reserve is not distributable to shareholders.

(d) Capital management

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Company actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Company monitors its capital structure on the basis of the debt-to-equity ratio. For this purpose, the Company defines debt as total loans and borrowings and lease liabilities and defines equity as all components of equity attributable to equity shareholders of the Company.

NOTES TO THE FINANCIAL STATEMENTS

27 Financial risk management and fair value of financial instruments

During 2024, the Company's strategy, which was unchanged from 2023, was to maintain the adjusted net debt-to-capital ratio at a range considered reasonable by management. In order to maintain or adjust the ratio, the Company may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the group's business. The group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Company's exposure to these risks and the financial risk management policies and practices used by the Company to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company's credit risk is primarily attributable to trade receivables and prepayments.

The Company's exposure to credit risk arising from cash and cash equivalents, pledged bank deposits and bills receivable is limited because the counterparties are state-owned banks, reputable commercial banks or financial institutions for which the Company considers to have low credit risk.

Trade receivables

The Company has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 days to 90 days from the date of billing. Normally, the Company does not obtain collateral from customers.

Significant concentrations of credit risk primarily arise when the Company has significant exposure to individual customers. The trade receivables from the Company's five largest customers as at 31 December 2024 represented 99.72% of the total trade receivables (2023: 98.79%), while 96.87% of the total trade receivables were due from the largest single customer (2023: 98.72%).

The Company measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Company's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Company's different customer bases.

NOTES TO THE FINANCIAL STATEMENTS

27 Financial risk management and fair value of financial instruments (continued)

(a) Credit risk (continued)

Trade receivables (continued)

The following table provides information about the Company's exposure to credit risk and ECLs for trade receivables:

| | As at 31 December 2024 | | |
|------------------------------------|------------------------|--------------------------|-------------------|
| | Expected loss rate | Gross carrying amount | Loss allowance |
| | % | RMB'000 | RMB'000 |
| Within 1 year | 5 | 53,201 | 2,660 |
| Over 1 year but less than 2 years | 20 | — | — |
| Over 2 years but less than 3 years | 50 | — | — |
| Over 3 years but less than 5 years | 100 | — | — |
| | | 53,201 | 2,660 |

| | As at 31 December 2023 | | |
|------------------------------------|------------------------|--------------------------|-------------------|
| | Expected loss rate | Gross carrying amount | Loss allowance |
| | % | RMB'000 | RMB'000 |
| Within 1 year | 5 | 64,481 | 3,224 |
| Over 1 year but less than 2 years | 20 | — | — |
| Over 2 years but less than 3 years | 50 | — | — |
| Over 3 years but less than 5 years | 100 | — | — |
| | | 64,481 | 3,224 |

Expected loss rates are based on actual loss experience over the past 12 months. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

NOTES TO THE FINANCIAL STATEMENTS

27 Financial risk management and fair value of financial instruments (continued)

(a) Credit risk (continued)

Trade receivables (continued)

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

| | 2024 RMB'000 | 2023 RMB'000 |
|--------------------------------------|-----------------|-----------------|
| Balance at the beginning of the year | 3,224 | 3,414 |
| Impairment losses reversed | (564) | (190) |
| Balance at the end of the year | 2,660 | 3,224 |

Prepayments

Credit risk in respect of prepayments is limited since the balance mainly includes prepayments to reputable suppliers.

The Company measures loss allowances for prepayments at an amount equal to 12-month ECLs unless there has been a significant increase in credit risk since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs. The Company assessed that there is no significant loss allowance recognised in accordance with HKFRS 9 for prepayments as at 31 December 2024 and 2023.

NOTES TO THE FINANCIAL STATEMENTS

27 Financial risk management and fair value of financial instruments (continued)

(b) Liquidity risk

The Company's policy is to regularly monitor liquidity requirements, and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Company can be required to pay.

| | At 31 December 2024 | | | | |
|--------------------------|---------------------------------------|---|--|------------------|--|
| | Contractual undiscounted cash outflow | | | | Balance sheet carrying amount RMB'000 |
| | Within 1 year or on demand RMB'000 | More than 1 year but less than 2 years RMB'000 | More than 2 years but less than 5 years RMB'000 | Total RMB'000 | |
| | | | | | |
| | | | | | |
| Loans and borrowings | 326,560 | – | – | 326,560 | 320,173 |
| Trade and other payables | 277,667 | – | – | 277,667 | 277,667 |
| Lease liabilities | 4,097 | 992 | 91 | 5,180 | 5,047 |
| | 608,324 | 992 | 91 | 609,407 | 602,887 |

| | At 31 December 2023 | | | | |
|--------------------------|---|--|--|------------------|---|
| | Contractual undiscounted cash outflow | | | | |
| | Within 1 year or on demand RMB'000 | More than 1 year but less than 2 years RMB'000 | More than 2 years but less than 5 years RMB'000 | Total RMB'000 | Balance sheet carrying amount RMB'000 |
| Loans and borrowings | 175,357 | – | – | 175,357 | 171,601 |
| Trade and other payables | 248,501 | – | – | 248,501 | 248,501 |
| Lease liabilities | 6,841 | 3,712 | 860 | 11,413 | 11,034 |
| | 430,699 | 3,712 | 860 | 435,271 | 431,136 |

NOTES TO THE FINANCIAL STATEMENTS

27 Financial risk management and fair value of financial instruments (continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk arises primarily from cash at bank, pledged bank deposits and interest-bearing borrowings. The Company's interest-bearing financial instruments at variable rates as at 31 December 2024 and 2023 are primarily the cash at bank, and the cash flow interest rate risk arising from the change of market interest rate on these balances is not considered significant.

The Company's interest rate profile as monitored by management is set out below.

The Company's interest-bearing borrowings, lease liabilities, pledged bank deposits and cash and cash equivalents and interest rates at the end of each reporting period are set out as follows:

| | 2024 Effective interest rate | RMB'000 | 2023 Effective interest rate | RMB'000 |
|----------------------------------|------------------------------------|----------------|------------------------------------|----------------|
| Fixed rate instruments | | | | |
| Bank loans | 2.75% – 3.60% | 320,173 | 2.90% – 3.75% | 171,601 |
| Lease liabilities | 4.20% – 4.35% | 5,047 | 4.20% – 4.35% | 11,034 |
| | | 325,220 | | 182,635 |
| Variable rate instruments | | | | |
| Pledged bank deposits | 0.25% – 1.30% | 51,757 | 0.25% – 1.30% | 66,862 |
| Cash and cash equivalents | 0.01% – 4.31% | 636,020 | 0.01% – 4.80% | 550,838 |
| | | 687,777 | | 617,700 |

NOTES TO THE FINANCIAL STATEMENTS

27 Financial risk management and fair value of financial instruments (continued)

(c) Interest rate risk (continued)

(i) Sensitivity analysis

At 31 December 2024 and 2023, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Company's profit after tax and accumulated losses or retained profits as follows.

| | Increase/ (decrease) in basis points | Increase/ (decrease) in profit after tax for the year RMB'000 | Increase/ (decrease) in accumulated losses/retained profits for the year RMB'000 |
|---------------------|--|---|--|
| At 31 December 2024 | | | |
| Basis points | 100 | 6,878 | 6,878 |
| Basis points | (100) | (6,878) | (6,878) |
| At 31 December 2023 | | | |
| Basis points | 100 | 6,177 | 6,177 |
| Basis points | (100) | (6,177) | (6,177) |

(d) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Company's financial instruments measured at the end of each reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

NOTES TO THE FINANCIAL STATEMENTS

27 Financial risk management and fair value of financial instruments (continued)

(d) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

The company has a team headed by the finance manager performing valuations for the financial instruments, including Investment in a Limited Liability Partnership which is categorised into Level 2 of the fair value hierarchy. The team reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the audit committee is held twice a year, to coincide with the reporting dates.

| | Fair value at 31 December 2024 RMB'000 | Fair value measurements as at 31 December 2024 categorised into | | |
|----------------------------------|---|--|---------|---------|
| | | Level 1 | Level 2 | Level 3 |
| | | RMB'000 | RMB'000 | RMB'000 |
| Recurring fair value measurement | | | | |
| Financial assets at FVOCI | 30,000 | – | 30,000 | – |

During the years ended 31 December 2023 and 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Company's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of Level 2 assets is generally obtained through the use of valuation methodologies with observable market inputs or by reference to the latest round of financing, i.e. the prior transaction price or the third-party pricing information. As the investees are in normal operation without any significant business milestone events during the period, the fair value of the unlisted equity investments and LLPs are determined with reference to the latest round of financing price, adjusted by unobservable inputs based on information such as its latest available financial information, where applicable as at 31 December 2024.

As at 31 December 2024 and 2023, the Company has no wealth management products. And at 31 December 2023, the Company has no financial assets at FVOCI.

NOTES TO THE FINANCIAL STATEMENTS

28 Commitments

Capital commitments outstanding at 31 December 2024 and 2023 not provided for in the financial statements were as follows:

| | 2024 RMB'000 | 2023 RMB'000 |
|----------------|-----------------|-----------------|
| Contracted for | 66,376 | 66,514 |

29 Material related party transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the Company, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

| | 2024 RMB'000 | 2023 RMB'000 |
|---|-----------------|-----------------|
| Salaries, allowance and benefits in kind | 1,649 | 2,640 |
| Discretionary bonuses | 2,035 | 2,213 |
| Contributions to retirement benefit schemes | 39 | 57 |
| | 3,723 | 4,910 |

Total remuneration is included in staff costs (see note 6(b)).

NOTES TO THE FINANCIAL STATEMENTS

30 Immediate and ultimate controlling party

As at 31 December 2024, the directors consider the immediate parent of the Company to be Backward Electronic, which is incorporated in the PRC and does not produce financial statements available for public use.

As at 31 December 2024, the directors consider the ultimate controlling parties to be Mr. Li Zhen, Mr. Li Yi, Mr. Zhang Guangping, Backward Electronic and Backward Partnership.

31 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2024

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 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, The effects of changes in foreign exchange rates – Lack of exchangeability | 1 January 2025 |
| Amendments to HKFRS 9, Financial instruments and HKFRS 7, Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments | 1 January 2026 |
| Annual improvements to HKFRS Accounting Standards – Volume 11 | 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 Company is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.

Subsequent event

The Company does not have any material subsequent event after 31 December 2024.