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BaTeLab

BaTeLab Co., Ltd.

蘇州貝克微電子股份有限公司

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

(Stock Code: 2149)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

FINANCIAL HIGHLIGHTS

| | Year ended 31 December | | change % |
|-----------------------------------|-------------------------------|----------------|-------------|
| | 2024 | 2023 | |
| | RMB'000 | RMB'000 | |
| Revenue | 578,807 | 463,881 | 24.8 |
| Cost of sales | (271,890) | (206,770) | 31.5 |
| Gross profit | 306,917 | 257,111 | 19.4 |
| Research and development expenses | (129,220) | (119,147) | 8.5 |
| Profit before taxation | 165,960 | 109,158 | 52.0 |
| Profit for the year | 166,601 | 109,158 | 52.6 |

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.

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.

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. 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 in 2024, while the gross profit margin changed slightly due to the difference in sales of products with different gross profit margins.

The Company's R&D expenses increased by 8.5% from RMB119.1 million for the 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, the material expenses for R&D increased by RMB22.5 million, representing a year-on-year increase of 28.6%; 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.

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.

The Company's profit 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.

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).

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of BaTeLab Co., Ltd. (the "**Company**" or "**we**") hereby announces the audited annual results of the Company for the year ended 31 December 2024 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2023.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME*For the year ended 31 December 2024**(Expressed in Renminbi)*

| | | Year ended 31 December | |
|--|-------------|-------------------------------|------------------|
| | | 2024 | 2023 |
| | <i>Note</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Revenue | 2 | 578,807 | 463,881 |
| Cost of sales | | <u>(271,890)</u> | <u>(206,770)</u> |
| Gross profit | | 306,917 | 257,111 |
| Other income and net gain | 3 | 34,839 | 8,092 |
| Distribution costs | | (6,893) | (6,503) |
| Administrative expenses | | (31,693) | (26,126) |
| Research and development expenses | | <u>(129,220)</u> | <u>(119,147)</u> |
| Profit from operations | | 173,950 | 113,427 |
| Finance costs | 4(a) | <u>(7,990)</u> | <u>(4,269)</u> |
| Profit before taxation | 4 | 165,960 | 109,158 |
| Income tax | 5(a) | <u>641</u> | <u>–</u> |
| Profit for the year | | 166,601 | 109,158 |
| Other comprehensive income for the year, net of nil tax | | <u>–</u> | <u>–</u> |
| Total comprehensive income for the year | | <u>166,601</u> | <u>109,158</u> |
| Earnings per share (RMB) | 6 | | |
| Basic | | <u>2.78</u> | <u>2.42</u> |
| Diluted | | <u>2.78</u> | <u>2.42</u> |

STATEMENT OF FINANCIAL POSITION

At 31 December 2024

(Expressed in Renminbi)

| | | At 31 December | |
|---|------|------------------|------------------|
| | | 2024 | 2023 |
| | Note | RMB'000 | RMB'000 |
| Non-current assets | | | |
| Property, plant and equipment | 7 | 62,114 | 62,329 |
| Right-of-use assets | | 4,033 | 6,873 |
| Intangible assets | | 619 | 374 |
| Financial assets measured at fair value through other comprehensive income | | 30,000 | – |
| Other non-current assets | | 61,073 | 35,032 |
| | | <u>157,839</u> | <u>104,608</u> |
| Current assets | | | |
| Inventories | 8 | 315,402 | 218,131 |
| Trade and other receivables | 9 | 51,503 | 69,169 |
| Prepayments | 10 | 396,291 | 261,319 |
| Pledged bank deposits | | 51,757 | 66,862 |
| Cash and cash equivalents | | 636,020 | 550,838 |
| | | <u>1,450,973</u> | <u>1,166,319</u> |
| Current liabilities | | | |
| Loans and borrowings | | 320,173 | 171,601 |
| Trade and other payables | 11 | 277,667 | 248,501 |
| Lease liabilities | | 3,986 | 6,579 |
| | | <u>601,826</u> | <u>426,681</u> |
| Net current assets | | <u>849,147</u> | <u>739,638</u> |
| Total assets less current liabilities | | <u>1,006,986</u> | <u>844,246</u> |

STATEMENT OF FINANCIAL POSITION (CONTINUED)*At 31 December 2024**(Expressed in Renminbi)*

| | | At 31 December | |
|--------------------------------|--------------|-----------------------|----------------|
| | | 2024 | 2023 |
| | <i>Note</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Non-current liabilities | | | |
| Lease liabilities | | 1,061 | 4,455 |
| Deferred tax liabilities | | 921 | 1,562 |
| | | <u>1,982</u> | <u>6,017</u> |
| NET ASSETS | | 1,005,004 | 838,229 |
| EQUITY | | | |
| Share capital | <i>12(b)</i> | 60,000 | 60,000 |
| Reserves | | 945,004 | 778,229 |
| TOTAL EQUITY | | 1,005,004 | 838,229 |

CASH FLOW STATEMENT

For the year ended 31 December 2024

(Expressed in Renminbi)

| | Year ended 31 December | |
|---|------------------------|----------------|
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| Operating activities: | | |
| Net cash generated from operating activities | 13,561 | 30,277 |
| Investing activities: | | |
| Net cash used in investing activities | (63,945) | (41,699) |
| Financing activities: | | |
| Capital element of lease rentals paid | (6,481) | (805) |
| Interest element of lease rentals paid | (273) | (218) |
| Proceeds from loans and borrowings | 377,937 | 171,439 |
| Repayment of loans and borrowings | (229,656) | (95,414) |
| Proceeds from issuance of H shares, net of issuance costs | (6,540) | 329,660 |
| Interest paid | (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 | 550,838 | 162,507 |
| Effect of foreign exchange rate changes | 8,005 | (922) |
| Cash and cash equivalents at 31 December | 636,020 | 550,838 |

NOTES TO THE FINANCIAL STATEMENTS

1 General Information

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

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

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the 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 the certain assets are stated at their fair value as explained in the accounting policies set out below:

– *other investments*

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

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.

1 General Information (continued)

(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.

2 Revenue and Segment Reporting

(a) Revenue

(i) Disaggregation of revenue

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

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

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.

2 Revenue and Segment Reporting (continued)

(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.

(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 <i>RMB'000</i> | 2023 <i>RMB'000</i> |
|------------|------------------------|------------------------|
| 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.

3 Other Income and Net Gain

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

Note: The government grant primarily comprise subsidies received from government for the encouragement of research and development projects and activities carried out in IC industry and high-technology advancement, 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.

4 Profit Before Taxation

Profit before taxation is arrived at after charging:

| | 2024 <i>RMB'000</i> | 2023 <i>RMB'000</i> |
|--|------------------------|------------------------|
| (a) Finance costs: | | |
| Interest on | | |
| – loans and borrowings | 7,717 | 4,051 |
| – lease liabilities | <u>273</u> | <u>218</u> |
| Total interest expense | <u>7,990</u> | <u>4,269</u> |
| (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 | <u>174</u> | <u>9,995</u> |
| | <u>41,260</u> | <u>49,746</u> |

- (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.

4 Profit Before Taxation (continued)

(c) Other items:

| | <i>Note</i> | 2024 <i>RMB'000</i> | 2023 <i>RMB'000</i> |
|---------------------------------------|-------------|-------------------------------|--------------------------|
| Cost of inventories | 8(b) | 372,719 | 284,692 |
| Depreciation: | | | |
| – owned property, plant and equipment | 7 | 5,055 | 3,702 |
| – right-of-use assets | | 3,334 | 1,841 |
| Research and development expenses (i) | | 129,220 | 119,147 |
| Amortisation of intangible assets | | 77 | 48 |
| Auditors' remuneration: | | | |
| – audit services | | 2,060 | 1,252 |
| – other services | | 120 | 128 |
| | | <u> </u> | <u> </u> |

- (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.

5 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 <i>RMB'000</i> | 2023 <i>RMB'000</i> |
|--|-------------------------------|--------------------------|
| 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) | – |
| | <u> </u> | <u> </u> |
| | <u> </u> | <u> </u> |

5 **Income Tax in the Statement of Profit or Loss and Other Comprehensive Income (continued)**

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

| | 2024 <i>RMB'000</i> | 2023 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Profit before taxation | <u>165,960</u> | <u>109,158</u> |
| 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 | <u>161</u> | <u>1,600</u> |
| Actual tax expense | <u>(641)</u> | <u>–</u> |

(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.

6 Earnings Per Share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of 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 | — | 164 |
| | <u>60,000</u> | <u>45,164</u> |
| Weighted average number of ordinary shares at 31 December | <u><u>60,000</u></u> | <u><u>45,164</u></u> |

(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 share option scheme | 25 | — |
| | <u>60,025</u> | <u>—</u> |
| Weighted average number of ordinary shares (diluted) at 31 December | <u><u>60,025</u></u> | <u><u>45,164</u></u> |

7 Property, Plant and Equipment

| | Equipment and machinery <i>RMB'000</i> | Passenger vehicles <i>RMB'000</i> | Office equipment and furniture <i>RMB'000</i> | Construction in progress <i>RMB'000</i> | Leasehold improvements <i>RMB'000</i> | Total <i>RMB'000</i> |
|----------------------------------|---|---|--|---|---|-------------------------|
| 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.

8 Inventories

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

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

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

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

9 Trade and Other Receivables

| | 2024 <i>RMB'000</i> | 2023 <i>RMB'000</i> |
|---|------------------------|------------------------|
| 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 |
| | <u>51,503</u> | <u>69,169</u> |

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

9 Trade and Other Receivables (continued)

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 <i>RMB'000</i> | 2023 <i>RMB'000</i> |
|----------------|------------------------|------------------------|
| 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 |
| | <u>50,541</u> | <u>61,257</u> |

10 Prepayments

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

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

11 Trade and Other Payables

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

11 Trade and Other Payables (continued)

(i) Movements in contract liabilities:

| | 2024 | 2023 |
|--|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| 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 |
| | <u>40,138</u> | <u>7,538</u> |
| Balance at the end of the year | <u>40,138</u> | <u>7,538</u> |

(a) All trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

(b) As of the end of each reporting period, the ageing analysis of trade payables and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

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

12 Capital, Reserves and Dividends

(a) Dividends

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

(b) Share capital

Issued and fully paid:

| | 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 | <u>15,000</u> | <u>15,000</u> | <u>308,241</u> | <u>323,241</u> |
| At 31 December 2023, 1 January 2024 and 31 December 2024 | <u><u>60,000</u></u> | <u><u>60,000</u></u> | <u><u>530,648</u></u> | <u><u>590,648</u></u> |

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

MANAGEMENT DISCUSSION AND ANALYSIS

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%.

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 automotive electronics, healthcare, industrial automation, industrial Internet of Things, industrial lighting, 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.

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 | |
| | <i>RMB'000</i> | <i>% of Revenue</i> | <i>RMB'000</i> | <i>% of Revenue</i> |
| 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 | |
| | <i>RMB'000</i> | <i>% of Revenue</i> | <i>RMB'000</i> | <i>% of Revenue</i> |
| 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.

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.

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

| | Year ended 31 December | | | |
|--|------------------------|------------------------|------------------------|------------------------|
| | 2024 | | 2023 | |
| | Gross profit margin | Gross profit margin | Gross profit margin | Gross profit margin |
| | RMB'000 | % | RMB'000 | % |
| 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.

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.

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 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Profit for the year | 166,601 | 109,158 |
| Add: | | |
| Listing expenses | – | 1,460 |
| Share-based payments | 174 | 9,995 |
| | <hr/> | <hr/> |
| Adjusted net profit (non-HKFRS measure) | <u>166,775</u> | <u>120,613</u> |

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.

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.

Foreign Exchange Risk

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

Capital Management

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

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

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 for the year ended 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.

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.

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.

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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S 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.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

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

OUTLOOK

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.

CORPORATE GOVERNANCE

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

More information on the Company’s corporate governance practices will be included in the “Corporate Governance and Other Information” section in the Company’s annual report for the year ended 31 December 2024.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors and Supervisors of the Company on terms no less exacting 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 enquiry of all Directors and Supervisors, the Directors and Supervisors of the Company have confirmed that they have complied with the Model Code during the Reporting Period.

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.

SUFFICIENT PUBLIC FLOAT

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

FINAL DIVIDEND

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

2024 ANNUAL GENERAL MEETING

The notice of the 2024 annual general meeting (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.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement has been published on the Company's website (www.batelab.com) and the website of the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2024, which contains all the information required under the Listing Rules, will be dispatched to Shareholders who requested for a printed copy and published on the above websites in due course.

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

Suzhou, the PRC, 20 March 2025

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