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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change %
	2024 RMB'000 (unaudited)	2023 RMB'000 (audited)	
Revenue	290,554	204,422	42.1
Cost of sales	(141,595)	(91,527)	54.7
Gross profit	148,959	112,895	31.9
R&D expenses	(70,812)	(57,411)	23.3
Profit before taxation	67,116	45,864	46.3
Profit for the period	67,116	45,864	46.3

The Company's revenue increased by 42.1% from RMB204.4 million for the six months ended 30 June 2023 to RMB290.6 million for the six months ended 30 June 2024, primarily due to 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 54.7% from RMB91.5 million for the six months ended 30 June 2023 to RMB141.6 million for the six months ended 30 June 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.

The Company's gross profit increased by 31.9% from RMB112.9 million for the six months ended 30 June 2023 to RMB149.0 million for the six months ended 30 June 2024, and the gross profit margin decreased from 55.2% for the six months ended 30 June 2023 to 51.3% for the six months ended 30 June 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 of the Company increased significantly during the Reporting Period, leading to the higher gross profit, while the gross profit margin changed slightly due to the difference in sales of products with different gross profit margins.

The Company's R&D expenses increased by 23.3% from RMB57.4 million for the six months ended 30 June 2023 to RMB70.8 million for the six months ended 30 June 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 RMB23.3 million, representing a period-on-period increase of 71.3%; the total amount of employee compensation decreased by RMB7.5 million period-on-period as a result of the absence of the share based payment expense of RMB10.0 million incurred during the same period last year.

The Company's profit before taxation increased by 46.3% from RMB45.9 million for the six months ended 30 June 2023 to RMB67.1 million for the six months ended 30 June 2024, primarily due to the significant increase in the revenue of the Company during the Reporting Period.

The Company's profit for the period increased by 46.3% from RMB45.9 million for the six months ended 30 June 2023 to RMB67.1 million for the six months ended 30 June 2024, primarily due to the significant increase in the revenue of the Company during the Reporting Period.

INTERIM DIVIDEND

The Board does not recommend the payment of the interim dividend for the six months ended 30 June 2024.

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of BaTeLab Co., Ltd. (the "**Company**" or "**we**") hereby announces the unaudited interim results of the Company for the six months ended 30 June 2024 (the "**Reporting Period**").

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

for the six months ended 30 June 2024

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Revenue	2	290,554	204,422
Cost of sales		<u>(141,595)</u>	<u>(91,527)</u>
Gross profit		148,959	112,895
Other income and net gain	3	17,082	5,642
Distribution costs		(2,960)	(2,870)
Administrative expenses		(18,256)	(11,642)
Research and development expenses		(70,812)	(57,411)
Impairment losses on trade receivables		<u>(3,517)</u>	<u>1,046</u>
Profit from operations		70,496	47,660
Finance costs	4(a)	<u>(3,380)</u>	<u>(1,796)</u>
Profit before taxation	4	67,116	45,864
Income tax	5(a)	<u>—</u>	<u>—</u>
Profit for the period		<u>67,116</u>	<u>45,864</u>
Other comprehensive income for the period, net of nil tax		<u>—</u>	<u>—</u>
Total comprehensive income for the period		<u>67,116</u>	<u>45,864</u>
Earnings per share			
Basic and diluted (RMB)	6	<u>1.12</u>	<u>1.02</u>

STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 30 June 2024

(Expressed in Renminbi)

		At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		65,832	62,329
Right-of-use assets		5,737	6,873
Intangible assets		370	374
Other non-current assets	7	59,802	35,032
		<u>131,741</u>	<u>104,608</u>
Current assets			
Inventories		239,050	218,131
Trade and other receivables	8	131,243	69,169
Prepayments	9	354,237	261,319
Pledged bank deposits		56,567	66,862
Cash and cash equivalents		483,293	550,838
		<u>1,264,390</u>	<u>1,166,319</u>
Current liabilities			
Loans and borrowings		241,771	171,601
Trade and other payables	10	239,252	248,501
Lease liabilities		5,419	6,579
		<u>486,442</u>	<u>426,681</u>
Net current assets		<u>777,948</u>	<u>739,638</u>
Total assets less current liabilities		<u>909,689</u>	<u>844,246</u>

STATEMENT OF FINANCIAL POSITION (UNAUDITED) (CONTINUED)

At 30 June 2024

(Expressed in Renminbi)

		At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
	<i>Note</i>		
Non-current liabilities			
Lease liabilities		2,782	4,455
Deferred tax liabilities		<u>1,562</u>	<u>1,562</u>
		<u>4,344</u>	<u>6,017</u>
NET ASSETS		<u>905,345</u>	<u>838,229</u>
CAPITAL AND RESERVES			
	11		
Share capital		60,000	60,000
Reserves		<u>845,345</u>	<u>778,229</u>
TOTAL EQUITY		<u>905,345</u>	<u>838,229</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 15 August 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Company’s since the 2023 annual financial statements. The condensed interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2023 that is included in the interim financial report as comparative information does not constitute the company’s statutory annual financial statements for that financial year but is derived from those financial statements. The annual financial statements for the year ended 31 December 2023 are available in the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 25 March 2024.

2 Revenue and segment reporting

(a) Revenue

(i) Disaggregation of revenue

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

	Six months ended	
	30 June	
	2024	2023
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
— Sales of analog IC patterned wafers	<u>290,554</u>	<u>204,422</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 signal chain products and power management products that the Company will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of signal chain products and power management products that had an original expected duration of one year or less.

(b) Segment reporting

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

(i) Information about geographical area

All of the Company's revenue is derived from the sales of signal chain products and power management products in mainland China and the principal non-current assets employed by the Company are located in mainland China. Accordingly, no analysis by geographical segments has been provided for the reporting periods.

3 Other income and net gain

	Six months ended	
	30 June	
	2024	2023
	RMB'000	RMB'000
Interest income	8,045	628
Net realised gains on financial assets measured at fair value through profit or loss	—	237
Government grants (<i>Note</i>)	6,338	4,283
Rental income	387	397
Net foreign exchange gain	2,312	—
Others	—	97
	<u>17,082</u>	<u>5,642</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:

(a) Finance costs:

	<i>Note</i>	Six months ended	
		30 June	
		2024	2023
		RMB'000	RMB'000
Interest on			
— loans and borrowings		3,227	1,684
— lease liabilities		153	112
		<u>3,380</u>	<u>1,796</u>

4 Profit before taxation (continued)

(b) Staff costs:

		Six months ended 30 June	
		2024	2023
	Note	RMB'000	RMB'000
Salaries, wages and other benefits		21,246	16,287
Contributions to defined contribution retirement plans	(i)	585	502
Equity-settled share-based payments		—	9,995
		<u>21,831</u>	<u>26,784</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.

(c) Other items:

		Six months ended 30 June	
		2024	2023
	Note	RMB'000	RMB'000
Cost of inventories	12(b)	197,327	123,587
Depreciation:			
— owned property, plant and equipment		2,219	1,506
— right-of-use assets		1,630	847
Research and development expenses (i)		70,812	57,411
Amortisation of intangible assets		<u>26</u>	<u>23</u>

- (i) During the six months ended 30 June 2024, staff costs and depreciation expenses in research and development expenses are RMB12,484,000 (six months ended 30 June 2023: RMB19,743,000), 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:*

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Current tax:		
Provision for PRC income tax for the period	—	—
Deferred tax:		
Origination of temporary differences	—	—
	<u>—</u>	<u>—</u>
	<u>—</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) An additional 100% of qualified research and development expenses incurred is allowed to be deducted from taxable income under the EIT Law and its relevant regulations, entities that qualified as high-technology enterprise.

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 RMB67,116,127 (six months ended 30 June 2023: RMB45,863,998) and the weighted average of 60,000,000 ordinary shares (six months ended 30 June 2023: 45,000,000) in issue during the six months ended 30 June 2024.

(b) Diluted earnings per share

Diluted earnings per share for the six months ended 30 June 2024 and 2023 were the same as the basic earnings per share as there were no dilutive potential ordinary shares.

7 Other non-current assets

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Prepayments for construction and property, plant and equipment	35,277	35,032
Acquisition deposits (Note)	24,525	—
	<u>59,802</u>	<u>35,032</u>

Note: The acquisition deposits are the deposits paid by the Company for investment-related purpose.

8 Trade and other receivables

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Amounts due from third parties		
Trade receivables, net of loss allowance	130,230	61,257
Bills receivable, net of loss allowance	—	2,131
Other receivables and deposits, net of loss allowance	1,013	5,781
	<u>131,243</u>	<u>69,169</u>

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

8 Trade and other receivables (continued)

As of the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
Within 1 month	34,531	23,729
1 to 2 months	22,632	25,539
2 to 3 months	24,061	11,464
3 to 6 months	49,006	525
	<u>130,230</u>	<u>61,257</u>

9 Prepayments

	At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
Prepayments to suppliers	354,163	261,135
Others	74	184
	<u>354,237</u>	<u>261,319</u>

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

10 Trade and other payables

	At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
Amounts due to third parties		
Trade payables	5,566	4,391
Bills payable	<u>214,352</u>	<u>213,841</u>
	219,918	218,232
Contract liabilities	6,685	7,538
Other payables and accruals	<u>12,649</u>	<u>22,731</u>
Trade and other payables	<u>239,252</u>	<u>248,501</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:

	At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
Within 3 months	104,529	115,967
After 3 months but within 6 months	<u>115,389</u>	<u>102,265</u>
	<u>219,918</u>	<u>218,232</u>

11 Capital, reserves and dividends

(a) Dividends

No dividends were paid or declared by the Company during the six months ended 30 June 2024.

(b) 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 for the 6 month period ended 30 June 2023, being the difference between the fair value of equity interest of the Company and the consideration received by Backward Partnership.

Management Discussion and Analysis

I. Business Review

Market Overview

Since 2023, the global integrated circuit (the “IC”) industry has entered a development stage of “cyclical fluctuations in total volume, continuous structural optimization”, while China’s IC industry has entered a greater level of import substitution. From the perspective of development trend, the focus of the global analog IC industry is shifting to China, still promising vast market potential; especially analog chips used in industry, automobile and other fields still maintain relatively stable demand growth.

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

Business Overview

During the Reporting Period, the Company continued to deepen and strengthen its three core differentiated competitive advantages: (i) continuing to focus on high-end products and enriching its product portfolio; (ii) focusing on the business model of analog IC design and delivery of patterned wafers; and (iii) 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 was better; our pattern wafer delivery model enhanced customer stickiness and made customer expansion more stable; the ecosystem of our self-developed electronic design automation (the “EDA”) tools continued to expand, and our intellectual property (the “IP”) became increasingly abundant. Meanwhile, the Company effectively implemented its business development strategies, as well as kept up with market trends and customer demands, and in particular, the further development with its existing key customers, which included providing more favorable policies to major customers with good credit, and appropriately extending customers’ credit terms, thereby increasing customers’ willingness to place orders and order volume.

Based on the foregoing, for the six months ended 30 June 2024, the Company recorded a revenue of RMB290.6 million, representing a period-on-period increase of 42.1%, and a gross profit margin of 51.3%.

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 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 500 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 six months ended 30 June 2024, in terms of core technologies, the Company continued to obtain various technical patents such as zero temperature drift, fast recovery function, and over-current protection in professional fields, stimulating the Company’s innovation level; in the field of design platform, the R&D department further refined technologies such as low quiescent currents, low temperature drift, and low start-up voltage, and collaborated with EDA tools to further reduce R&D difficulty while upgrading product performance; 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 500 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, and have jointly contributed to the Company’s sustained and stable revenue results during the Reporting Period.

For the six months ended 30 June 2024, H770 platform, which specializes in the research and development of high-voltage and high-current products, continued to maintain good advantages and expanded the market in the new energy field. The revenue from this platform accounted for more than 30% of the total revenue; C280 platform, whose main product is boost micro-modules, saw a period-on-period increase of nearly 70% in platform product revenue due to its wide application in power consumption-sensitive systems; 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.

II. Financial Review

Revenue

Revenue by Business Line

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

	Six months ended 30 June			
	2024		2023	
	<i>RMB'000</i>	<i>% of Revenue</i>	<i>RMB'000</i>	<i>% of Revenue</i>
Sales of power management products	256,504	88.3	179,596	87.9
Sales of signal chain products	34,050	11.7	24,826	12.1
Total	290,554	100.0	204,422	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:

	Six months ended 30 June			
	2024		2023	
	<i>RMB'000</i>	<i>% of Revenue</i>	<i>RMB'000</i>	<i>% of Revenue</i>
Sales to distributors	261,423	90.0	168,243	82.3
Direct sales	29,131	10.0	36,179	17.7
Total	290,554	100.0	204,422	100.0

The Company's revenue increased by 42.1% from RMB204.4 million for the six months ended 30 June 2023 to RMB290.6 million for the six months ended 30 June 2024, primarily due to the continuous launch of new products in the industrial category and in-depth development with key customers, which included providing more favorable policies to larger and creditworthy customers and extending credit terms, thereby increasing customers' willingness to place orders and order volume.

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

The Company's revenue from sales of power management products increased by 42.8% from RMB179.6 million for the six months ended 30 June 2023 to RMB256.5 million for the six months ended 30 June 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 37.2% from RMB24.8 million for the six months ended 30 June 2023 to RMB34.1 million for the six months ended 30 June 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's revenue from sales to distributors increased by 55.4% from RMB168.2 million for the six months ended 30 June 2023 to RMB261.4 million for the six months ended 30 June 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 decreased by 19.5% from RMB36.2 million for the six months ended 30 June 2023 to RMB29.1 million for the six months ended 30 June 2024, primarily due to the fact that distribution is still the Company's most efficient sales method, and demand from downstream distribution customers is relatively strong, the scale of direct sales has declined slightly amid limited product supply.

Cost of Sales

The Company's cost of sales increased by 54.7% from RMB91.5 million for the six months ended 30 June 2023 to RMB141.6 million for the six months ended 30 June 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 31.9% from RMB112.9 million for the six months ended 30 June 2023 to RMB149.0 million for the six months ended 30 June 2024, and the gross profit margin decreased from 55.2% for the six months ended 30 June 2023 to 51.3% for the six months ended 30 June 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 of the Company increased significantly during the Reporting Period, leading to the higher gross profit. As the Company expanded its business scale, the Company's inventory balance also increased accordingly, and provision for inventory impairment was

higher than that of the same period in 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 same period 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 same period last year.

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

	Six months ended 30 June			
	2024		2023	
	Gross profit	Gross profit	Gross profit	Gross profit
	RMB'000	margin	RMB'000	margin
	%	%	%	%
Sales of power management products	129,803	50.6	97,822	54.5
Sales of signal chain products	19,156	56.3	15,073	60.7
Total	<u>148,959</u>	<u>51.3</u>	<u>112,895</u>	<u>55.2</u>

The Company's gross profit from sales of power management products increased by 32.7% from RMB97.8 million for the six months ended 30 June 2023 to RMB129.8 million for the six months ended 30 June 2024, and the gross profit margin decreased from 54.5% for the six months ended 30 June 2023 to 50.6% for the six months ended 30 June 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 27.1% from RMB15.1 million for the six months ended 30 June 2023 to RMB19.2 million for the six months ended 30 June 2024, and the gross profit margin decreased from 60.7% for the six months ended 30 June 2023 to 56.3% for the six months ended 30 June 2024. Change in gross profit margin was mainly due to the impact of provision for inventory impairment 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) net foreign exchange gain; (iii) government grants; and (iv) rental income from lease of our testing equipment. The Company's other income and net gain increased by 202.8% from RMB5.6 million for the six months ended 30 June 2023 to RMB17.1 million for the six months ended 30 June 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 3.1% from RMB2.9 million for the six months ended 30 June 2023 to RMB3.0 million for the six months ended 30 June 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 our 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 56.8% from RMB11.6 million for the six months ended 30 June 2023 to RMB18.3 million for the six months ended 30 June 2024, primarily due to the increase in employee remuneration 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 23.3% from RMB57.4 million for six months ended 30 June 2023 to RMB70.8 million for the six months ended 30 June 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 RMB23.3 million, representing a period-on-period increase of 71.3%, and the total amount of employee compensation decreased by RMB7.5 million period-on-period, as a result of the absence of the share based payment expense of RMB10.0 million incurred during the same period 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 88.2% from RMB1.8 million for the six months ended 30 June 2023 to RMB3.4 million for the six months ended 30 June 2024, primarily due to the increase in short-term bank loans.

Profit before Taxation

As a result of the foregoing, the Company's profit before taxation increased by 46.3% from RMB45.9 million for the six months ended 30 June 2023 to RMB67.1 million for the six months ended 30 June 2024, primarily due to the significant increase in the revenue of the Company during the Reporting Period.

Income Tax

The Company's income tax expense was nil for the six months ended 30 June 2023, and was nil for the six months ended 30 June 2024, primarily due to the Company's entitlement to preferential tax and it can enjoy the exemption from EIT in 2023 and 2024.

Profit for the Period

As a result of the foregoing, the Company's profit for the period increased by 46.3% from RMB45.9 million for the six months ended 30 June 2023 to RMB67.1 million for the six months ended 30 June 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 describes 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 period adjusted by adding back listing expenses and share-based payments. Listing expenses are expenses relating to the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 28 December 2023 (the "**Listing**").

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

	For the six months ended	
	30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	67,116	45,864
Add:		
Listing expenses	—	785
Share-based payments	—	9,995
	<hr/>	<hr/>
Adjusted net profit (non-HKFRS measure)	<u>67,116</u>	<u>56,644</u>

Risk Factors

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 six months ended 30 June 2024 and 30 June 2023.

The Company manages its capital with the gearing ratio. The gearing ratio of the Company as of 30 June 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 27.6% (as of 30 June 2023: 25.1%).

Liquidity and Financial Resources

The Company maintains an excellent financial position and sufficient liquidity for the six months ended 30 June 2024. The Company's current assets amounted to RMB1,264.4 million as of 30 June 2024, representing an increase of 8.4% from RMB1,166.3 million as of 31 December 2023, primarily due to the increase in inventories, pledged bank deposits and cash and cash equivalents. Of these assets, cash and cash equivalents (mainly denominated in HK\$ and RMB) amounted to RMB483.3 million, representing a decrease of 12.3% from RMB550.8 million as of 31 December 2023, primarily due to the expansion of the Company which led to the increase in the prepayments.

As of 30 June 2024, the Company had bank loans of RMB241.8 million (as of 31 December 2023: RMB171.6 million), all of which were 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 RMB32.0 million, including the investment-related payments of RMB24.5 million, and RMB5.9 million for the six months ended 30 June 2024 and 30 June 2023, respectively. Historically, we have funded our capital expenditures mainly through cash generated from our operations, proceeds from the Listing and bank borrowings.

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

Capital Commitments

The Company's capital commitments as at the end of 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 of 30 June 2024 and 31 December 2023, respectively.

Pledge of Assets

As of 30 June 2024, the Company's bank deposits totaling RMB56.6 million were pledged as a guarantee to issue bank acceptance bills, which will be released upon the settlement of relevant bills payable. As of 30 June 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 RMB241.8 million as of 30 June 2024, mainly to fulfil the 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 30 June 2024, the Company had interest-bearing borrowings of RMB241.8 million, all of which were unguaranteed and unsecured borrowings (mainly denominated in RMB), with effective interest rates ranging from 2.80% to 3.65% per annum. All borrowings will mature within one year. The Company's bank borrowing agreements contain standard terms, conditions and covenants that are customary for commercial bank loans.

As of 30 June 2024, the Company had unutilized banking facilities of RMB454.6 million.

Contingent Liabilities

The Company did not have any contingent liabilities as of 30 June 2024 (as of 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 dated 18 December 2023, as of 30 June 2024, the Company had no other plan for material investments and capital assets.

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

As of 30 June 2024, the Company did not have any material investments. For the six months ended 30 June 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 Company's property, plant and equipment increased from RMB62.3 million as of 31 December 2023 to RMB65.8 million as of 30 June 2024, primarily due to the acquisition of new triple-temperature sorting machine of RMB3,472,000, with the new equipment being used for R&D purposes.

Right-of-use Assets

The Company's right-of-use assets represent carrying amounts of long-term leased properties. The lease terms typically range from two to three years for an initial period. The Company's right-of-use assets decreased from RMB6.9 million as of 31 December 2023 to RMB5.7 million as of 30 June 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.

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 RMB239.1 million as of 30 June 2024, primarily due to the inventories held in stock based on our customers' needs and the Company's judgement of market demand, which was in line with our business growth.

Trade and Other Receivables

The Company's trade receivables during the Reporting Period primarily represent receivables from customers for sales of analog IC patterned wafer products. The Company's other receivables and deposits primarily represent value-added tax recoverable, contingency cash for business trips and sporadic purchases and rental deposits. The Company's trade receivables increased from RMB61.3 million as of 31 December 2023 to RMB130.2 million as of 30 June 2024, primarily due to the fact that the significant increase in revenue for the Reporting Period compared to the same period last year, and meanwhile, in order to increase customers' willingness to place orders and order volume, the Company appropriately extended the credit terms for larger and creditworthy customers.

Prepayments

The Company's prepayments during the Reporting Period primarily are prepayment to suppliers for the purchase of raw materials. The Company's prepayments increased from RMB261.3 million as of 31 December 2023 to RMB354.2 million as of 30 June 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 primarily related to payments due to a supplier for chip probing services; (ii) bills payable, which primarily related to payments due to our wafer channel partner; (iii) contract liabilities, which mainly arise from the advance payments made by customers before the Company provided the analog IC patterned wafer products, and the advance payments received for an entrusted R&D agreement; and (iv) other payables and accruals. The Company's trade and other payables decreased from RMB248.5 million as of 31 December 2023 to RMB239.3 million as of 30 June 2024, and no significant changes have incurred.

Employees

Employees

As of 30 June 2024, the Company had 115 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 30 June 2024:

Function	Number of employees
Senior Management	2
R&D	69
Sales and marketing	10
Business operations and administration	34
Total	<u>115</u>

Remuneration Policy

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

Training Plans

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

Compliance with Laws and Regulations

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

To the best knowledge of the Board and management of the Company, 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 six months ended 30 June 2024, the Company had no material violations of or non-compliance with applicable laws and regulations.

Purchase, Sale or Redemption of Listed Securities of the Company

During the Reporting Period, the Company has not purchased, sold or redeemed any of the Company's listed securities.

Significant Events after the End of the Reporting Period

Subsequent to 30 June 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

Looking back to the first half of 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.

Since 2024, our fund-raising and investment projects have been advancing steadily.

First of all, we plan to further expand our R&D capabilities, and we are establishing a back-end process R&D center with the goal of making us more efficient when developing new products, with better R&D costs, and to be more in line with the features of the product portfolio on which the Company focuses.

Secondly, we will continue to leverage on in-depth cooperation with channel partners to develop products in close proximity to market demands. In the fields such as new energy storage, electric vehicles and high-end industries, we will continue to launch analog chip products that our customers love. We have also invested our R&D efforts in the emerging fields including analog artificial intelligence computing.

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

Corporate Governance

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

More information on the Company’s corporate governance practices will be included in the “Corporate Governance and Other Information” section in the Company’s interim report for the six months ended 30 June 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 favourable than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the “**Model Code**”). Having made specific inquiry of all Directors and supervisors of the Company, the Directors and supervisors of the Company have confirmed that they have complied with the Model Code during the Reporting Period.

Review of Interim Accounts by the Audit Committee

The Audit Committee has reviewed the unaudited interim results of the Company for the six months ended 30 June 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.

Interim Dividend

The Board does not recommend the payment of the interim dividend for the six months ended 30 June 2024.

Publication of Interim Results and Interim Report

This interim results announcement has been published on the Company's website (www.batelab.com) and the website of the Stock Exchange (www.hkexnews.hk). The interim report for the six months ended 30 June 2024 of the Company, which contains all the information required under the Listing Rules, will be dispatched to the shareholders who requested for a printed copy and published on the above websites in due course.

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

Suzhou, the PRC, 15 August 2024

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.