

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

Application Proof of

Lens Technology Co., Ltd.
藍思科技股份有限公司
(the “Company”)

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

WARNING

The publication of this Application Proof is required by The Stock Exchange of Hong Kong Limited (the “**Exchange**”) and the Securities and Futures Commission of Hong Kong (the “**Commission**”) solely for the purpose of providing information to the public in Hong Kong.

This Application Proof is in draft form. The information contained in it is incomplete and is subject to change which can be material. By viewing this document, you acknowledge, accept and agree with the Company, its sole sponsor, advisors or member of the underwriting syndicate that:

- (a) this document is only for the purpose of providing information about the Company to the public in Hong Kong and not for any other purposes. No investment decision should be based on the information contained in this document;
- (b) the publication of this document or supplemental, revised or replacement pages on the Exchange’s website does not give rise to any obligation of the Company, its sole sponsor, advisors or members of the underwriting syndicate to proceed with an offering in Hong Kong or any other jurisdiction. There is no assurance that the Company will proceed with the offering;
- (c) the contents of this document or supplemental, revised or replacement pages may or may not be replicated in full or in part in the actual final listing document;
- (d) the Application Proof is not the final listing document and may be updated or revised by the Company from time to time in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
- (e) this document does not constitute a prospectus, offering circular, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities;
- (f) this document must not be regarded as an inducement to subscribe for or purchase any securities, and no such inducement is intended;
- (g) neither the Company nor any of its affiliates, advisors or underwriters is offering, or is soliciting offers to buy, any securities in any jurisdiction through the publication of this document;
- (h) no application for the securities mentioned in this document should be made by any person nor would such application be accepted;
- (i) the Company has not and will not register the securities referred to in this document under the United States Securities Act of 1933, as amended, or any state securities laws of the United States;
- (j) as there may be legal restrictions on the distribution of this document or dissemination of any information contained in this document, you agree to inform yourself about and observe any such restrictions applicable to you; and
- (k) the application to which this document relates has not been approved for listing and the Exchange and the Commission may accept, return or reject the application for the subject public offering and/or listing.

If an offer or an invitation is made to the public in Hong Kong in due course, prospective investors are reminded to make their investment decisions solely based on the Company’s prospectus registered with the Registrar of Companies in Hong Kong, copies of which will be distributed to the public during the offer period.

IMPORTANT

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

Lens Technology Co., Ltd. 藍思科技股份有限公司

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

[REDACTED]

Number of [REDACTED] under : [REDACTED] H Shares (subject to the [REDACTED])
Number of [REDACTED] : [REDACTED] H Shares (subject to [REDACTED])
Number of [REDACTED] : [REDACTED] H Shares (subject to [REDACTED] and the [REDACTED])
Maximum [REDACTED] : HK\$[REDACTED] per H Share plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value : RMB1.00 per H Share
[REDACTED] : [REDACTED]

Sole Sponsor and [REDACTED]



CITIC SECURITIES

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

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

The [REDACTED] is expected to be determined by agreement between the [REDACTED] (for itself and on behalf of the [REDACTED]), and the Company on the [REDACTED], which is expected to be on or before [REDACTED], [REDACTED], [REDACTED] (Hong Kong time) and, in any event, not later than 12:00 noon on [REDACTED], [REDACTED], [REDACTED] (Hong Kong time). The [REDACTED] will not be more than HK\$[REDACTED] per [REDACTED] and is currently expected to be not less than HK\$[REDACTED] per [REDACTED], unless otherwise announced. If, for any reason, the [REDACTED] is not agreed by 12:00 noon on [REDACTED], [REDACTED], [REDACTED] (Hong Kong time) between the [REDACTED] (for itself and on behalf of the [REDACTED]) and the Company, the [REDACTED] will not proceed and will lapse.

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

The [REDACTED], on behalf of the [REDACTED], may, where considered appropriate and with the Company’s consent, reduce the number of [REDACTED] being [REDACTED] under the [REDACTED] and/or the indicative [REDACTED] range below that stated in this Document (which is HK\$[REDACTED]) to HK\$[REDACTED]) at any time prior to the morning of the last day for lodging [REDACTED] under the [REDACTED]. In such case, notices of the reduction in the number of [REDACTED] being [REDACTED] under the [REDACTED] and/or the indicative [REDACTED] range will be published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and on the website of the Company at www.hnlens.com as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging [REDACTED] under the [REDACTED]. See “Structure of the [REDACTED]” and “How to Apply for [REDACTED]” sections for further details.

Prospective investors of the [REDACTED] should note that the obligations of the [REDACTED] under the [REDACTED] are subject to termination by [REDACTED] (for itself and on behalf of the [REDACTED]) if certain grounds arise prior to 8:00 a.m. on the [REDACTED]. See “[REDACTED]” section for further details.

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The [REDACTED] may be offered, sold or delivered (a) in the United States solely to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or (b) outside the United States in offshore transactions in reliance on Regulation S.

[REDACTED]

[REDACTED]

IMPORTANT

[REDACTED]

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

CONTENTS

IMPORTANT NOTICE TO INVESTORS

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

You should rely only on the information contained in this Document to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this Document. Any information or representation not made in this Document must not be relied on by you as having been authorized by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of our or their respective directors, officers, employees, agents, advisers or representatives, or any other person or party involved in the [REDACTED].

	<i>Page</i>
Expected Timetable	i
Contents	v
Summary	1
Definitions	17
Glossary of Technical Terms	29
Forward-Looking Statements	30
Risk Factors	32
Information about this Document and the [REDACTED]	56
Directors, Supervisors and Parties Involved in the [REDACTED]	61
Corporate Information	65
History, Development and Corporate Structure	68
Industry Overview	78

CONTENTS

	<i>Page</i>
Regulatory Overview	96
Business	109
Financial Information	173
Share Capital	217
Substantial Shareholders	220
Relationship with Our Controlling Shareholders	222
Directors, Supervisors and Senior Management	227
Future Plans and Use of [REDACTED]	242
Waivers from Strict Compliance with the Hong Kong Listing Rules	245
[REDACTED]	252
Structure of the [REDACTED]	265
How to Apply for [REDACTED]	276
Appendix I — Accountants’ Report	I-1
Appendix II — Unaudited [REDACTED] Financial Information	II-1
Appendix III — Summary of the Articles of Association	III-1
Appendix IV — Statutory and General Information	IV-1
Appendix V — Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display	V-1

SUMMARY

This summary aims to give you an overview of the information contained in this Document. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be in conjunction with, the full text of this Document. You should read the entire Document before you decide to invest in the [REDACTED]. There are risks associated with any investment. Some of the particular risks in investing in the H Shares are set out in “Risk Factors” in this Document. You should read that section carefully before you decide to invest in the H Shares.

OVERVIEW

Our Mission

Strive to provide customers with satisfactory technologies, products and services, and continue to create value for shareholders.

Our Vision

To lead industry trends through technological innovation and forge a global leading smart manufacturing enterprise.

Who We Are

We are an industry-leading integrated one-stop precision manufacturing solution provider. We are focused on technological innovation and empowered by smart manufacturing. In terms of revenue in 2024, we are a global leading player in precision structural parts and modules integrated solutions for both consumer electronics and smart vehicles interaction systems. We have accumulated strong expertise and capabilities in consumer electronics and smart vehicles, with robust and comprehensive platform-based capabilities that include talent, technology, supply and smart manufacturing. This empowers us to expand into new business areas and seize future growth opportunities, and lays the foundation for being one of the first companies in the industry to undertake large-scale production of key components and complete device assembly for humanoid robots and AI glasses/XR head-mount displays.

SUMMARY

The following are our business highlights:

Pioneering contributions	Consumer electronics	Smart vehicles	Financial performance
<p>Screen sectors First in the industry to apply glass, sapphire and ceramics to smartphones, computers and smart wearables¹</p> <p>Critical core components for humanoid robots and AI glasses One of the first companies to undertake mass production and complete device assembly¹</p> <p>Automated equipment and industrial robots One of the first companies in the industry to apply automated equipment and industrial robots and establish a systematic smart manufacturing system¹</p>	<p>Top ranking In the global consumer electronics precision structural parts and modules integrated solutions industry²</p> <p>The world's first touch-enabled smartphones with full-sized screen Cover glass core supplier</p> <p>Cutting-edge layout and technological strength Optical waveguide, glass substrate made from laser technology, UTG, VTG and hinges for foldable screens</p>	<p>Top ranking In the global smart vehicle interaction systems integrated solutions industry²</p> <p>The world's first premium smart electric vehicle Central control screens and intelligent B-pillars supplier</p> <p>Serving the largest number of vehicle brands Established partnerships with over 30 vehicle brands</p>	<p>RMB69.9 billion, with a year-on-year growth of 28.3% Total annual revenue for 2024</p> <p>RMB3.7 billion, with a year-on-year growth of 20.9% Total net profit for 2024</p> <p>RMB7.5 billion, with a dividend payout ratio of 36.8% Cumulative dividend payout from 2015 to 2024</p>
Smart manufacturing	Quality control	R&D	
<p>Integrated one-stop precision manufacturing platform Achieving full industry value chain vertical integration for smart devices</p> <p>Industry-first single-piece flow production Integrate multiple processes into a continuous production line spanning hundreds of meters, enabling a seamless and efficient production flow for final product delivery</p> <p>Factory layout based on the concept of independent operating units The factory layout is designed to tailor production process to specific products, ensuring operational efficiency and financial accountability by functioning as an independent operating unit</p>	<p>Full material coverage Customized solution covering a wide range of materials, including glass, metal, sapphire, ceramic, plastic, leather, silicon, glass fiber, carbon fiber and more</p> <p>IoT and smart systems Through the development of IoT, we have largely achieved interconnectivity within the production system, with Key manufacturing processes fully automated and intelligent</p> <p>National Quality Benchmark and Industrial Internet Pilot, Excellence-level Smart Factory Recognized by the MIIT (2022, 2025)</p>	<p>Pioneering the industry with AOI Successfully implementing deep learning, large models, and AOI in smartphones, computers and smart wearables</p> <p>Operating 4 CNAS certified testing centers Significantly enhancing the accuracy and credibility of testing and analysis results</p> <p>Achieved multiple international management systems certifications Including ISO 9001:2015 Quality Certification, IECQ Certificate of Conformity and IATF 16949, among others</p>	<p>2,249³ Authorized patents covering multiple fields such as processing technology, product testing, equipment development, new materials, and industrial internet</p> <p>More than RMB18 billion Cumulative R&D investment from 2015 to 2024</p> <p>6,000+ units/year Proprietary R&D and manufacturing capability for large-scale automated equipment</p>

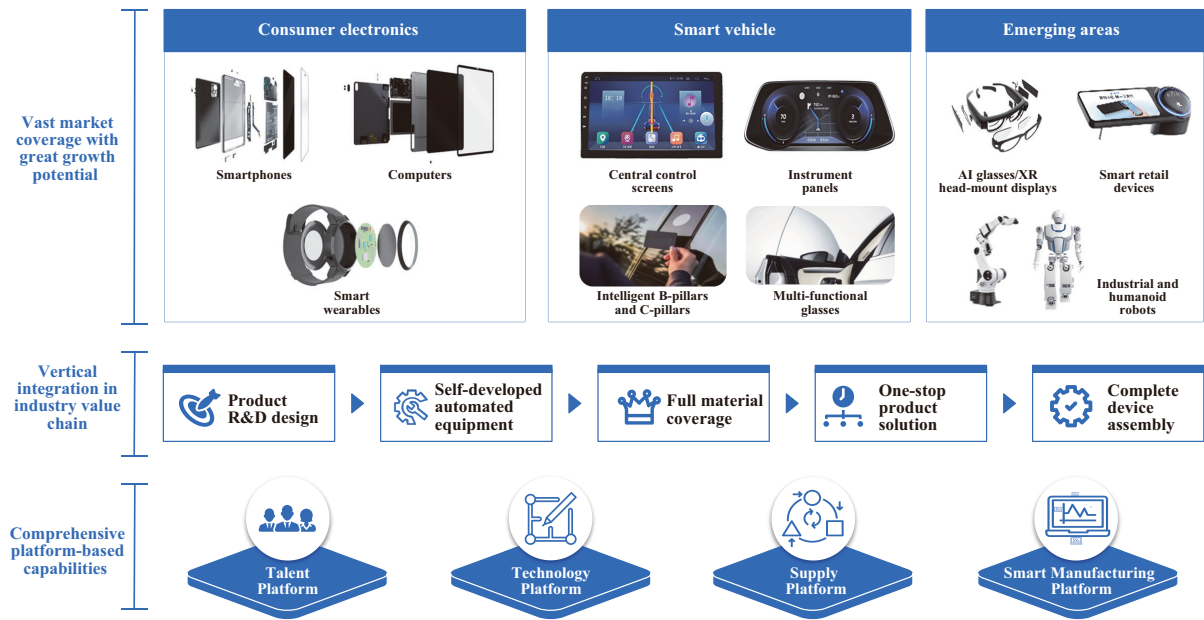
Note 1: Source from the Frost & Sullivan Report;

Note 2: In terms of revenue in 2024;

Note 3: As of December 31, 2024

Since the 2000s, led by our Chairman, Ms. Chau, we have pioneered the development and application of new materials such as glass, sapphire and ceramics in consumer electronics under the guidance of our “four new” strategy — new materials, new technologies, new equipment and new fields. In 2007, we were the first in the industry to apply glass to the world’s first touch-enabled smartphone with full-sized screen, establishing the mainstream technology for functional panels on smart devices. To date, through our accumulated expertise in materials science — including glass, metal, sapphire, ceramics, plastics, leather, glass fiber and carbon fiber — we have achieved full vertical integration along the smart devices industry value chain. This spans from raw materials and structural part production to functional module lamination and complete device assembly. We have established long-term strategic relationships with global leading brands in consumer electronics and smart vehicles and are deeply involved in the development and production of their products two to three years ahead of the product launches. In addition, we proactively expand into broad and high-growth-potential areas and extend horizontally into diversified markets such as smart retail devices, industrial applications, humanoid robots and AI glasses/XR head-mount displays, creating a multi-faceted presence in various emerging markets.

SUMMARY



Our Solutions

Consumer Electronics: We provide various structural parts and functional modules including cover glass, metal mid-frames, touch modules, display modules, thermal modules, antenna modules, biometric recognition modules and wireless charging modules as well as complete device assembly for consumer electronics such as smartphones, computers and smart wearables. Our customized solutions cover a variety of materials, including glass, metal, sapphire, ceramics, plastics, leather, silicone, glass fiber and carbon fiber.

Smart Vehicle: We develop and produce a wide range of automotive electronics products and structural parts for the smart cockpit. We offer innovative solutions to customers, including glass and components for automotive electronics such as central control screens and instrument panels, intelligent B-pillars and C-pillars and multi-functional glasses for side windows, windshields and sunroofs.

Other Emerging Smart Devices Markets: We have expanded into various markets, including humanoid robots, AI glasses/XR head-mount displays and smart retail devices. We collaborate with leading humanoid robot companies, providing mass production of core components and complete device assembly. In the AI glasses/XR head-mount displays market, we offer a full-chain service covering functional modules and complete device assembly. In addition, we have also jointly launched “Tap to Pay” smart retail devices with a leading company in the third-party payment industry.

Our Platform-Based Capabilities

We possess robust and comprehensive platform-based capabilities, encompassing talent, technology, supply and smart manufacturing. As for the talent platform, we have cultivated a large number of R&D experts who combine theoretical innovation with excellent craftsmanship and

SUMMARY

practical skills. Moreover, we are capable of quickly assembling teams across various areas and industries to meet our evolving business requirements. Our technology platform embodies the ability to transfer technologies across different areas, leveraging proven technologies in mature areas to empower new end uses. Our supply platform is built upon the capability to produce raw materials ourselves and have access to abundant upstream resources, which enable the rapid mass production of a wide range of products and the efficient fulfillment of customers’ diverse requirements. Our smart manufacturing platform stems from years of accumulated experience in equipment development which enables us to make adjustments based on the modules and designs of existing equipment and efficiently develop production lines for new products.

Vertical Integration

Our business operations cover everything from production of raw materials and structural part production such as cover glass and metal mid-frames, to functional module lamination such as display modules, fingerprint modules, camera modules and wireless charging modules, as well as complete device assembly of smart devices. We have achieved comprehensive coverage of raw materials through technical capabilities for a variety of functional materials. More specifically, we are one of the few solution providers in the global consumer electronics supply chain with advanced processing capabilities in both glass and metal. We offer our customers vertically integrated one-stop solutions, covering everything from design to mass production.

Global Footprint

We have nine production and R&D centers both domestically and internationally, including a production center in Southeast Asia and overseas offices in Hong Kong, the United States, Japan and South Korea, ensuring extensive coverage of domestic and international markets. By strategically positioning ourselves close to our customers, we optimize supply chains and logistics costs, enabling us to respond quickly to customer demands.

RESEARCH AND DEVELOPMENT

Given the highly customized nature of our solutions, our product R&D are primarily done in cooperation with our customers for specific projects according to the customers’ customization requirements and end product designs. Our customers usually approach us at the beginning of the product development cycle of the end products, and we work with them closely to design and develop customized structural parts or functional modules pursuant to their specifications and the design of the end products in which the structural parts and functional modules will be used.

In addition to the research and development of specific projects and products, we also undertake innovative R&D initiatives that focus on new materials, new technologies, new equipment and new fields. Our innovative R&D has resulted in various technological breakthroughs and upgrades that enabled the continuous iteration and advancement of consumer electronics, such as CNC processing for glass, ion-exchange strengthened glass, coating techniques, high-adhesion ultra-thin ink, polishing techniques, spraying techniques and yellow-light processing.

SUMMARY

OUR CUSTOMERS AND SUPPLIERS

Our customers are mainly global brands in the consumer electronics and smart vehicles industries.

During the Track Record Period, we did not engage any distributors, and all our products and services were sold or provided by us to our customers directly. We intend to continue to engage in direct sales only without the use of distributors given the nature of our long-term strategic relationships with our customers.

In 2022, 2023 and 2024, sales to our five largest customers amounted to RMB38,878.3 million, RMB45,282.2 million and RMB56,707.4 million, accounting for 83.3%, 83.1% and 81.1% of our total revenue in the respective periods. In 2022, 2023 and 2024, sales to our largest customer amounted to RMB33,136.2 million, RMB31,512.3 million and RMB34,566.5 million, accounting for 71.0%, 57.8% and 49.5% of our total revenue in the respective periods.

Our suppliers are mainly suppliers of raw materials and equipment. We have established and maintain stable and long-term relationships with these major suppliers.

In 2022, 2023 and 2024, purchases from our five largest suppliers amounted to RMB9,033.5 million, RMB17,224.6 million and RMB26,064.7 million, accounting for 23.7%, 37.4% and 43.6% of our total cost of sales in the respective periods. In 2022, 2023 and 2024, purchases from our largest supplier amounted to RMB6,198.4 million, RMB7,665.7 million and RMB14,372.7 million, accounting for 16.2%, 16.7% and 24.1% of our total cost of sales in the respective periods.

PRODUCTION AND MANUFACTURING

We produce all our products ourselves in our nine production centers to ensure that we consistently deliver high-quality products on time to meet our customers’ demands. As of December 31, 2024, we had nine production centers located in China, Vietnam and Mexico.

Technology is the core of our competitiveness in production. We have integrated smart manufacturing into various aspects of our production, significantly improving our production efficiency and product yields. We were one of the earliest companies to develop and implement automated equipment and industrial robots in production processes, which significantly increases efficiency, precision and consistency in production. We have also implemented an intelligent warehousing system that helped to improve our warehousing, logistics and inventory management capabilities. Furthermore, we have been developing industrial robots for our production centers. For example, the four-axis, six-axis, parallel robots, humanoid robots, AOI visual inspection robots, AGV tuggers developed and manufactured by us not only outperforms conventional equipment in the market in terms of overall performance, efficiency, degree of automation, energy consumption and cost, but also ensures high product quality and consistency.

As a result of our advanced technologies and equipment, during the Track Record Period, the yield rates for our products and complete device assembly were well above the industry average.

SUMMARY

COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed to our success and will continue to drive our future growth:

- Global leader in integrated one-stop precision manufacturing, with leading positions across multiple industries
- Focused on technological innovation and committed to research and development, we drive the evolution of advanced materials and technology
- Long-term strategic collaborations with global leading customers to lead and pioneer developments within the industry
- Comprehensive platform-based strategy and vertical integration along the full industry value chain to identify and capture market opportunities
- Industry-first automated smart manufacturing equipment and highly advanced data-driven manufacturing system
- Visionary founder and experienced senior management team that guided our rise to a global leadership in smart manufacturing

OUR STRATEGIES

We will pursue the following strategies to drive further growth:

- Expand our global footprint through strategic expansion and optimization of production capacity
- Enrich product and service portfolio to meet diversified customer needs
- Continue to enhance of our smart manufacturing system to improve production efficiency and promote green manufacturing
- Further invest in research and development to solidify our technological leadership
- Facilitate growth through potential industry value chain integration and strategic acquisitions

COMPETITION

We operate in a highly competitive market, and we compete with other providers in the global precision manufacturing industry. Our ability to maintain and grow our market share depends on us competing effectively against our competitors. The competitive landscape is shaped by multiple factors, including the growth of our customers and their respective industries, advancements in technology, emergence of new materials or technology, production capacity, regulatory changes and general economic conditions.

SUMMARY

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables sets forth summary financial data from our consolidated financial information during the Track Record Period. The summary financial data set forth below should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements as set out in the Accountants’ Report in Appendix I to this Document, including the related notes. Our consolidated financial information was prepared in accordance with IFRSs.

Results Of Operations

	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)					
Revenue						
Contracts with customers . . .	46,603,225	99.8%	54,346,061	99.8%	69,756,758	99.8%
Leases	95,321	0.2%	126,673	0.2%	140,018	0.2%
Total revenue	46,698,546	100.0%	54,490,734	100.0%	69,896,776	100.0%
Cost of sales	(38,151,630)	(81.7%)	(45,998,870)	(84.4%)	(59,713,283)	(85.4%)
Gross profit	8,546,916	18.3%	8,491,864	15.6%	10,183,493	14.6%
Other income	678,576	1.5%	1,017,209	1.9%	567,024	0.8%
Impairment losses under expected credit loss (“ECL”) model, net of reversal	43,962	0.1%	1,259	0.0%	(33,859)	0.0%
Other gains and losses	321,012	0.7%	218,657	0.4%	384,380	0.5%
Selling expenses	(708,849)	(1.5%)	(674,057)	(1.2%)	(705,599)	(1.0%)
Administrative expenses	(3,239,490)	(6.9%)	(2,910,299)	(5.3%)	(3,368,955)	(4.8%)
Research and development expenses	(2,104,976)	(4.5%)	(2,316,619)	(4.3%)	(2,784,813)	(4.0%)
Other expenses	(10,032)	0.0%	(6,848)	0.0%	(8,216)	0.0%
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Share of results of investments accounted for using the equity method . .	3,987	0.0%	(57,291)	(0.1%)	3,899	0.0%
Finance costs	(616,216)	(1.3%)	(509,986)	(0.9%)	(388,438)	(0.6%)
Profit before tax	2,914,890	6.2%	3,253,889	6.0%	3,848,916	5.5%
Income tax expense	(395,069)	(0.8%)	(212,062)	(0.4%)	(172,061)	(0.2%)
Profit for the year	2,519,821	5.4%	3,041,827	5.6%	3,676,855	5.3%
Profit for the year attributable to:						
Owners of the Company	2,448,037	5.2%	3,021,342	5.5%	3,623,901	5.2%
Non-controlling interests	71,784	0.2%	20,485	0.0%	52,954	0.1%

SUMMARY

Non-IFRS Measure

To supplement our consolidated financial statements that are presented in accordance with IFRS, we also use adjusted profit/(loss) for the year/period (a non-IFRS measure) and adjusted net margin (a non-IFRS measure), as additional financial measures, which are not required by, or presented in accordance with IFRS. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period by eliminating potential impact of certain items. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated financial statements in the same manner as they help our management. However, our presentation of adjusted profit/(loss) for the year/period (a non-IFRS measure) and adjusted net margin (a non-IFRS measure) may not be comparable to similar item measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as substitute for analysis of, our consolidated financial statements or financial condition as reported under IFRS. We define adjusted profit/(loss) for the year/period (a non-IFRS measure) as profit/(loss) for the year/period adjusted for share-based compensations (a non-cash item). We define adjusted net margin (a non-IFRS measure) as adjusted profit/(loss) for the year/period (a non-IFRS measure) as a percentage of our total revenue.

	2022	2023	2024
	(in RMB thousands)		
Profit for the year/period	2,519,821	3,041,827	3,676,855
Add:			
Share-based compensation	—	54,260	161,375
Adjusted profit/(loss) for the year/ period (a non- IFRS measure)	2,519,821	3,096,087	3,838,230
Adjusted net margin (a non-IFRS measure)	5.4%	5.7%	5.5%

In 2024, we recorded an adjusted profit for the period (a non-IFRS measure) of RMB3,838.2 million and an adjusted net margin (a non-IFRS measure) of 5.5%, as compared with an adjusted profit for the period (a non-IFRS measure) of RMB3,096.1 million and an adjusted net margin (a non-IFRS measure) of 5.7% in 2023, primarily due to growth in our smartphones and computers related revenue.

See “Financial Information — Non-IFRS Measure.”

SUMMARY

Revenue

During the Track Record Period, we mainly generated revenue from the provision of precision manufacturing solutions for a wide variety of end uses, including smartphones and computers, smart vehicles and cockpits, intelligent head-mounted displays and smart wearables and other smart devices. These solutions include structural parts, functional modules and complete device assembly.

By product end use

	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
(in thousands, except for percentages)						
Smartphones and computers						
Structural parts and functional modules	37,710,398	80.7%	36,868,430	67.7%	43,234,267	61.9%
Complete device assembly . . .	503,413	1.1%	8,032,202	14.7%	14,519,902	20.8%
Subtotal	38,213,811	81.8%	44,900,632	82.4%	57,754,169	82.6%
Smart vehicles and cockpits . . .	3,583,820	7.7%	4,998,464	9.2%	5,934,795	8.5%
Intelligent head-mounted displays and smart wearables .	3,538,691	7.6%	3,103,753	5.7%	3,488,408	5.0%
Other smart devices	171,817	0.4%	164,872	0.3%	1,408,378	2.0%
Others ¹	1,190,407	2.5%	1,323,013	2.4%	1,311,026	1.9%
Total	46,698,546	100%	54,490,734	100%	69,896,776	100%

Note:

1 Others mainly include revenue generated from sales of scraps and materials, processing fee and leases.

Our revenue increased by 16.7% from RMB46,698.5 million in 2022 to RMB54,490.7 million in 2023, and further increased by 28.3% to RMB69,896.8 million in 2024, primarily due to an increase in smartphones and computers related revenue, and we expect this to continue to be a major contributor to our total revenue going forward.

SUMMARY

Gross profit and gross profit margin

	2022		2023		2024	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
	(in RMB thousands, except for percentages)					
Smartphones and computers						
Structural parts and functional modules	6,554,143	17.4%	6,338,393	17.2%	7,767,219	18.0%
Complete device assembly . .	(8,222)	(1.6%)	207,245	2.6%	183,251	1.3%
Subtotal	6,545,921	17.1%	6,545,638	14.6%	7,950,470	13.8%
Smart vehicles and cockpits . .	698,364	19.5%	734,791	14.7%	518,202	8.7%
Intelligent head-mounted displays and smart wearables	559,927	15.8%	433,417	14.0%	636,531	18.2%
Other smart devices	20,290	11.8%	10,781	6.5%	270,069	19.2%
Others	722,415	60.7%	767,236	58.0%	808,221	61.6%
Total/Overall	<u>8,546,916</u>	<u>18.3%</u>	<u>8,491,864</u>	<u>15.6%</u>	<u>10,183,493</u>	<u>14.6%</u>

Our gross profit decreased by 0.6% from RMB8,546.9 million in 2022 to RMB8,491.9 million in 2023, primarily due to a decrease in our intelligent head-mounted displays and smart wearables related gross profit. Our gross profit increased by 19.9% from RMB8,491.9 million in 2023 to RMB10,183.5 million in 2024, primarily due to an increase in smartphones and computers related gross profit. Our gross margin decreased from 18.3% in 2022 to 15.6% in 2023, and further decreased to 14.6%, primarily due to an increase in revenue contribution from complete device assembly and a decrease in our smart vehicles and cockpits related gross margin.

See “Financial Information — Year-on-Year Comparison of Results of Operations.”

Profit for the year

Our profit for the year increased by 20.7% from RMB2,519.8 million in 2023 to 3,041.8 million in 2024, and further increased by 20.9% to RMB3,676.9 million in 2024.

SUMMARY

Summary of consolidated statements of financial position

	As of December 31,		
	2022	2023	2024
	(in RMB thousands)		
Total non-current assets	49,734,453	49,389,065	50,243,266
Total current assets	28,611,319	28,080,676	30,772,781
Total assets	78,345,772	77,469,741	81,016,047
Total non-current liabilities	11,797,468	11,891,798	9,104,976
Total current liabilities	22,167,061	19,056,316	23,065,161
Total liabilities	33,964,529	30,948,114	32,170,137
Net current assets	6,444,258	9,024,360	7,707,620
Equity			
Share capital	4,973,480	4,983,228	4,982,879
Reserves	39,198,513	41,355,757	43,673,762
Equity attributable to owners of the Company . .	44,171,993	46,338,985	48,656,641
Non-controlling interests	209,250	182,642	189,269
Total equity	44,381,243	46,521,627	48,845,910

Our net current assets increased from RMB6,444.3 million as of December 31, 2022 to RMB9,024.4 million as of December 31, 2023, primarily due to an increase in trade and bills receivables and prepayments and other receivables, and a decrease in borrowings.

Our net current assets decreased from RMB9,024.4 million as of December 31, 2023 to RMB7,707.6 million as of December 31, 2024, primarily due to an increase in trade and bills payables and borrowings, and a decrease in bills receivables at FVTOCI and income tax recoverable, partially offset by a decrease in income tax payable and increase in inventories and trade and bills receivables.

See “Consolidated Statements of Financial Position of the Group” in “Appendix I — Accountants’ Report.”

SUMMARY

Summary of consolidated statements of cash flows

	<u>2022</u>	<u>2023</u>	<u>2024</u>
	(in RMB thousands)		
Operating cash flows before movements in			
working capital	7,471,246	8,341,908	9,154,875
Changes in working capital	1,863,689	1,386,278	1,522,450
Income tax paid	<u>(154,402)</u>	<u>(427,988)</u>	<u>(414,224)</u>
Net cash from operating activities	9,180,533	9,300,198	10,888,841
Net cash used in investing activities	(5,576,695)	(5,367,384)	(6,050,290)
Net cash used in financing activities	<u>(2,416,316)</u>	<u>(5,136,912)</u>	<u>(4,454,405)</u>
Net increase (decrease) in cash and cash			
 equivalents	1,187,522	(1,204,098)	384,146
Cash and cash equivalents at beginning of			
the year/period	<u>10,216,339</u>	<u>11,682,255</u>	<u>10,493,519</u>
Effect of foreign exchange rate changes	<u>278,394</u>	<u>15,362</u>	<u>59,139</u>
Cash and cash equivalents at ending of			
 the year/period	<u>11,682,255</u>	<u>10,493,519</u>	<u>10,936,804</u>

In 2022, 2023 and 2024, we recorded net cash from operating activities of RMB9,180.5 million, RMB9,300.2 million and RMB10,888.8 million, respectively, primarily due to the profits we generated in each of the respective years, which in turn was due to our successful business expansion.

See “Financial Information — Cash Flows.”

SUMMARY

Key financial ratios

	For the year ended/as of December 31,		
	2022	2023	2024
Gross margin ¹	18.3%	15.6%	14.6%
Net profit margin ²	5.4%	5.6%	5.3%
Return on assets ³	3.3%	3.9%	4.6%
Return on equity ⁴	5.8%	6.7%	7.7%
Current ratio ⁵	1.3	1.5	1.3
Quick ratio ⁶	1.0	1.1	1.0
Gearing ratio ⁷	42.7%	32.8%	29.3%

Notes:

- (1) Gross margin is calculated as gross profit for the year/period divided by revenue for the corresponding year/period and multiplied by 100%.
- (2) Net profit margin is calculated as net profit for the year/period divided by revenue for the corresponding year/period and multiplied by 100%.
- (3) Return on assets is calculated as net profit for the year divided by the average total assets and multiplied by 100%. Average total assets is the sum of the balance of total assets at the beginning and at the end of the year, divided by two.
- (4) Return on equity is calculated as net profit for the year divided by the average total equity and multiplied by 100%. Average total equity is the sum of the balance of total equity at the beginning and at the end of the year, divided by two.
- (5) Current ratio is calculated as total current assets as at the end of the year/period divided by total current liabilities as at the end of the corresponding year/period.
- (6) Quick ratio is calculated as total current assets less inventories as at the end of the year/period and divided by total current liabilities as at the end of the corresponding year/period.
- (7) Gearing ratio is calculated as the total bank loans as at the end of the year/period divided by total equity as at the end of the corresponding year/period and multiplied by 100%.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, the equity interest of our Company was controlled directly as to approximately 56.28% by Lens Technology (HK), 5.78% by Changsha Qunxin and 0.07% by Mr. Cheng. 100% equity interest of Lens Technology (HK) was directly held by Ms. Chau and Changsha Qunxin was directly held as to 97.90% by Ms. Chau and 2.10% by Mr. Cheng. Ms. Chau and Mr. Cheng are spouses.

Accordingly, immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Ms. Chau, Mr. Cheng, Lens Technology (HK) and Changsha Qunxin will control in aggregate approximately [REDACTED]% of the total issued share capital of

SUMMARY

our Company and be entitled to exercise more than 30% of the voting power at general meetings of our Company. As such, Ms. Chau, Mr. Cheng, Lens Technology (HK) and Changsha Qunxin will together constitute a group of Controlling Shareholders upon [REDACTED] under the Hong Kong Listing Rules.

For more details, see “Relationship with Our Controlling Shareholders.”

RISK FACTORS

We face risks including those set out in the section headed “Risk Factors.” As different investors may have different interpretations and criteria when determining the significance of risks, you should read the “Risk Factors” section in its entirety before you decide to invest in our H Shares. Some of the major risks that we face include:

- We generate the majority of our revenue from a limited number of key customers, the loss of whom may cause significant fluctuations or declines in our sales
- Our growth and profitability depend on general economic conditions and the level of consumer spending
- Our future success depends on our ability to successfully produce new products and effectively manage our growth
- We purchase our major raw materials from a selected number of key suppliers
- Our research and development efforts are not guaranteed to yield the results we anticipate
- If our production capacity is not adequate, our capability to satisfy customer demand could be hindered

FUTURE PLANS AND USE OF [REDACTED]

Assuming an [REDACTED] of HK\$[REDACTED] per H Share (being the midpoint of the range of the [REDACTED] stated in this Document), we estimate that we will receive net [REDACTED] of approximately HK\$[REDACTED] from the [REDACTED] after deducting the [REDACTED] and other estimated expenses in connection with the [REDACTED] (assuming the [REDACTED] is not exercised). We intend to use our [REDACTED] for the purposes and in the amounts set forth below.

- Approximately [REDACTED]%, or HK\$[REDACTED], will be used to expand our product and service portfolio and explore additional end uses for our products;
- Approximately [REDACTED]%, or HK\$[REDACTED], will be used to expand our global presence, increase our production capacity globally and enhance our global delivery capabilities;
- Approximately [REDACTED]%, or HK\$[REDACTED], will be used to advance our vertical integration in smart manufacturing; and

SUMMARY

- Approximately [REDACTED]%, or HK\$[REDACTED], will be used for working capital and other general corporate purposes.

[REDACTED] STATISTICS

The statistics in the following table are based on the assumptions that (i) the [REDACTED] has been completed and [REDACTED] H Shares are newly [REDACTED] in the [REDACTED], (ii) the [REDACTED] for the [REDACTED] are not exercised, and (iii) [REDACTED] Shares are [REDACTED] and outstanding following the completion of the [REDACTED]:

	Based on an [REDACTED] of HK\$[REDACTED] per H Share	Based on an [REDACTED] of HK\$[REDACTED] per H Share
Market capitalization of our H Shares ⁽¹⁾ . . .	HK\$[REDACTED]	HK\$[REDACTED]
Unaudited [REDACTED] adjusted consolidated net tangible assets per Share ⁽²⁾	HK\$[REDACTED] (RMB[REDACTED])	HK\$[REDACTED] (RMB[REDACTED])

Notes:

(1) The calculation of market capitalization of our H shares is based on [REDACTED] H Shares expected to be [REDACTED] immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised). For details, see “Share Capital — Upon Completion of the [REDACTED]” in this Document.

(2) The unaudited [REDACTED] adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the section headed “Unaudited [REDACTED] Financial Information” in Appendix II to this Document and based on [REDACTED] Shares, comprising 4,954,357,613 Shares in issue as at 31 December 2024 excluding 23,817,167 Shares held by the Company in treasury and 4,704,491 restricted shares which are contingently returnable as at 31 December 2024, assuming the [REDACTED] had been completed on 31 December 2024. It does not take into account (i) any Shares which may be [REDACTED] and [REDACTED] upon the exercise of the [REDACTED], (ii) any Shares which may be issued by the Company pursuant to the exercise of options or the vesting of restricted shares or other awards that have been or may be granted from time to time under the share scheme, or (iii) any Shares which may be issued or repurchased by the Company pursuant to the general mandates.

(3) No adjustment has been made to the unaudited [REDACTED] adjusted consolidated net tangible assets per Share to reflect any trading results or other transactions of our Group entered into subsequent to December 31, 2024.

For the calculation of the unaudited [REDACTED] adjusted consolidated net tangible assets per Share, see the section headed “Unaudited [REDACTED] Financial Information” in Appendix II to this Document.

[REDACTED]

Our [REDACTED] are estimated to be approximately HK\$[REDACTED] million (including [REDACTED]), accounting for [REDACTED]% of the gross [REDACTED] of the [REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per H Share, being the mid-

SUMMARY

point of the [REDACTED] range stated in this Document, and no exercise of the [REDACTED]). Among our [REDACTED], approximately HK\$[REDACTED] is directly attributable to the issuance of H Shares and will be charged to equity upon completion of the [REDACTED], and approximately HK\$[REDACTED] has been charged to our consolidated statements of profit or loss and other comprehensive income. The [REDACTED] we incurred during the Track Record Period and expect to incur would consist of approximately HK\$[REDACTED] [REDACTED] related expenses and fees (including but not limited to [REDACTED] and fees), approximately HK\$[REDACTED] [REDACTED] expenses and fees of the Sole Sponsor, legal advisors and reporting accountant and approximately HK\$[REDACTED] for other [REDACTED] and expenses.

DIVIDEND POLICY

In 2022, 2023 and 2024, our Company declared dividends of RMB493.1 million, RMB986.2 million and RMB1,482.2 million, all of which had been paid in full.

We do not have a fixed dividend distribution ratio. PRC laws require that dividends be paid only out of our distributable profits. Distributable profits are our after-tax profits, less appropriations to statutory and other reserves that we are required to make. Pursuant to our Articles of Association, our Board may declare dividends in the future after taking into account our results of operations, financial conditions, cash requirements and availability, and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, applicable PRC laws and approval by our Shareholders.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

On March 27, 2025, the Board approved a plan to declare a dividend of RMB1,983.6 million. The declaration of the dividends is subject to approval by our Shareholders.

Our Directors confirmed that, as of the date of this Document, there has been no material adverse change in our financial position since December 31, 2024, and there has been no event since December 31, 2024 that would materially affect the information as set out in the Accountants' Report in Appendix I to this Document.

DEFINITIONS

In this Document, unless the context otherwise requires, the following terms and expressions shall have the meanings set out below. Certain other terms are explained in “Glossary of Technical Terms.”

“2023 Restricted Share Incentive Plan”	the restricted share incentive plan adopted by the Shareholders on August 18, 2023, which permits the grant of restricted shares to eligible participants
“A Share(s)”	ordinary share(s) issued by our Company, with a nominal value of RMB1.00 each, which are listed on the Shenzhen Stock Exchange and traded in Renminbi
“Accountants’ Report”	the accountants’ report of our Company, the text of which is set out in Appendix I to this Document
“affiliate(s)”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	Accounting and Financial Reporting Council
“Articles” or “Articles of Association”	the articles of association of our Company with effect upon the [REDACTED] (as amended from time to time), a summary of which is set out in Appendix III to this Document
“associate(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors of the Company
“Business Day”	a day on which banks in Hong Kong are generally open for normal business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“[REDACTED]” or “[REDACTED]”	the [REDACTED] participating in the [REDACTED] and has the meaning ascribed thereto under the Hong Kong Listing Rules
“[REDACTED]”	[REDACTED]

DEFINITIONS

“Changsha Qunxin”	Changsha Qunxin Investment Consulting Company Limited* (長沙群欣投資諮詢有限公司), a limited liability company established in PRC on March 18, 2011, and one of our Controlling Shareholders
“China”, “mainland China” or “the PRC”	the People’s Republic of China, unless the context requires otherwise, excluding, for the purposes of this Document only, the regions of Hong Kong, Macau and Taiwan of the People’s Republic of China
“close associate(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company” or “Lens Technology”	Lens Technology Co., Ltd. (藍思科技股份有限公司), a limited liability company established in the PRC on December 21, 2006, formerly known as Lens Technology (Hunan) Company Limited* (藍思科技(湖南)有限公司)
“Compliance Advisor”	Gram Capital Limited
“connected person(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules and refers to Ms. Chau, Mr. Cheng, Lens Technology (HK) and Changsha Qunxin
“core connected person(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix C1 to the Hong Kong Listing Rules

DEFINITIONS

“CSDC”	China Securities Depository and Clearing Corporation Limited* (中國證券登記結算有限責任公司)
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)” or “our Director(s)”	the director(s) of our Company
“EIT”	enterprise income tax
“EIT Law”	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》)
“ESG”	Environmental, Social and Governance
“[REDACTED]”	[REDACTED]
“Extreme Conditions”	extreme conditions as announced by the government of Hong Kong in the case where a super typhoon or other natural disaster of a substantial scale seriously affects the working public’s ability to resume work or brings safety concern for a prolonged period
“[REDACTED]”	[REDACTED]
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“Group”, “our Group”, “our”, “we”, or “us”	our Company and its subsidiaries, or any one of them as the context may require, and where the context requires, the businesses operated by our Company and/or its subsidiaries and their predecessors (if any)

DEFINITIONS

“Guide” or “Guide for New Listing Applicants”	the Guide for New Listing Applicants issued by the Hong Kong Stock Exchange effective from January 1, 2024, as amended, supplemented or otherwise modified from time to time
“H Share(s)”	[REDACTED] ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which are to be [REDACTED] for and [REDACTED] in Hong Kong dollars and to be [REDACTED] on the Hong Kong Stock Exchange
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

DEFINITIONS

“[REDACTED]”

[REDACTED]

“[REDACTED]”

[REDACTED]

“Hong Kong Stock Exchange”

The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

“[REDACTED]”

[REDACTED]

“[REDACTED]”

[REDACTED]

“IFRSs”

the International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by IASB and the International Accounting Standards (IAS) and interpretations issued by the International Accounting Standards Committee (IASC)

“IIT Law”

the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》)

“Independent Third Party(ies)”

any person(s) or entity(ies) who is not a connected person of the Company within the meaning of the Hong Kong Listing Rules

DEFINITIONS

“[REDACTED]” [REDACTED]

“[REDACTED]” [REDACTED]

“[REDACTED]” [REDACTED]

“[REDACTED]” [REDACTED]

“**Latest Practicable Date**” March 24, 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this Document prior to its publication

“[REDACTED]” [REDACTED]

DEFINITIONS

“[REDACTED]”	[REDACTED]
“Listing Rules” or “Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Lens Technology (HK)”	Lens Technology (HK) Co., Limited (藍思科技(香港)股份有限公司), a limited liability company established in Hong Kong on October 29, 2004, and one of our Controlling Shareholders
“Lens Changsha”	Lens Technology (Changsha) Company Limited* (藍思科技(長沙)有限公司), a limited liability company incorporated under the laws of the PRC on January 26, 2011, and a wholly-owned subsidiary of the Company
“Lens Dongguan”	Lens Technology (Dongguan) Company Limited* (藍思科技(東莞)有限公司), a limited liability company incorporated under the laws of the PRC on July 6, 2010, and a wholly-owned subsidiary of the Company
“Lens Hualian”	Hunan Lens Hualian Precious Ceramics Company Limited* (湖南藍思華聯精瓷有限公司), a limited liability company incorporated under the laws of the PRC on June 13, 2012, and a subsidiary of the Company
“Lens Intelligent Control”	Lens Intelligent Control (Changsha) Company Limited* (藍思智控(長沙)有限公司), a limited liability company incorporated under the laws of the PRC on March 18, 2017, and a wholly-owned subsidiary of the Company
“Lens Intelligent Robot”	Lens Intelligent Robot (Changsha) Company Limited* (藍思智能機器人(長沙)有限公司), a limited liability company incorporated under the laws of the PRC on July 22, 2016, and a subsidiary of the Company
“Lens International”	Lens International (HK) Ltd., a limited liability company established in Hong Kong on November 5, 2010, and a wholly-owned subsidiary of the Company
“Lens Shenzhen”	Shenzhen Lens Technology Company Limited* (深圳市藍思科技有限公司), a limited liability company incorporated under the laws of the PRC on September 18, 2003, and a wholly-owned subsidiary of the Company

DEFINITIONS

“ Lens System Integration ”	Lens System Integration Company Limited* (藍思系統集成有限公司), a limited liability company incorporated under the laws of the PRC on March 22, 2019, and a wholly-owned subsidiary of the Company
“ Lens Taizhou ”	Lens Precision (Taizhou) Company Limited* (藍思精密(泰州)有限公司), a limited liability company incorporated under the laws of the PRC on May 3, 2016, and a wholly-owned subsidiary of the Company
“ Lens Vietnam ”	Lens Technology (Vietnam) Company Limited, a single-member limited liability company established in Vietnam on June 12, 2017, and a wholly-owned subsidiary of the Company
“ Lens Xiangtan ”	Lens Technology (Xiangtan) Company Limited* (藍思科技(湘潭)有限公司), a limited liability company incorporated under the laws of the PRC on July 23, 2012, and a wholly-owned subsidiary of the Company
“ Macau ”	the Macau Special Administrative Region of the PRC
“ Main Board ”	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operates in parallel with the GEM of the Hong Kong Stock Exchange
“ MOF ”	Ministry of Finance of the PRC (中華人民共和國財政部)
“ Mr. Cheng ”	Mr. Cheng Chun Lung (鄭俊龍), the vice chairman of the Board, an executive Director, one of our Controlling Shareholders and the spouse of Ms. Chau
“ MIIT ”	Ministry of Industry and Information Technology (中華人民共和國工業和信息化部)
“ Ms. Chau ”	Ms. Chau Kwan Fei (周群飛), the chairman of the Board, an executive Director, the general manager of our Company, one of our Controlling Shareholders and the spouse of Mr. Cheng
“ Nomination Committee ”	the nomination committee of the Board
“ NPC ”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)

DEFINITIONS

“[REDACTED]”

[REDACTED]

“[REDACTED]”

[REDACTED]

“[REDACTED]”

[REDACTED]

“[REDACTED]”

[REDACTED]

“Overseas Listing Trial Measures”

The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and five supporting guidelines (《境內企業境外發行證券和上市管理試行辦法》及五項配套指引) promulgated by the CSRC on February 17, 2023 and became effective on March 31, 2023

“PBOC”

the People’s Bank of China (中國人民銀行), the central bank of the PRC

“PRC Company Law”

the Company Law of the People’s Republic of China (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time

“PRC GAAP”

generally accepted accounting principles of the PRC

“PRC Legal Advisor”

Sundial Law Firm, the PRC legal advisor to our Company

DEFINITIONS

“PRC Securities Law”	the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“QIBs”	qualified institutional buyers within the meaning of Rule 144A under the U.S. Securities Act
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration and Appraisal Committee”	the remuneration and appraisal committee of the Board
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
“SAMR”	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“Securities and Futures Commission” or “SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each, including H Shares and A Shares
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITIONS

“Shenzhen Lens Wang”	Shenzhen Lens Wang Supply Chain Management Company Limited* (深圳市藍思旺供應鏈管理有限公司), a limited liability company incorporated under the laws of the PRC on June 17, 2022, and a wholly-owned subsidiary of the Company
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“Sole Sponsor”	CITIC Securities (Hong Kong) Limited
“[REDACTED]”	[REDACTED]
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Strategy Committee”	the strategy committee of the Board
“subsidiary(ies)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Supervisor(s)”	member(s) of the Supervisory Committee
“Supervisory Committee”	the supervisory committee of our Company
“Takeovers Code” or “Hong Kong Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the financial years ended December 31, 2022, 2023 and 2024
“treasury shares”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Type I Restricted Shares”	A Share(s) newly issued by the Company and granted to grantees pursuant to the 2023 Restricted Share Incentive Plan
“Type II Restricted Shares”	A share(s) repurchased from secondary market and granted to grantees pursuant to the 2023 Restricted Share Incentive Plan
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]

DEFINITIONS

“United States” or “U.S.”	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
“U.S. dollar(s)”, “US\$” or “USD”	United States dollar, the lawful currency of the United States
“U.S. Securities Act”	The U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
“VAT”	value-added tax
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“%”	per cent

For ease of reference, the names of PRC laws and regulations, governmental authorities, institutions, nature persons or other entities (including our subsidiaries) have been included in this Document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

Unless otherwise stated, 23,817,167 repurchased A Shares which are held as treasury shares by the Company as of the Latest Practicable Date have been included in the total number of issued shares of the Company as of the Latest Practicable Date and immediately after completion of the [REDACTED]. For details of the repurchased A Shares, see “History, Development and Corporate Structure — Our Corporate Structure Immediately prior to the Completion of the [REDACTED]” and “Substantial Shareholders.”

* For identification purpose only

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain technical terms used in this Document in connection with the Company and our business. Such terminology and meanings may not correspond to standard industry meanings or usages of those terms.

“AI”	artificial intelligence
“AI-enabled device”	a device capable of achieving intelligent functions and user interactions through AI technologies such as machine learning, deep learning, and natural language processing
“AGV”	automated guided vehicle
“AR”	augmented reality
“AOI”	automated optical inspection
“AGV”	automated guided vehicles
“CNC”	computer numerical control
“CPI”	colorless polyimide film
“DCU”	device control unit
“HUD”	head-up display
“IoT”	internet of things
“IVI”	in-vehicle infotainment
“NFC”	near-field communication
“PCB”	printed circuit board
“PCBA”	printed circuit board assembly
“UTG”	ultra-thin glass
“UV”	ultraviolet
“VTG”	variable thin glass
“VR”	virtual reality
“XR”	extended reality

FORWARD-LOOKING STATEMENTS

We have included in this Document forward-looking statements. Statements that are not historical facts, including but not limited to statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements. When used in this Document, the words “aim”, “anticipate”, “believe”, “could”, “expect”, “intend”, “project”, “seek”, “should”, “will”, “would”, “vision”, “target”, “schedule”, and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the risk factors as described in this Document, some of which are beyond our control and may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- our ability to maintain relationship with, and the actions and developments affecting, our customers and suppliers;
- future developments, trends and conditions in the industries and markets in which we operate or plan to operate;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment in the industries and markets in which we operate;
- our ability to maintain our market position;
- the actions and developments of our competitors;
- our ability to effectively contain costs and optimize pricing;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- our ability to retain senior management and key personnel and recruit qualified staff;
- our business strategies and plans to achieve these strategies;
- the effectiveness of our quality control systems;

FORWARD-LOOKING STATEMENTS

- change or volatility in interest rates, foreign exchange rates, equity prices, trading volumes, commodity prices and overall market trends; including those pertaining to the PRC and the industry and markets in which we operate; and
- capital market developments.

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks, among others, materialize, actual results may vary materially from those estimated, anticipated or projected, as well as from historical results. Specifically but without limitation, sales could decrease, costs could increase, capital costs could increase, capital investment could be delayed and anticipated improvements in performance might not be fully realized.

Subject to the requirements of applicable laws, rules and regulations, we do not have any or undertake no obligation to update or otherwise revise the forward-looking statements in this Document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this Document are qualified by reference to the cautionary statements in this section as well as the risks and uncertainties discussed in the section headed “Risk Factors.”

In this Document, statements of or references to our intentions or those of our Directors were made as of the date of this Document. Any such information may change in light of future developments.

RISK FACTORS

You should carefully consider all of the information in this Document, including the risks and uncertainties described below, before making an investment in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our H Shares could decline, and you may lose all or part of your investment. These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed “Forward-Looking Statements” in this Document.

RISKS RELATING TO OUR BUSINESS OPERATIONS

We generate the majority of our revenue from a limited number of key customers.

We generate a substantial portion of our revenue from a limited number of key customers. In 2022, 2023 and 2024, revenue from our five largest customers amounted to RMB38,878.3 million, RMB45,282.2 million and RMB56,707.4 million, accounting for 83.3%, 83.1% and 81.1% of our revenue in the respective year, and sales to our largest customer amounted to RMB33,136.2 million, RMB31,512.3 million and RMB34,566.5 million, accounting for 71.0%, 57.8% and 49.5% of our revenue in the respective year.

If these key customers do not continue to transact with us on scales or terms similar to historical levels, our business, financial condition and results of operations will be negatively affected. In particular, these key customers’ products are characterized by rapidly evolving technologies that innovate product features or adoption of new or alternative technologies each time a new product is introduced or an existing product is upgraded. In addition, we enter into framework agreements with these customers, and the agreements do not specify the number of products these customers will purchase from us in any given year or contain minimum purchase requirements. Product sales are confirmed with purchase orders rather than framework agreements. The loss of or reduction in any key customer’s business as a result of our inability to meet the product specifications, to adopt new technologies, our exclusion from a key product development cycle or for any other reason may materially and adversely affect our results of operations.

If (i) there is any reduction, delay or cancellation of orders from one or more of our key customers due to a reduction in their product sales or for any other reason, (ii) one or more of our key customers select our competitors’ products; (iii) we lose one or more of our key customers and are not able to obtain additional or alternative customers that can replace the lost sales volume and profit or (iv) any of our key customers fails to make timely payment for our products, our financial condition and results of operations may experience material fluctuations and our sales may decline.

RISK FACTORS

Even though we have a diverse and large customer base, given the significant order volume of our key customers, we anticipate that we may continue to generate a substantial part of our revenue from a limited number of key customers in the foreseeable future. If our relationships with these customer are not sustained or do not develop, we may not be able to continue to generate revenue and profit from these customers on scales that are comparative to historical levels, or at all.

Our growth and profitability depend on general economic conditions and the level of consumer spending.

Our results of operations depend significantly on general economic conditions and consumer spending. Consumer spending is affected by a number of economic and other factors beyond our control, such as interest rates, conditions in the real estate and mortgage markets, unemployment rates, labor and healthcare costs, access to credit, consumer confidence, and other macroeconomic factors affecting the spending behaviour of consumers. Economic uncertainty and other related factors may exacerbate negative trends in consumer spending and may cause consumers to postpone or refrain from purchasing consumer electronics or smart vehicles, which in turn will negatively affect our customers’ demands for our products and therefore adversely affect our business, results of operations and financial condition.

Similarly, our operating results are affected by cyclicity, either directly or indirectly, in the various industries we serve including consumer electronics and smart vehicles. These industries are highly competitive and to a large extent driven by end-user markets. Fluctuations in price and demand within these industries could lead to reduced sales and declining prices for the end products, which will in turn affect our revenue and profit margins. As a result of the foregoing factors, we may experience fluctuations in our results of operations and financial performance.

Specifically, many of our customers in the consumer electronics and smart vehicles industries face intense competition and constant pressure to cut the selling prices of their end products. Accordingly, many of our customers expect ongoing production cost reductions and increased production efficiencies. If we are not able to meet such expectations, our business, financial condition, results of operations and growth prospects will be adversely affected.

Our future success depends on our ability to successfully produce new products and effectively manage our growth.

Our product development efforts are customized pursuant to the requests of our customers as we often develop new end products together with our customers. Our future success will depend in part on our ability to develop and market products and manufacturing processes which meet changing customer needs and to successfully respond to technological changes in manufacturing processes in a cost-effective and timely way. Many of our products have relatively short product life cycles due to frequent new product launches by our customers, rapidly changing technologies and evolving industry standards. In addition, we may devote resources with our customers in the research and development of new end products that do not enter into markets due to changes in market trends, and we cannot assure you that we and our customers will successfully develop new end products through our research and development efforts. We also cannot assure you that we will

RISK FACTORS

be able to keep pace with technological changes taking place in the market. Failure to do so or delay in reacting to the technological changes could have a material and adverse effect on our business and results of operations.

In order to grow our business, we need to maintain and expand our relationships with our customers, suppliers and other third parties and establish new business relationships. We will also be required to improve our existing or implement additional operational and financial systems, procedures and controls and increase production capacity and output. We cannot assure you that our current and planned operations, personnel, systems, internal procedures and controls will be adequate to support our future growth. In addition, the success of our growth strategies depends on a number of internal and external factors, such as market acceptance of our products, raw material costs, our ability to increase production capacity and output and our ability to develop and sell new products. If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities, execute our business strategies or respond to competitive pressures.

We purchase our major raw materials from a selected number of key suppliers.

Procurement of our major raw materials is essential to our operations. Glass, in particular, accounted for a substantial portion of our raw material purchases during the Track Record Period. In 2022, 2023 and 2024, purchases from our five largest suppliers were RMB9,033.5 million, RMB17,224.6 million and RMB26,064.7 million, representing 23.7%, 37.4% and 43.6% of our total cost of sales in the respective periods. In addition, purchases from our largest supplier were RMB6,198.4 million, RMB7,665.7 million and RMB14,372.7 million in 2022, 2023 and 2024, representing 16.2%, 16.7% and 24.1% of our total cost of sales in the respective periods. See “Business — Raw Materials and Supply Chain” for further details. Any deterioration in or termination of our relationship with these key suppliers or interruptions in their operations could adversely affect our supply chain and production capabilities.

The stability of our key suppliers’ operations and strategies is subject to a number of factors beyond our control, and we cannot assure you that our suppliers’ management measures would prevent supply chain disruptions. Disruptions to our key suppliers’ financial or operational health, changes in business priorities, or external factors such as geopolitical tensions, regulatory changes or market conditions may impact their ability to supply materials. If we fail to procure such raw materials in a timely manner or on reasonable terms, our product quality, production capacity and profit margins could be adversely affected. Identifying qualified alternative suppliers is a time-consuming and costly process, with no guarantee of success. Any delays or inefficiencies in securing alternatives could lead to production interruptions, increased costs or failure to fulfill customer orders, adversely affecting our reputation and market competitiveness.

Our research and development efforts are not guaranteed to yield the results we anticipate.

In order to maintain our competitive position and continue to grow our business, we need to continuously develop and introduce innovative products for our existing and potential customers. The markets of consumer electronics and smart vehicles are characterized by continuous technological developments and innovation to address increasingly complex and diverse consumer needs. Accordingly, we emphasize our research and development activities, which require

RISK FACTORS

considerable human resources and capital investment. In 2022, 2023 and 2024, our research and development expenses amounted to RMB2,105.0 million, RMB2,316.6 million and RMB2,784.8 million, accounting for 4.5%, 4.3% and 4.0% of our revenue in the respective years. The year-over-year increases in our research and development expenses during the Track Record Period were primarily due to our strengthened research and development efforts to keep up with the latest trends and technologies in our market. However, we cannot assure you that these efforts will be successful or produce our anticipated results.

Even if our research and development efforts are successful, we may not be able to apply the technologies we developed to introduce new products or upgrade production processes in time to capture the first-mover advantage, or at all.

If our production capacity is not adequate, our capability to satisfy customer demand could be hindered.

If our production capacity is not adequate to meet the overall market demand for our products, especially if we experience increased demand for our products as we grow our customer base and expand our product offerings, our ability to deliver products to our customers on a timely basis will be affected. Similarly, if we are not able to meet the overall demand for our products or demand for any of our specific products in particular, especially if the production in any of our production centers is disrupted in the future or during periods when we experience high demand for some or all of our products, our ability to satisfy our customers’ demands will be affected. Under these circumstances, our business, financial condition and results of operations may be materially and adversely affected. In the future, as our business grows, we may need to expand our production capacity through various measures, including the construction of new production centers. We cannot assure you that our new premises will be ready in time or our production capacity will otherwise be successfully expanded. A number of factors could delay our expansion plans or increase our costs, including (i) failure to raise sufficient funds to establish and maintain working capital to operate our business at the new premises, (ii) failure to obtain environmental and regulatory approvals, permits or licenses from the relevant government authorities in a timely manner, (iii) failure to find new sites for our production centers, (iv) shortage or late delivery of building materials and production equipment resulting in late delivery of the premises for occupancy and use, (v) various factors affecting construction progress and resulting in late delivery of the premises for occupancy and use and (vi) technological changes, capacity expansion or other changes to our plans for the new premises necessitated by changes in market conditions.

Failure to expand our production capacity could hinder our capacity to satisfy customer demand and growth prospects. Furthermore, if market demand declines in the future, we may not be able to recoup the costs incurred for the construction of new premises and the maintenance of expanded production capacity. A delay in or cancellation of our expansion plans could also subject us to disputes with various counterparties, including general contractors and sub-contractors, equipment suppliers, financiers and relevant government authorities. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

RISK FACTORS

If we experience operational disruption or machinery breakdown in our production facilities, our inventory level and production schedule may be adversely affected.

Our success and reputation depend on our ability to deliver quality products to our customers on time and in required quantities, which in turn relies on the proper and reliable functioning of our production processes. Our production processes rely on the stable operation of our production facilities, particularly machinery and equipment for key processes. Any operational disruption or machinery breakdown could directly impact our production schedules and stock levels, hindering our ability to meet customer orders in a timely manner, thus affecting customer satisfaction.

Operational disruptions or machinery breakdowns in our production facilities may arise from unexpected incidents or catastrophic events, including natural disasters, fires, technical or mechanical failures, power shortages, explosions, labor strikes, epidemics, loss of licenses, certifications or permits, changes in governmental planning for the underlying land, and regulatory developments. Additionally, instability or shortages in electricity supply could halt production activities, causing delays in fulfilling customer orders. In the event of such disruptions, maintaining production volumes and ensuring sufficient stock levels to meet customer demands could be challenging. Identifying and securing alternative facilities or machinery in a timely and cost-effective manner may not always be feasible. Delays in resuming normal operations could also affect the quality and schedule of product deliveries, potentially impacting customer satisfaction and damaging our reputation. Any prolonged suspension of operations or significant disruptions in our production processes could materially and adversely affect our business operations.

If we experience increases in labor costs, shortage of labor or deterioration in labor relations, our production costs may be affected.

Labor costs have been fluctuating and may rise in the future. Our staff costs accounted for 28.0%, 21.7% and 19.3% of our total revenue in 2022, 2023 and 2024. Labor cost increases may cause our production costs to increase, and we may not be able to pass on such increase to our customers. We also cannot assure you that we will not experience any shortage of labor. Any such shortage could hinder our ability to maintain our production schedules and maintain or expand our business operations, which could materially and adversely affect our business, financial condition, results of operations and prospects.

We seek to maintain favorable labor relations with our employees as we believe that our long-term growth depends on the expertise, experience and development of our employees. For details of our employee training efforts and welfare, see “Business — Employees.” However, we cannot assure you that we will not have any labor disputes in the future. Any deterioration of our labor relations could result in disputes, strikes, claims, legal proceedings and reputational damage, labor shortages that disrupt our business operations, as well as loss of experience, know-how and trade secrets.

RISK FACTORS

Future operating results depend upon our ability to obtain raw materials in sufficient quantities on commercially reasonable terms from third-party suppliers.

Raw materials are the largest component of our total cost of sales. The raw materials that we mainly use in the manufacturing of our products are glass, metal, ceramics and sapphire. We procure certain of these raw materials from third-party suppliers. The prices of these materials are susceptible to significant fluctuations due to supply and demand trends in the commodities markets, transportation costs, government regulations and tariffs, geopolitical events, changes in currency exchange rates, price controls, the economic climate and other unforeseen circumstances. Our supply agreements for raw materials may allow pricing adjustments depending on the contract. Our results of operations could be adversely affected if we are unable to obtain adequate supplies of high quality raw materials in a timely manner at reasonable prices, or if there are significant increases in the costs of raw materials that we could not pass on in full to our customers.

We rely on the timely supply of raw materials in order to carry out our production plans as scheduled. Any delays or disruptions in such supplies from our suppliers may have a material and adverse impact on our ability to meet our customers’ demands for our products on time. In addition, any natural or man-made disasters or other unanticipated catastrophic events, including adverse weather, fires, technical or mechanical difficulties, storms, explosions, earthquakes, strikes, acts of terrorism, wars and outbreaks of pandemics could impair the operations of our suppliers and impede our ability to manufacture and deliver our products to our customers in a timely manner.

Many raw materials, including those that are available from multiple sources, are at times subject to industry-wide shortages and significant commodity pricing fluctuations. We cannot assure you that we will be able to extend or renew the agreements that we have entered into for the supply of raw materials on similar terms, or at all. The effects of global or regional economic conditions on our suppliers could also affect our ability to obtain raw materials, and we remain subject to significant risks of supply shortages and price increases, which may adversely affect our business, results of operations and financial condition.

If we are not able to fully comply with present or future environmental, safety and occupational health laws and regulations, our business, financial condition and results of operations may be adversely affected.

Our business is subject to certain laws and regulations relating to environmental, safety and occupational health matters. See “Business — Environmental, Social and Corporate Governance.” Under these laws and regulations, we are required to maintain safe production conditions and protect the occupational health of our employees. However, we cannot assure you that we will not experience any material accidents or worker injuries in the course of our production process in the future, or that our risk management measures could effectively mitigate the relevant risks and help us navigate the complex and evolving regulatory environment. Changes in existing ESG-related laws and regulations or the promulgation of new ESG-related laws and regulations may increase our compliance costs, and if we fail to comply with such ESG-related laws and regulations, our business, results of operations and financial performance may be adversely affected.

RISK FACTORS

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

If our products do not meet our customers’ quality standards, our business and financial condition may be negatively impacted.

If we are unable to provide products that meet our customers’ demands on a timely basis, our relationships with our customers will be negatively impacted, and, if we are unable to repair these relationships by increasing our customers’ confidence in us, we may lose our customers. Furthermore, our customers conduct quality check and inspection of our structural parts and modules when they receive these products, and they can return or exchange products that do not meet their quality standards. If we experience a high level of product returns or exchanges, our business and financial condition may be negatively impacted. Similarly, for our complete device assembly where we offer a warranty period, if we receive a large number of warranty claims, our business and financial condition may be negatively impacted.

We face intense competition in the global precision manufacturing industry.

The global precision manufacturing industry in which we operate are highly competitive and include hundreds of companies with widely varying levels of engineering expertise and sophistication, some of which have achieved substantial market shares. General competition in our industries is characterized by price competition and rapid technological changes.

We compete with different companies, depending upon the type of product and geographic area. Some of our competitors may have longer operating histories, greater name recognition, larger customer bases and greater financial, sales and marketing, production, distribution, technical and other resources and experience than we do. Our competitors’ greater size in some cases may provide them with a competitive advantage with respect to production costs due to economies of scale and their ability to purchase raw materials and utilities at lower prices. In addition, our competitors may be able to devote greater resources to the research and development of technologies, processes and products that are more effective than ours. They may also adapt more quickly to new or emerging technologies and changes in customer demand and requirements. Our failure to maintain our competitive position with respect to technological advances, to adapt to changing market conditions or to otherwise compete successfully with existing or new competitors may have a material and adverse effect on our business, financial condition and results of operations.

RISK FACTORS

Investment in new business strategies, acquisitions and other forms of business integration could disrupt our ongoing business and present risks not originally contemplated, and we may be unable to realize the anticipated benefits, synergies, cost savings or efficiencies from acquisitions.

We have invested, and may invest in the future, in new business strategies or acquisitions. Endeavors of such kinds are inherently risky, and future ventures of such nature may involve significant risks and uncertainties, including distraction of our management from current business operations, greater than expected liabilities and expenses, inadequate return of capital and unidentified issues not discovered in our due diligence.

We may incur significant acquisition, administrative and other costs in connection with such transactions, including costs related to the integration of acquired businesses. These costs may include unanticipated costs or expenses, including post-closing asset impairment charges and legal, regulatory or contractual costs. In addition, upon completion of an investment or acquisition, we may allocate significant resources to the integration of the acquired business into our existing business to realize synergetic benefits. The integration process involves certain risks and uncertainties, some of which are outside our control, and we cannot assure you that we will be able to realize the anticipated benefits, synergies, cost savings or efficiencies. We may also experience difficulties integrating any investments, acquisitions or partnerships into our existing business and operations.

Our expansion into new products and services may not yield the intended results.

Our future success also depends on our ability to expand into new markets by developing new product lines and services or developing new materials to upgrade our existing products. Expanding into new product lines and materials requires us to commit substantial resources to research and develop the technologies required to manufacture these new products and make substantial capital expenditures in new manufacturing facilities and equipment. The manufacturing of new and technologically advanced products involves a complex and uncertain process requiring high levels of innovation and highly skilled engineering and development personnel, as well as the accurate anticipation of technological and market trends. We cannot assure you that we will be able to identify, develop, manufacture and market new products successfully, if at all, or on a timely basis. We also may not be able to develop the underlying core technologies necessary to manufacture these new products and enhancements. In addition, we cannot assure you that the developed and marketed products will be well received by customers. If we fail to successfully develop and market these new products, our future revenue growth may not meet our expectations.

RISK FACTORS

Our revenue and cost of sales are subject to foreign exchange fluctuations.

Certain of our trade receivables and trade payables, as well as a substantial portion of our revenue and cost of sales, are denominated in currencies other than the functional currency of our Group, being RMB, which exposes our Group to foreign exchange risks. Any significant fluctuations in the exchange rates between foreign currencies and RMB may materially and adversely affect our results of operations. In 2022, 2023 and 2024, we incurred net foreign exchange gains of RMB231.5 million, RMB59.5 million and RMB193.2 million. We cannot predict the impact of future exchange rate fluctuations on our results of operations, and we cannot assure you that we will not incur any net exchange loss in the future. For further details on foreign currency risk exposures and related sensitivity test, see Note 41 of Appendix I to this Document.

Failure to collect our trade receivables or other receivables in a timely manner may adversely affect our liquidity.

We may not be able to collect our trade receivables in a timely manner, and we may face difficulty collecting receivables for reasons beyond our control, such as customers delaying payment past the relevant credit periods granted or being unable to pay us when payments are due. We had total trade receivables of RMB9,153.5 million, RMB9,436.9 million and RMB11,006.5 million as of December 31, 2022, 2023 and 2024, of which 5.2%, 4.7% and 3.6% were past due. In addition, we had other receivables of RMB140.6 million, RMB151.1 million and RMB141.2 million as of December 31, 2022, 2023 and 2024. Our other receivables primarily represent deposits, intercompany transactions, receivable on employee security benefits and lease receivables and are also subject to potential impairment. Any significant delay or default in our collection of trade receivables or other receivables may impose pressure on our cash flow and working capital and reduce the pool of available financial resources relative to our expectations and expenditure plans, which in turn could have a material adverse effect on our business, financial condition and results of operations.

We may require additional funding to finance our operations, which may not be available on terms acceptable to us.

We believe that our current cash and cash equivalents and the anticipated cash flows from operations will be sufficient to meet our anticipated cash needs for the next 12 months. We may, however, require additional cash resources to finance our continued growth or other future developments, including any investments or acquisitions we may decide to pursue. To the extent that our funding requirements exceed our financial resources, we will be required to seek additional financing or to defer planned expenditures. We may not be able to obtain additional funds on terms acceptable to us, or at all. In addition, our ability to raise additional funds in the future is subject to a variety of uncertainties, including our future financial condition, results of operations, general market conditions for capital raising and debt financing activities and economic, political and other conditions in the markets in which we operate.

RISK FACTORS

Furthermore, if we raise additional funds by incurring debt, we may be subject to various covenants under the relevant debt instruments. Servicing such debt obligations could also be burdensome to our operations. If we fail to service our debt obligations or are unable to comply with any of these covenants, we could be in default under such debt obligations and our liquidity and financial condition could be adversely affected.

Any impairment of goodwill could have a material adverse effect on our results of operations.

As of December 31, 2024, our goodwill amounted to RMB2,970.1 million. We test the goodwill and intangible assets for impairment on an annual basis and when events occur or circumstances change that indicate that the fair value of the reporting unit may be below its carrying amount. Fair value determinations require considerable judgment and are sensitive to inherent uncertainties and changes in estimates and assumptions regarding revenue growth rates, capital expenditures, working capital requirements, tax rates, benefits associated with a taxable transaction and synergies available to market participants. Declines in market conditions, a trend of weaker than anticipated financial performance of our reporting units, a decline in our share price for a sustained period of time or an increase in the market-based weighted average cost of capital, among other factors, are indicators that the carrying value of our goodwill may be impaired. Any impairment of our goodwill could have a material adverse effect on our results of operations.

There is uncertainty about the applicability or recoverability of our deferred tax assets, which may affect our financial position in the future.

We had deferred tax assets of RMB1,251.8 million, RMB1,187.2 million and RMB1,387.2 million as of December 31, 2022, 2023 and 2024. We recognise deferred tax assets for all deductible temporary differences, the carry forward of any unused tax credits and any unused tax losses to the extent that our management determines that it is probable that we will generate future taxable profit against which such deferred tax assets can be utilised. See Note 4 to the Accountant’s Report set out in Appendix I for further details on our accounting policy with respect to deferred tax assets and on the movements of our deferred tax assets during the Track Record Period. Such determination requires significant judgment from our management on the tax treatments of certain transactions as well as assessment on the probability, timing and adequacy of future taxable profits for the deferred tax assets to be recovered. If such judgments turn out to be imprecise, we may need to adjust our tax provisions accordingly. In addition, when we utilise deferred tax assets against our future taxable profit, we charge them to our income statement accordingly, which in turn would decrease our profit for the year for such future period. Furthermore, we cannot predict any future movements in our deferred tax assets and to what extent they may affect our financial position in the future. Any of these events may have a material adverse effect on our business, financial condition and results of operations.

Our patents and other non-patented intellectual properties are valuable assets, and if we are unable to protect them from infringement, our business prospects may be harmed.

Our success will depend in part on our ability to obtain and maintain trade secrets and patent protection for our technologies, processes and products as well as to successfully enforce our intellectual property rights and to defend our intellectual properties against third-party challenges.

RISK FACTORS

In the event that our issued patents and patent applications do not adequately provide coverage for our technologies, processes or products, we would not be able to exclude others from developing or utilizing these technologies, processes and products. Furthermore, the degree of future protection of our proprietary rights is uncertain because legal means may not adequately protect our rights or permit us to gain or keep our competitive advantage.

As our technologies and production methods or processes involve unpatented, proprietary technologies, processes, know-how or data, we primarily rely on trade secret protection and agreements to safeguard our interests. However, trade secrets are difficult to protect. While we use reasonable efforts to protect our trade secrets, including requiring our employees and suppliers who may have access to trade secrets to enter into confidentiality agreements or other agreements including confidentiality provisions with us, such persons may unintentionally or willfully disclose our information to competitors. In addition, confidentiality agreements or other agreements including confidentiality provisions may not be enforceable or provide an adequate remedy in the event of unauthorized use or disclosure. It may be difficult to prove or enforce a claim that a third party had illegally obtained and used our trade secrets. In addition, our competitors may independently develop technologies that are equivalent to our trade secrets, in which case, we would not be entitled to enforce our trade secrets and our business could be harmed.

We may encounter future litigation by third parties based on claims that our technologies, processes or products infringe the intellectual property rights of others or that we have misappropriated the trade secrets of others. We may also initiate lawsuits to defend the ownership of our inventions and our trade secrets. It is difficult, if not impossible, to predict how such disputes would be resolved. Litigation relating to intellectual property rights is costly and diverts technical and management personnel from their normal responsibilities. Furthermore, we may not be able to prevail in any such litigation or proceeding. A determination in an intellectual property litigation or proceeding that results in a finding of non-infringement by others to our intellectual property or an invalidation of our patents may result in the use by competitors of our technologies or processes and sale by competitors of products that resemble our products.

Any failure or perceived failure to comply with data privacy and security laws could subject us to potential liabilities.

We collect and store business and transaction data generated during or in connection with our business operations, including our business and transactions with our customers, suppliers and business partners. The secure maintenance of such data is critical. We process data in compliance with the applicable legal requirements to ensure data security. Our operations are subject to a variety of laws and regulations concerning data privacy and security. Failure to comply with the increasing number of data protection laws in the PRC, as well as the data security and privacy laws in other jurisdictions where we operate, could result in significant reputational damage and adversely affect our business performance. To ensure compliance with evolving data privacy laws, regulations and standards, it will be necessary to maintain robust internal control and risk management policies, which will require substantial commitment of resources and efforts. The unauthorized access, loss, or misuse of data could lead to increased security costs, damage to our reputation, regulatory proceedings, litigation, fines, investigations, remediation efforts,

RISK FACTORS

indemnification expenditures, and disruptions to our business activities. Such incidents may also result in additional costs associated with defending against legal claims. Concerns from our customers, employees, and third parties, even if unfounded, may also have a detrimental impact on our reputation and operations.

Our business depends substantially on the continuing efforts of our senior management, and our ability to attract and retain key employees.

Our future success depends substantially on the continued services of our senior management. If one or more members of our senior management are unable or unwilling to continue serving in their present positions, we may not be able to replace them readily, if at all. As a result, our business may be severely disrupted, and we may incur additional expenses to recruit and retain new officers. In addition, if any member of our senior management joins a competitor or forms a competing company, we may lose some of our customers and more importantly, our trade secrets. We protect our trade secrets by entering into confidentiality agreements, which contain the non-competition clauses, with each member of our senior management. However, we cannot assure you that, if any disputes arise between our senior management and us, these confidentiality clauses could be adequately enforced in our favour.

Our success also depends to a significant extent on the skills and efforts of our key managerial, technical and other employees and upon our ability to continue to attract, retain and motivate qualified personnel. We compete with other manufacturing companies for technical and other skilled employees, and the competition for such employees is intense. We cannot assure you that we will be able to continue to attract and retain qualified employees essential to our growth. The loss of the services of these key employees or the inability to attract or retain qualified employees could have a material adverse effect on us.

Our business may be impacted by political events, war, terrorism, public health issues, natural disasters and other business interruptions.

War, terrorism, geopolitical uncertainties, public health issues and other business interruptions could cause damage or disruption to international commerce and the global economy, and thus could have a material adverse effect on us, our customers and suppliers. Our business operations are subject to interruption by, among others, natural disasters, whether as a result of climate change or otherwise, fire, power shortages and other industrial accidents, terrorist attacks and other hostile acts, labor disputes, public health issues, demonstrations or strikes, and other events beyond our control. Such events could decrease demand for our products, make it difficult or impossible for us to make and deliver products to our customers, or to receive materials from our suppliers, and create delays and inefficiencies in our supply chain. In the event of a natural disaster or major public health issue, we could incur significant losses, require substantial recovery time and experience significant expenditures in order to resume operations.

RISK FACTORS

Our sales may be influenced by seasonality.

Our results of operations are affected by seasonal fluctuations in the demand for consumer electronics and smart vehicles, which in turn influence our customers’ demands for our products. We usually experience higher sales volume in the fourth quarter of a year due to increased shopping activities during the holiday season. Accordingly, various aspects of our operations, including sales, production utilization, working capital and operating cash flows, are exposed to the risks associated with seasonal fluctuations in the demand for our products, and our quarterly or half year results may not reflect our full year results.

Our business is subject to legal, regulatory, political, economic, commercial and other risks associated with conducting operations in various jurisdictions.

We derive a significant portion of our revenue overseas. Accordingly, we have faced and continue to face numerous risks, including legal, regulatory, political, economic, commercial and other risks associated with conducting operations in various jurisdictions, any of which could negatively affect our financial performance. These risks include the following:

- legal, regulatory, political, economic and commercial instability and uncertainty;
- changes in foreign tax rules, regulations and other requirements, such as changes in tax rates and statutory and judicial interpretations of tax laws;
- changes in international trade policies and regulations including those in relation to economic sanctions, export controls, and import restrictions, as well in trade barriers such as imposition of tariffs;
- difficulty in coping with possible conflict of laws resulting from import/export controls measures of different jurisdictions where we operate;
- changes in foreign country regulatory requirements, including data privacy laws;
- complexities relating to compliance with foreign anti-bribery, anti-corruption and anti-money laundering regulations and antitrust laws;
- difficulty in obtaining or enforcing intellectual property rights;
- difficulty in enforcing agreements and collecting overdue receivables through local legal systems;
- changes in geopolitical situations especially those in jurisdictions where we do business;
- strict foreign exchange controls and cash repatriation restrictions;
- inflation and/or deflation, and changes in interest rates;
- trade customer insolvency and the inability to collect accounts receivable;

RISK FACTORS

- misconduct by our customers beyond our control, including but not limited to breaching the agreements with them and laws and regulations of various jurisdictions that are applicable to them;
- labor disputes and work stoppages at our operations and suppliers; and
- increased costs associated with maintaining the ability to understand local markets and follow their trends.

In addition, as we operate in many different jurisdictions, we have conducted cross-border related party transactions in our ordinary course of business, which may result in an increased likelihood of tax audits, possibly leading to challenges in relation to, amongst other things, tax residence, permanent establishment and transfer pricing.

Our insurance coverage may not cover all losses.

We maintain different types of insurance policies to cover our operations, including product liability and employer liability. However, there may be circumstances under which certain types of losses, damages and liabilities are not covered by our insurance policies. If we were to incur substantial losses and liabilities that are not covered by our insurance policies, we could suffer significant costs and diversion of our resources, which could have a material and adverse effect on our business, financial condition and results of operations.

Failure to detect or prevent fraudulent or illegal activities or other misconduct by our employees, customers, suppliers or other business partners may materially and adversely affect our business.

We are exposed to risks of fraudulent or illegal activities or other misconduct by our employees, customers, suppliers or other business partners in the course of our business operations. Such misconduct could include fraud, corruption, bribery, collusion or other violations of applicable laws, including anti-corruption and anti-bribery laws, which could expose us to liabilities, fines and penalties imposed by government authorities, as well as significant reputational damage. We cannot assure you that our measures in place to monitor and prevent such misconduct would be effective at all times in identifying or mitigating all potential risks. Instances of misconduct may still occur, and any undetected or unresolved incidents could lead to adverse consequences, such as financial losses, legal liabilities or disruptions to our operations.

Furthermore, any publicized instances of fraudulent or illegal activities associated with our employees or business partners could harm our reputation, reducing customer and partner trust in our business. If such misconduct involves our employees, we could also face liabilities to third parties and penalties imposed by authorities. Accordingly, any failure to detect and prevent fraudulent or illegal activities or other misconduct by our employees, customers, suppliers or other business partners could materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

Our risk management and internal control systems may not be adequate or effective.

We have established risk management and internal control systems consisting of organizational frameworks, policies, procedures and risk management methods that we believe are appropriate for our business operations, and we seek to continue to improve these systems. However, due to the inherent limitations in the design and implementation of risk management and internal control systems, including the identification and evaluation of risks, internal control variables and the communication of information, we cannot assure you that such systems will be able to identify, mitigate and manage all our exposure to risks.

Our risk management and internal controls also depend on the proficiency of and implementation by our employees. We cannot assure you that such implementation will not involve any human error or mistakes, which may materially and adversely affect our business, financial condition and results of operations.

Our operations rely on complex information technology systems and networks, and our business and reputation may be impacted by information technology system failures, network disruptions or cybersecurity breaches.

We rely extensively on information technology systems to manage and operate our business, some of which are supported by third party vendors including cloud-based systems and managed service providers. If these systems fail to function properly, experience security breaches or disruptions or do not provide the anticipated benefits, our ability to manage our operations could be impaired, which could have a material adverse impact on our results of operations and financial condition.

We may be subject to information technology system failures or network disruptions caused by natural disasters, accidents, power disruptions, telecommunications failures, acts of terrorism or war, computer viruses, physical or electronic break-ins, or other events or disruptions. System redundancy and other continuity measures may be ineffective or inadequate, and our business continuity and disaster recovery planning may not be sufficient for all eventualities. Such failures or disruptions could adversely impact our business by, among other things, preventing access to our internet services, interfering with customer transactions or impeding the assembling and shipping of our products. These events could materially and adversely affect our reputation, financial condition and operating results.

Our information technology systems may be subject to computer viruses or other malicious codes, unauthorized access attempts, phishing and other cyberattacks. We continue to assess potential threats and make investments seeking to address and prevent these threats, including monitoring and upgrading our networks and systems and conducting employee trainings. However, because the techniques used in these cyberattacks change frequently and may be difficult to detect for periods of time, we may face difficulties in anticipating and implementing adequate preventative measures. To date, we have not been materially affected by cyberattacks; however, we cannot guarantee that our security efforts will prevent breaches or breakdowns to our databases or systems. If the information technology systems, networks or service providers we rely upon fail to function properly or if we suffer a loss, significant unavailability of or disclosure of our business or

RISK FACTORS

stakeholder information and our business continuity plans do not effectively address these failures on a timely basis, we may be exposed to reputational, competitive and business harm as well as litigation and regulatory action, including administrative fines. The costs and operational consequences of responding to breaches and implementing remediation measures could be significant.

Delivery delays, poor handling by third party logistics service providers or disruptions in the transportation network may adversely affect our business.

We use third party logistics service providers to deliver certain of our products to our customers. Disputes with or terminations of our contractual relationships with our logistics service providers could result in delayed delivery of products or increased costs. We may not be able to continue or extend relationships with our current logistics service providers on terms acceptable to us or establish relationships with new logistics service providers to ensure accurate, timely and cost-efficient delivery services. If we are unable to maintain or develop good relationships with logistics service providers, it may inhibit our ability to offer products in sufficient quantities, on a timely basis, or at prices acceptable to our customers. If there is any breakdown in our relationships with our preferred logistics service providers, we may suffer business interruptions that could materially and adversely affect our business, financial condition and results of operations. As we do not have any direct control over these logistics service providers, we cannot guarantee their quality of services. If there is any delay in delivery, damage to products or any other issue due to transportation shortages, natural disasters, labour strikes or other factors, we may lose customers and sales and our reputation may be tarnished. In addition, our suppliers sometimes deliver materials to us through third party logistics service providers. Delays in delivery could adversely impact our suppliers’ ability to timely deliver materials to us, and our ability to deliver to our customers.

Unfavorable results of legal and regulatory proceedings could adversely affect our business and financial condition and performance.

We may be subject to a variety of litigation and legal compliance risks. Unfavorable outcomes regarding these assessments could have a material adverse effect on our financial statements in any particular reporting period. Results of legal and regulatory proceedings cannot be predicted with certainty and for some matters, such as class actions, no insurance is cost-effectively available. Regardless of merit, legal and regulatory proceedings may be time-consuming, costly and disruptive to our operations and could divert the attention of our management and key personnel from our business operations. Such proceedings could also generate significant adverse publicity and have a negative impact on our reputation, regardless of the existence or amount of liability.

RISK FACTORS

RISKS RELATING TO THE JURISDICTIONS IN WHICH WE OPERATE

It may be complex to effect service of process upon us or our management or to enforce against them or us any judgments obtained from foreign courts.

We are a company incorporated under the PRC laws and a majority of our assets are located in mainland China. In addition, most of our Directors, Supervisors and senior management reside in mainland China. As a result, it may be complex for investors to effect service of process outside of mainland China upon us, our Directors, Supervisors or senior management or to enforce judgments obtained against us in courts outside mainland China. A judgment of a court of another jurisdiction may be reciprocally recognized or enforced in mainland China only if the jurisdiction has a treaty with mainland China or if the jurisdiction has been otherwise deemed by the courts of mainland China to satisfy the requirements for reciprocal recognition, subject to the satisfaction of other requirements. However, mainland China is not a party to treaties providing for the reciprocal enforcement of judgments of courts with certain foreign countries such as the United States, and enforcement in mainland China of judgments of a court in these jurisdictions may consequently be difficult or impossible. On January 14, 2019, the Supreme People’s Court and the Department of Justice under the Government of the Hong Kong Special Administrative Region signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the “**2019 Arrangement**”), which became effective on January 29, 2024. The 2019 Arrangement regulates, among others, the scope and particulars of judgments, the procedures and methods of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgment, the circumstances where the recognition and enforcement of a judgment shall be refused, and the approaches towards remedies for the reciprocal recognition and enforcement of judgments in civil and commercial matters between the courts in mainland China and those in Hong Kong. However, the 2008 Arrangement will remain applicable to a “choice of court agreement in writing” within the meaning of 2008 Arrangement which is made before the effective date of 2019 Arrangement.

Uncertainties embedded in the legal systems of certain geographic markets where we operate could affect our business, financial condition and results of operations.

Legal systems of the geographic markets where we operate vary significantly from jurisdiction to jurisdiction. Some jurisdictions have a civil law system based on written statutes and others are based on common law. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value.

The legal systems of some geographic markets where we operate are evolving. Laws and regulations that are recently enacted may not sufficiently cover all aspects of economic activities in such markets. In particular, the interpretation and enforcement of these laws and regulations may be subject to future implementations, and the application of some of these laws and regulations to our businesses may need further clarification. Since local administrative and court authorities are authorized to interpret and implement statutory provisions and contractual terms. Local courts may

RISK FACTORS

have discretion to reject enforcement of foreign awards or arbitration awards which may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual rights or claims.

Furthermore, there are other circumstances where key regulatory definitions may not be entirely precise or clear, or where interpretations that are adopted by regulators are inconsistent with interpretations adopted by a court in analogous cases. As a result, we may not be aware of our violation of certain policies or rules until sometime after the violation. In addition, administrative and court proceedings in certain of our geographic markets may be protracted, resulting in substantial costs and diversion of resources and management attention.

It is possible that a number of laws and regulations may be adopted or construed to be applicable to us in our geographic markets and elsewhere that could affect our businesses and operations. Scrutiny and regulations of the industries in which we operate may further increase, and we may be required to devote additional legal and other resources to addressing these regulations. Changes in current laws or regulations or the imposition of new laws and regulations in our geographic markets may slow the growth of our industries and affect our business, financial condition and results of operations.

We are a mainland China enterprise and we are subject to mainland China tax on our global income and any gains on the sales of H Shares and dividends on the H Shares may be subject to mainland China income taxes.

Under the PRC EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between mainland China and a non-mainland China investor’s jurisdiction of residence that provides for a different income tax arrangement, mainland China withholding tax at the rate of 10% is normally applicable to dividends from mainland China sources payable to investors that are non-mainland China resident enterprises, which do not have an establishment or place of business in mainland China, or which have an establishment or place of business in mainland China if the relevant income is not effectively connected with such establishment or place of business. Any gains realized on the transfer of shares by such investors are subject to a 10% mainland China income tax rate if such gains are regarded as income from sources within mainland China unless a treaty or similar arrangement provides otherwise.

Under the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within mainland China paid to foreign individual investors who are not mainland China residents are generally subject to a mainland China withholding tax at a rate of 20% and gains from mainland China sources realized by such investors on the transfer of shares are generally subject to a 20% mainland China income tax rate, in each case, subject to any reduction or exemption set forth in applicable tax treaties and laws in mainland China. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) (國稅函[2011]348號) dated June 28, 2011, issued by the SAT, dividends paid to non-mainland China resident individual holders of H Shares are generally subject to individual income tax of mainland China at the withholding tax rate

RISK FACTORS

of 10%, in which the non-mainland China resident individual holder of H Shares resides as well as the tax arrangement between mainland China and Hong Kong. Non-mainland China resident individual holders who reside in jurisdictions that have not entered into tax treaties with mainland China are subject to a 20% withholding tax on dividends received from us. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF of mainland China and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. In addition, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167) which states that individuals’ income from the transfer of listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restrictions as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of the Listed Shares Subject to Sales Limitations (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70). As of December 31, 2024, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-mainland China resident individuals on the sale of shares of mainland China resident enterprises listed on overseas stock exchanges.

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

Failure to comply with the PRC Social Insurance Law and the Regulation on the Administration of Housing Provident Funds or other PRC labor related regulations may subject us to fines and other legal or administrative sanctions.

Companies operating in the PRC have to participate in various employee benefit plans required by the government, including certain social insurance, housing provident funds and other welfare-oriented payment obligations. The requirement and implementation of employee benefit plans may vary considering the different levels of economic development in different locations in the PRC, and the relevant government authorities may examine whether an employer has made adequate payments of the requisite employee benefit payments, employers who fail to make adequate payments as required may be subject to late payment fees, fines and/or other penalties. There is no assurance that our historical and current practice will at all times be deemed in full compliance with relevant laws and regulations by government authorities. In the event of any such non-compliance, we may be required to pay any shortfall in social insurance contributions within a prescribed time period and to pay penalties if we fail to do so. During the Track Record Period and up to the Latest Practicable Date, we had not received any material administrative penalty imposed by the relevant regulatory authorities regarding PRC social insurance and housing provident funds.

RISK FACTORS

In addition, as the interpretation and implementation of the Labor Contract Law, the Social Insurance Law and other labor related regulations are evolving, we cannot assure you that our employment practice do not and will not violate labor-related laws and regulations in the PRC, which may subject us to labor disputes or government investigations, we cannot assure that such risks we may be exposed to will not adversely affect our reputation, business, results of operations and financial condition or otherwise divert our resources in handling any lawsuits, legal proceedings or complaints.

RISKS RELATING TO THE [REDACTED]

We will be concurrently subject to listing and regulatory requirements of mainland China and Hong Kong.

As our A Shares are listed on the Shenzhen Stock Exchange and our H Shares will be [REDACTED] on the Main Board in Hong Kong, we will be required to comply with the listing rules (where applicable) and other regulatory regimes of both jurisdictions, unless an exemption is available or a waiver has been obtained. Accordingly, we may incur additional costs and resources in continuously complying with all sets of listing rules in the two jurisdictions.

The characteristics of the A Share and H Share markets may differ.

Our A Shares are listed and traded on the Shenzhen Stock Exchange. Following the [REDACTED], our A Shares will continue to be traded on the Shenzhen Stock Exchange and our H Shares will be traded on the Hong Kong Stock Exchange. Under current laws and regulations of mainland China, without the approval from the relevant regulatory authorities, our H Shares and A Shares are neither interchangeable nor fungible, and there is no trading or settlement between the H Share and A Share markets. With different trading characteristics, the H Share and A Share markets have divergent trading volumes, liquidity and investor bases, as well as different levels of retail and institutional investor participation. As a result, the trading performance of our H Shares and A Shares may not be comparable. Nonetheless, fluctuations in the price of our A Shares may adversely affect the price of our H Shares, and vice versa. Due to the different characteristics of the H Share and A Share markets, the historical prices of our A Shares may not be indicative of the performance of our H Shares. You should therefore not place undue reliance on the trading history of our A Shares when evaluating the investment decision in our H Shares.

There has been no prior public market for our H Shares, and an active trading market for our H Shares may not develop or be sustained.

Prior to the [REDACTED], there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity and trading volume will develop and be sustained following the completion of the [REDACTED]. In addition, the [REDACTED] of our H Shares is expected to be fixed by agreement between the [REDACTED] (for itself and on behalf of the [REDACTED]) and us and may not be an indication of the market price of our H Shares following the completion of the [REDACTED]. If an active public market for our H Shares does not develop following the completion of the [REDACTED], the market price and liquidity of our H Shares may be materially and adversely affected.

RISK FACTORS

The price and trading volume of our H Shares may be volatile, which could lead to substantial losses to investors.

The price and trading volume of our H Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. The Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant price and trading volume volatility that are not related to the operating performance of any particular company. The business and performance and the market price of the shares of other companies engaging in similar business may also affect the price and trading volume of our H Shares. In addition to market and industry factors, the price and trading volume of our H Shares may be highly volatile for specific business reasons, such as fluctuations in our revenue, earnings, cash flows, investments, expenditures, regulatory developments, relationships with our customers and suppliers, movements or activities of key personnel, or actions taken by competitors. Moreover, shares of other companies listed on the Hong Kong Stock Exchange have experienced price volatility in the past, and it is possible that our H Shares may be subject to changes in price not directly related to our performance.

Future sales or perceived sales of substantial amounts of our H Shares in the public market could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise additional capital in the future, or may result in dilution of your shareholding.

The market price of our H Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate could be negatively impacted as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the public market, especially by our Directors, executive officers and Controlling Shareholders, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. In addition, our Shareholders may experience dilution in their holdings if we issue more securities in the future. Furthermore, we may issue Shares pursuant to any future share option incentive schemes, which would further dilute our Shareholders’ interests in our Company. New shares or share-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares. Shares held by our Controlling Shareholders are subject to certain lock-up periods beginning on the date on which trading in our Shares commences on the Hong Kong Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they own now or may own in the future. Market sale of Shares by such Shareholders and the availability of these Shares for future sale may have a negative impact on the market price of our Shares.

The interests of our Controlling Shareholders may not align with the interests of the Shareholders as a whole.

Immediately following the completion of the [REDACTED], the Controlling Shareholders will, directly and indirectly, hold approximately [REDACTED] of the total issued share capital in issue (assuming the [REDACTED] is not exercised). The Controlling Shareholders will, through their voting power at the general meetings, have significant influence over our business and affairs,

RISK FACTORS

including decisions in respect of mergers or other business combinations, acquisition of assets, issuance of additional Shares or other equity or debt securities, timing and amount of dividend payments and amendments to the Articles of Association. The Controlling Shareholders may not act in the best interests of our minority Shareholders. In addition, without the approval of the Controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us or the Shareholders as a whole. This concentration of ownership may also discourage, delay or prevent a change in control of us, which could deprive the Shareholders of an opportunity to receive a premium for the Shares as part of a sale of the Company and may significantly reduce the price of the Shares.

Our historical dividends may not be indicative of our future dividend policy, and we cannot assure you whether and when we will pay dividends in the future.

We have declared dividends in the past. However, we cannot assure you that dividends of any amount will be declared or distributed by us in any year in the future. Under the applicable laws and regulations of mainland China, the payment of dividends may be subject to certain limitations, and the calculation of our profit under the Accounting Standards for Business Enterprises may differ in certain respects from the calculation under IFRS. The declaration, payment and amount of any future dividends are at the discretion of our Directors, after taking into account various factors, including our results of operations, cash flows, capital expenditure requirements, market conditions, our strategic plans and prospects for business development, regulatory restrictions on the payment of dividends and other factors as our Directors may deem relevant, and subject to the approval at Shareholders’ meeting. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the applicable laws and regulations of mainland China. See “Financial Information — Dividend Policy” for further details. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our historical dividends should not be taken as indicative of our dividend policy in the future.

Under the existing foreign exchange regulations of mainland China, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where RMB is to be converted into foreign currency and remitted out of mainland China to pay capital expenses such as the repayment of loans denominated in foreign currencies. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, we cannot assure you that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of RMB into or out of mainland China.

RISK FACTORS

You should not place any reliance on any information released by us in connection with the listing of our A Shares on the Shenzhen Stock Exchange.

As our A Shares are listed on the Shenzhen Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in mainland China. As a result, from time to time, we publicly release information relating to us on the Shenzhen Stock Exchange or other media outlets designated by the CSRC. However, the information announced by us in connection with our A Shares listing is based on regulatory requirements of the securities authorities, industry standards and market practices in mainland China, which are different from those applicable to the [REDACTED]. The presentation of financial and operational information for the Track Record Period disclosed on the Shenzhen Stock Exchange or other media outlets may not be directly comparable to the financial and operational information contained in this Document. As a result, prospective investors in our H Shares should be reminded that, in making their investment decisions as to whether to purchase our H Shares, they should rely only on the financial, operating and other information included in this Document. By applying to purchase our H Shares in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this Document and any formal announcements made by us in Hong Kong with respect to the [REDACTED].

You should read the entire Document carefully and only rely on the information included in this Document to make your investment decision, and we strongly caution you not to rely on any information contained in press articles or other media coverage relating to us, our Shares or the [REDACTED].

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

Certain facts, forecast and other statistics in this Document obtained from publicly available sources have not been independently verified and may not be reliable.

Certain facts, forecast and other statistics in this Document are derived from various government and official resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or

RISK FACTORS

misleading. Nevertheless, information from official government sources has not been independently verified by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED] or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our investors that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

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

This Document contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain [REDACTED] information and other matters. The words “aim”, “anticipate”, “believe”, “could”, “predict”, “potential”, “continue”, “expect”, “intend”, “may”, “might”, “plan”, “seek”, “will”, “would”, “should” and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward-looking statements, including, amongst others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in this section. Accordingly, such statements are not a guarantee of future performance and investors should not place undue reliance.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Ms. Chau Kwan Fei (周群飛)	Building 1, West Side of Lens Technology South Garden, Dongyang Town Liuyang, Hunan Province the PRC	Chinese
Mr. Cheng Chun Lung (鄭俊龍)	Building 1, West Side of Lens Technology South Garden, Dongyang Town Liuyang, Hunan Province the PRC	Chinese
Mr. Rao Qiaobing (饒橋兵)	Building 5, Lens Technology Living Zone Huanghua Town, Changsha County Changsha, Hunan Province the PRC	Chinese
<i>Independent Non-executive Directors</i>		
Ms. Wan Wei (萬煒)	Room 2504, Building C4, Unit 1, Poly West Coast No. 228, Yinbengling Street Changsha, Hunan Province the PRC	Chinese
Mr. Liu Yue (劉岳)	Room 104, Building 8, Block A, Phase 1, Bafang District Wangyue Street, Yuelu District Changsha, Hunan Province the PRC	Chinese
Mr. Tian Hong (田宏)	House 6, 15th Street, Hong Lok Yuen Tai Po District New Territories Hong Kong	United States
Mr. Xie Zhiming (謝誌明)	Room 506, Unit 3, Block 6, Phase 2 Sunshine 100 International New City Changsha, Hunan Province the PRC	Chinese

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]

SUPERVISORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
Mr. Tang Jun (唐軍)	Room 2904, Building 29, Zone 5, Genting Meixi Lake Changsha, Hunan Province the PRC	Chinese
Mr. Chen Xiaoqun (陳小群)	Room 503, Building 4, Tianxi Bay, Changsha Bi Gui Yuan No. 325, Xing Sha Avenue, Changsha County Changsha, Hunan Province the PRC	Chinese
Ms. Zhou Xinyi (周新益)	Building 4, West Side of Lens Technology South Garden, Dongyang Town Liuyang, Hunan Province the PRC	Chinese

For further details, see “Directors, Supervisors and Senior Management.”

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor

CITIC Securities (Hong Kong) Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

[REDACTED],
[REDACTED],
[REDACTED],
[REDACTED] and
[REDACTED]

[REDACTED]

Legal Advisers to the Company

As to Hong Kong and U.S. laws:
Freshfields
55th Floor, One Island East
Taikoo Place, Quarry Bay
Hong Kong

As to PRC law:
Sundial Law Firm
11–12F., Taiping Finance Tower
6001 Yitian Road
Futian District, Shenzhen
the PRC

**Legal Advisers to the Sole Sponsor and
the [REDACTED]**

As to Hong Kong and U.S. laws:
Paul Hastings
22/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

As to PRC law:
King & Wood Mallesons
18th Floor, East Tower
World Financial Center
No. 1 Dongsanhuan Zhonglu
Chaoyang District
Beijing
the PRC

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]

Auditor and Reporting Accountants

Deloitte Touche Tohmatsu

Certified Public Accountants

Registered Public Interest Entity Auditor

35/F, One Pacific Place

88 Queensway

Hong Kong

Industry Consultant

**Frost & Sullivan (Beijing) Inc., Shanghai Branch
Co.**

Room 2504

Wheelock Square

No. 1717 West Nanjing Road

Shanghai

the PRC

[REDACTED]

[REDACTED]

CORPORATE INFORMATION

Registered Office and Head Office	Liuyang Biomedical Park Liuyang Hunan Province the PRC
Place of Business in Hong Kong Registered under Part 16 of the Companies Ordinance	Unit A, 7/F, MG Tower 133 Hoi Bun Road, Kwun Tong Kowloon Hong Kong
Joint Company Secretaries	Mr. Jiang Nan (江南) Building 5, Lens Technology Living Zone Huanghua Town, Changsha County Changsha, Hunan Province the PRC Ms. Yu Wing Sze (余詠詩) <i>(an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)</i> 31/F, Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong
Authorised Representatives	Ms. Chau Kwan Fei (周群飛) Building 1 West Side of Lens Technology South Garden Dongyang Town, Liuyang, Hunan Province the PRC Ms. Yu Wing Sze (余詠詩) 31/F, Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong
Audit Committee	Mr. Xie Zhiming (謝志明) (<i>Chairman</i>) Ms. Wan Wei (萬煒) Mr. Liu Yue (劉岳)

CORPORATE INFORMATION

Nomination Committee

Ms. Wan Wei (萬煒) (*Chairman*)
Mr. Liu Yue (劉岳)
Mr. Cheng Chun Lung (鄭俊龍)

Remuneration and Appraisal Committee

Mr. Xie Zhiming (謝志明) (*Chairman*)
Mr. Liu Yue (劉岳)
Mr. Cheng Chun Lung (鄭俊龍)

Strategy Committee

Ms. Chau Kwan Fei (周群飛) (*Chairman*)
Mr. Tian Hong (田宏)
Ms. Wan Wei (萬煒)

Compliance Advisor

Gram Capital Limited
Room 1209
12/F, Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Central
Hong Kong

[REDACTED]

[REDACTED]

Principal Banks

Bank of China
Liuyang Economic and Technological Development Zone Branch
No. 156, Jianshou Avenue
Liuyang, Changsha, Hunan Province
the PRC

The Export-Import Bank of China
Hunan Branch
Building 5, Huayuan Huazhongxin, No. 36
Section 2, Xiangjiang Middle Road
Tianxin District, Changsha, Hunan Province
the PRC

CORPORATE INFORMATION

Company’s Website

www.hnlens.com

(A copy of this Document is available on the Company’s website. Except for the information contained in this Document, none of the other information contained on the Company’s website forms part of this Document)

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OVERVIEW

We are an industry-leading integrated one-stop precision manufacturing solution provider. We are focused on technological innovation and empowered by smart manufacturing. In terms of revenue in 2024, we are a global leading player in precision structural parts and modules integrated solutions for both consumer electronics and smart vehicles interaction systems. We have accumulated strong expertise and capabilities in consumer electronics and smart vehicles, with robust and comprehensive platform-based capabilities that include talent, technology, supply and smart manufacturing.

On December 21, 2006, the predecessor of our Company, Lens Technology (Hunan) Company Limited* (藍思科技(湖南)有限公司), was established as a limited liability company in Liuyang, Hunan Province. On June 29, 2011, our Company was converted into a joint stock company with limited liability and renamed as Lens Technology Co., Ltd. (藍思科技股份有限公司). Since March 18, 2015, our A Shares have been listed on the Shenzhen Stock Exchange (stock code: 300433.SZ).

KEY CORPORATE AND BUSINESS DEVELOPMENT MILESTONES

The following is a summary of our Group’s key corporate and business development milestones:

Year	Milestone
2003 . . .	Lens Shenzhen was established
2004 . . .	We cooperated with global leading consumer electronics brands and provided mobile phone cover glass and camera protective glass for the world’s first mobile phone series that sold over 100 million units
2006 . . .	Lens Technology was established in Hunan province and served as our primary R&D and production center
2007 . . .	Provided cover glass for the world’s first touch-enabled smartphones with full-sized screen
2010 . . .	We began automating and upgrading our production facilities, and began independently developing and processing sapphire materials to enable large-scale production and explore its applications in consumer electronics
2011 . . .	We worked with customers on 3D curved glass development, obtained key technology on 3D curved glass and achieved mass production
2012 . . .	Lens Hualian was established to drive precision ceramics production and application
2015 . . .	Our A Shares were listed on the Shenzhen Stock Exchange (stock code 300433.SZ)
2016 . . .	We started to engage in the research, development and manufacturing of intelligent robots and industrial robots, and we accelerated the upgrading of our automated production equipment
2017 . . .	Lens Vietnam was established, representing the beginning of our global production layout

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Year	Milestone
2018 . . .	We pioneered the application of function modules, 3D glass and intelligent B-pillars to the world’s first premium smart electric vehicle, and began cooperating with global well-known automotive brands for the development and manufacturing of smart cockpit products
2019 . . .	Lens System Integration was established to advance the intelligent transformation of the smart manufacturing system
2020 . . .	Lens Taizhou was established through acquisition and integration, significantly increasing our production capacity of precision metal and expanding our business scale
2021 . . .	<p>Lens Xiangtan invested in the construction of the first phase of the smart device manufacturing project, entering the complete devise assembly business, and leveraging strengths in key areas such as glass, metal, and modules to drive vertical integration</p> <p>We were recognized as a “National Corporate Technology Center” by the relevant ministries, including the National Development and Reform Commission and the Ministry of Science and Technology</p>
2023 . . .	<p>We were added to the Ministry of Industry and Information Technology’s “Green Manufacturing List”</p> <p>Our Innovation Research Institute was established to focus on research and development of key products, technologies and bottlenecks in the industry based on market trends and demands</p>
2024 . . .	We expanded our business to smart retail devices and, empowered by our vertical integration along the industry value chain, quickly delivered our smart retail devices products
2025 . . .	We were deeply involved in the research, development and production of key components and modules for humanoid robots, successfully delivering our first batch of humanoid robots; we also started providing solutions for AI glasses, achieving full-chain coverage from functional modules to complete device assembly

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OUR MAJOR SUBSIDIARIES

As of the Latest Practicable Date, we conducted our business operations through 30 subsidiaries. The following table sets forth the detailed information of the major subsidiaries of our Company that made a material contribution to our results of operations during the Track Record Period:

<u>Name of subsidiary</u>	<u>Place of incorporation/ establishment</u>	<u>Date of incorporation/ establishment</u>	<u>Equity interest attributable to our Group</u> (%)	<u>Principal activities</u>
Lens Shenzhen	PRC	September 18, 2003	100%	Sales of products and R&D
Lens Changsha	PRC	January 26, 2011	100%	R&D of metal surface treatment and heat treatment technologies, and manufacture and sales of products
Lens Xiangtan	PRC	July 23, 2012	100%	R&D, production, assembly and sales of electronic products and spare parts business
Shenzhen Lens Wang . .	PRC	June 17, 2022	100%	Supply chain management
Lens Dongguan	PRC	July 6, 2010	100%	R&D, production and sales of window protection screens
Lens Intelligent Control	PRC	March 18, 2017	100%	Manufacture of electronic components
Lens Taizhou	PRC	May 3, 2016	100%	R&D, production and sales of components of mobile phone back covers, and research and sales of other metal products
Lens Intelligent Robot .	PRC	July 22, 2016	60%	R&D of intelligent equipment and robot
Lens System Integration	PRC	March 22, 2019	100%	Provision of information system R&D and integration services, including the industrial Internet
Lens International	Hong Kong	November 5, 2010	100%	Trade and investment
Lens Vietnam	Vietnam	June 12, 2017	100%	Production of electronic components and maintenance of electronic and optical equipment

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

CORPORATE DEVELOPMENT AND MAJOR SHAREHOLDING CHANGES

Incorporation of Our Company in December 2006

In December 2006, our Company was established with an initial registered share capital of USD6.0 million contributed by Lens Technology (HK), one of our Controlling Shareholders. The shareholding structure of our Company as of the date of its establishment was as follows:

Name of the Shareholder	Registered share capital (USD)	Approximate percentage of shareholding (%)
Lens Technology (HK)	6,000,000	100.00
Total	6,000,000	100.00

Conversion into a Joint Stock Company

Upon completion of several rounds of capital increase and share transfer, the registered capital of our Company reached RMB600,000,000. In June 2011, our Company was converted into a joint stock company with limited liability and was renamed as Lens Technology Co., Ltd. (藍思科技股份有限公司).

After the conversion, the shareholding structure of our Company was as follows:

Name of the Shareholder	Number of Shares held	Approximate percentage of shareholding (%)
Lens Technology (HK)	546,660,000	91.11
Changsha Qunxin	53,340,000	8.89
Total	600,000,000	100.00

Capital Increase in 2011

In September 2011, the registered capital of our Company was further increased to RMB606,000,000 through subscription by 35 individuals who were employees of the Group. The consideration for the share subscription was determined based on arm’s length negotiations among the relevant parties after taking into account, among others, our then audited net book value and the business operations and financial prospects of our Group.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

After the aforesaid transfers and capital increases, the shareholding structure of our Company was as follows:

<u>Name of the Shareholder</u>	<u>Number of Shares held</u>	<u>Approximate percentage of shareholding (%)</u>
Lens Technology (HK)	546,660,000	90.21
Changsha Qunxin	53,340,000	8.80
Other individual Shareholders	<u>6,000,000</u>	<u>0.99</u>
Total	<u>606,000,000</u>	<u>100.00</u>

Listing on the Shenzhen Stock Exchange in March 2015

As approved by the CSRC, our Company completed the initial public offering and listing of our A Shares on the Shenzhen Stock Exchange (stock code: 300433.SZ) in March 2015 (the “**A Share Listing**”), pursuant to which a total of 67,360,000 new A Shares were issued. Immediately following the A Share Listing, our registered share capital was increased to RMB673,360,000, and the shareholding structure of our Company was as follows:

<u>Name of the Shareholder</u>	<u>Number of A Shares held</u>	<u>Approximate percentage of shareholding (%)</u>
Lens Technology (HK)	546,660,000	81.18
Changsha Qunxin	53,340,000	7.92
Other A Shareholders	<u>73,360,000</u>	<u>10.90</u>
Total	<u>673,360,000</u>	<u>100.00</u>

Private Placement of A Shares in 2016

In April 2016, our Company conducted a private placement of A Shares (the “**2016 A Share Placement**”) to expand our sapphire production and 3D curved glass manufacturing capabilities. Pursuant to the 2016 A Share Placement, 53,840,924 new A Shares were issued and the offer price was RMB58.84 per A Share, which was determined based on various factors, including, among other things, the average trading price of our A Shares of the 20 trading days prior to the pricing date and the indicative investment interest of potential investors. The 53,840,924 new A Shares were eventually placed to three institutional investors who were Independent Third Parties, raising net proceeds of approximately RMB3,111.85 million, which have been fully utilized as of December 31, 2024. Immediately following the completion of the 2016 A Share Placement, our registered share capital was increased to RMB727,200,924 in April 2016.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Issuance of 2017 Convertible Bonds, Conversion and Redemption

In December 2017, the Company conducted a public issuance of convertible bonds (the “**2017 Convertible Bonds**”) in the principal amount of RMB4.8 billion with a maturity period of six years to invest in, among others, projects for protective glass on the exterior of consumer electronics products. The 2017 Convertible Bonds were listed on the Shenzhen Stock Exchange on January 17, 2018 (bond code: 123003.SZ). The conversion period of the 2017 Convertible Bonds was from the first trading day after six months from the completion date of the issuance of the 2017 Convertible Bonds to the maturity date of the 2017 Convertible Bonds. The initial conversion price of the 2017 Convertible Bonds was RMB36.59 per Share, which was determined after taking into account, among other things, the average trading price prior to the date of the offering circular of the 2017 Convertible Bonds and was subject to the adjustment mechanism as disclosed in the offering circular.

On December 26, 2019, the Board resolved to exercise its conditional redemption rights to redeem all the outstanding 2017 Convertible Bonds at that time at face value plus accrued interests and all the then outstanding 2017 Convertible Bonds were converted into A Shares. The 2017 Convertible Bonds were delisted from the Shenzhen Stock Exchange on February 19, 2020. Immediately following the conversion, redemption and delisting of the 2017 Convertible Bonds, a total of 457,109,407 A Shares were converted from the 2017 Convertible Bonds and the Company’s registered share capital was increased to RMB4,383,857,357 in February 2020.

Private Placement of A Shares in 2020

In December 2020, our Company conducted a private placement of A Shares (the “**2020 A Share Placement**”) to, among others, invest in the touch function panel construction project. Pursuant to the 2020 A Share Placement, a total of 589,622,641 new A Shares were issued and the offer price was RMB25.44 per Share, which was determined based on various factors, including, among other things, the average trading price of our A Shares of the 20 trading days prior to the pricing date and the indicative investment interest of potential investors. The 589,622,641 new A Shares were eventually placed to 14 investors who are Independent Third Parties, raising net proceeds of approximately RMB14,909.15 million, out of which we have utilized approximately RMB11,629.43 million as of December 31, 2024. Immediately following the completion of the 2020 A Share Placement, our registered share capital was increased to RMB4,973,479,998 in December 2020.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

We did not carry out any major acquisitions, disposals or mergers during the Track Record Period and up to the Latest Practicable Date.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OUR LISTING ON THE SHENZHEN STOCK EXCHANGE AND REASONS FOR THE [REDACTED] ON THE HONG KONG STOCK EXCHANGE

Since 2015, the A Shares of our Company have been listed on the Shenzhen Stock Exchange. As of the Latest Practicable Date, our Directors confirmed that we had no instances of non-compliance with the rules of the Shenzhen Stock Exchange and other applicable securities laws and regulations of the PRC in any material respects, and, to the best knowledge of our Directors having made all reasonable enquiries, there was no material matter that should be brought to the investors’ attention in relation to our compliance record on the Shenzhen Stock Exchange. Our PRC Legal Advisor advised us that during the Track Record Period and up to the Latest Practical Date, we have not been subject to any material administrative penalties or regulatory measures imposed by PRC securities regulatory authorities and we have complied with the relevant laws and regulations on A share listings applicable to us in all material respects. Based on the independent due diligence conducted by the Sole Sponsor, nothing has come to the Sole Sponsor’s attention that would cause them to disagree with our Directors’ confirmation with regard to the compliance records of the Company on the Shenzhen Stock Exchange.

Our Company seek its H Shares to be [REDACTED] on the Hong Kong Stock Exchange in order to further promote the Company’s internationalization strategy, enhance the Company’s international brand image, strengthen the Company’s core competitiveness, and improve the Company’s level of operation and management. See “Business — Our Strategies” and “Future Plans and Use of [REDACTED]” for more details.

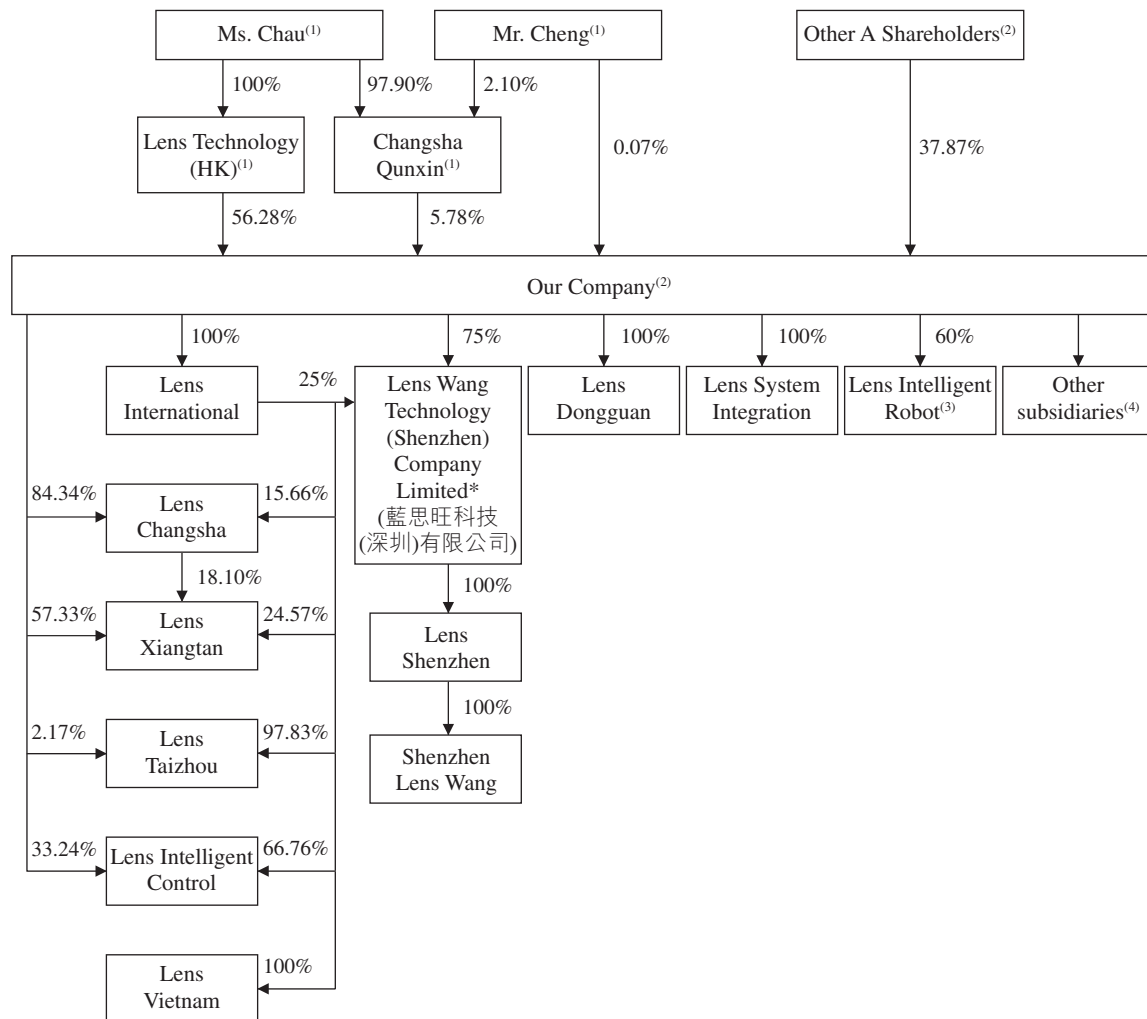
2023 RESTRICTED SHARE INCENTIVE PLAN

Our Company adopted the 2023 Restricted Share Incentive Plan on August 18, 2023. The purpose of the 2023 Restricted Share Incentive Plan is to improve our Group’s incentive mechanism and to attract and retain talents to achieve a sustained and healthy development of our Group in order to realize our Group’s long-term objectives. See “Appendix IV — Statutory and General Information — Share Incentive Scheme — 2023 Restricted Share Incentive Plan” of this Document for details.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OUR CORPORATE STRUCTURE IMMEDIATELY PRIOR TO THE COMPLETION OF THE [REDACTED]

The following chart illustrates our corporate and shareholding structure immediately prior to the [REDACTED]:



HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

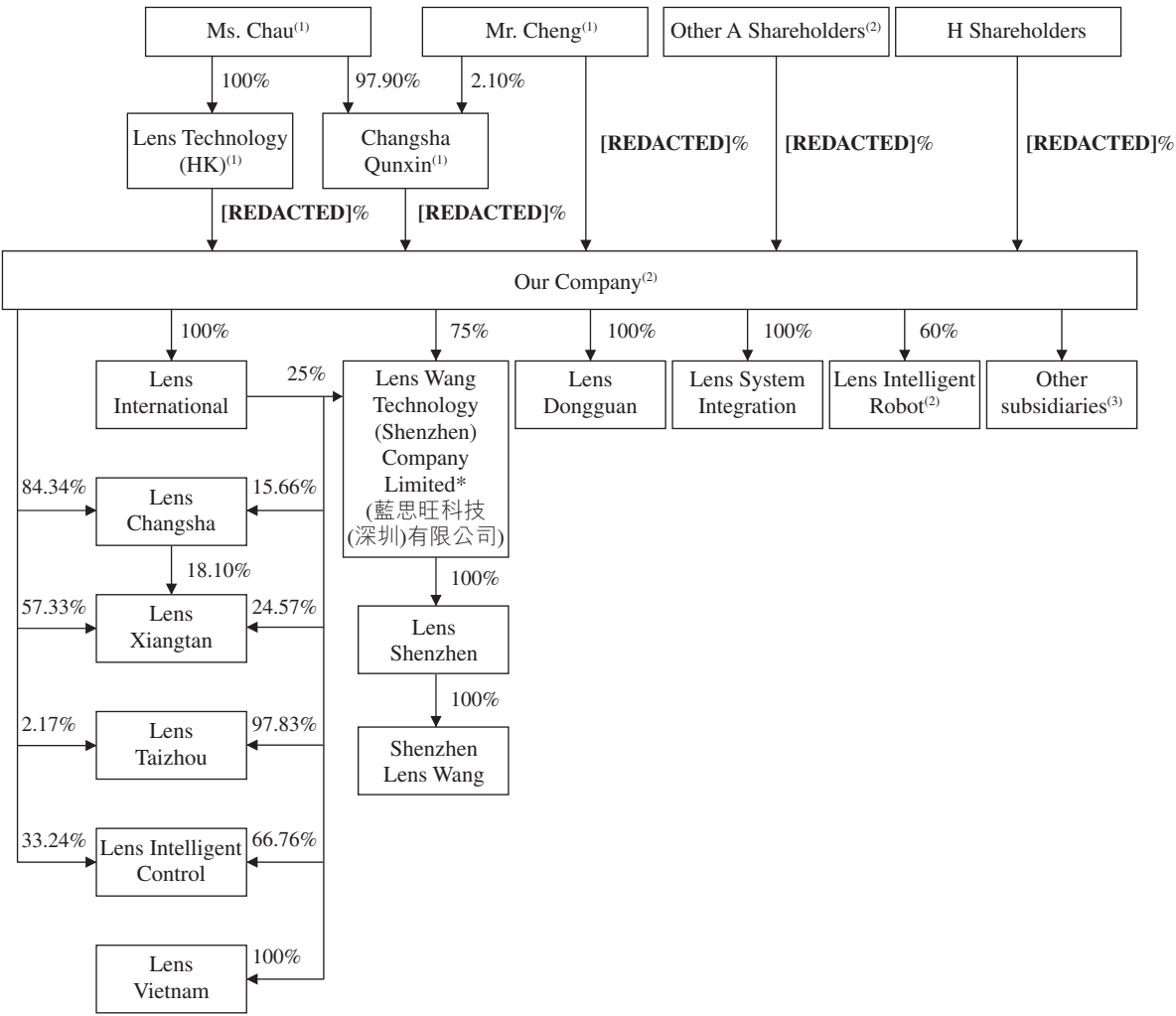
Notes:

- (1) As of the Latest Practicable Date, our Company was directly and indirectly (through Lens Technology (HK) and Changsha Qunxin) held as to approximately 62.13% by Ms. Chau and Mr. Cheng. Ms. Chau and Mr. Cheng are spouses. Lens Technology (HK) was wholly owned by Ms. Chau and Changsha Qunxin was owned as to 97.9% by Ms. Chau and 2.10% by Mr. Cheng. Accordingly, Ms. Chau, Mr. Cheng, Lens Technology (HK) and Changsha Qunxin constitute a group of Controlling Shareholders (as defined under the Hong Kong Listing Rules) before the [REDACTED]. For details of the background of Ms. Chau, Mr. Cheng, Lens Technology (HK) and Changsha Qunxin, see “Directors, Supervisors and Senior Management” and “Relationship with Our Controlling Shareholders.”
- (2) As of the Latest Practicable Date, 23,817,167 A Shares were held by the Company as treasury shares, which did not carry any Shareholders’ rights, including but not limited to voting rights at the Shareholders’ meeting and dividend rights.
- (3) As of the Latest Practicable Date, Lens Intelligent Robot was owned as to 60% by our Company, 20% by Mr. Qiu Huisheng, 15% by Mr. Gou Hua, 3% by Mr. Huang Weijian and 2% by Mr. Chen Quanqiang. The four individual shareholders of Lens Intelligent Robot were Independent Third Parties.
- (4) As of the Latest Practicable Date, other subsidiaries include (i) 15 wholly-owned subsidiaries established in the PRC, Japan, the United States, Mexico and Singapore, (ii) Lens Hualian, which was owned as to 51% by our Company and 49% by Hunan Hualian Ceramics Co., Ltd.* (湖南華聯瓷業股份有限公司), an Independent Third Party, respectively, (iii) Changsha Yong’an New Material Company Limited* (長沙永安新材料有限公司), which was owned as to 51% by our Company and 49% by Shenzhen Yong’an Precious Chemical Industry Company Limited* (深圳市永安精細化工有限公司), an Independent Third Party, respectively and (iv) Fortier Technology Co., Ltd., which was owned as to 98.06% by our Company, 0.97% by Mr. Chen Yunhua, one of our senior management, and 0.97% by Mr. Tan Hong Chien, an Independent Third Party, respectively. For further details of the subsidiaries of our Company, see Note 44 to “Appendix I — Accountants’ Report” of this Document.
- (5) Certain percentage figures included in the above chart have been subject to rounding adjustments.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OUR CORPORATE STRUCTURE IMMEDIATELY FOLLOWING THE COMPLETION OF THE [REDACTED]

The following chart illustrates our corporate and shareholding structure immediately following the completion of the [REDACTED], assuming the [REDACTED] is not exercised:



Note: See notes (1) to (5) of “— Our Corporate Structure Immediately Prior to the Completion of the [REDACTED]” above for details.

INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this Document were extracted from the Frost & Sullivan Report, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the [REDACTED]. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by us, the Sole Sponsor, [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], and any of their respective directors and advisors, or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy.

GLOBAL OVERVIEW OF THE PRECISION MANUFACTURING INDUSTRY

Definition

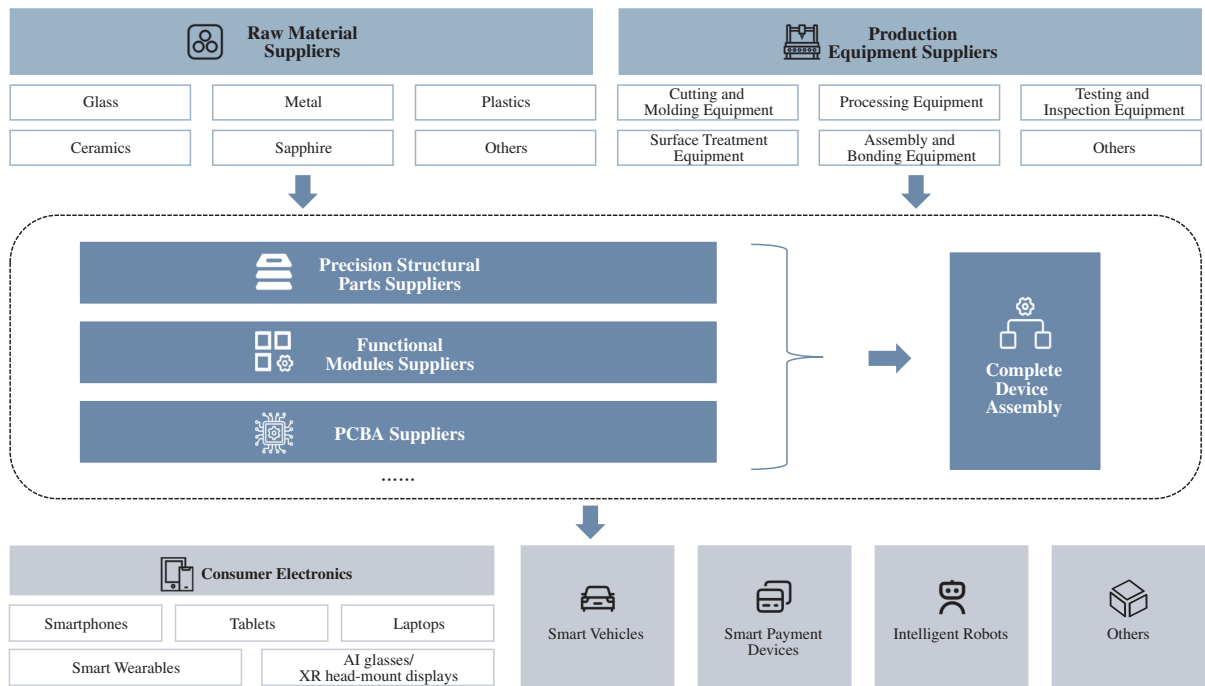
The precision manufacturing industry refers to an industry that uses precision machining techniques, rapid prototyping technologies, automatic control technologies and other related technologies to design, produce, process, assemble and sell structural parts, functional modules and complete devices that are complex and of high precision.

Precision manufacturing plays a crucial role in promoting product innovation and implementation. As a platform for turning product concepts into reality, precision manufacturing in the industrial chain undertakes the key task of transforming complex designs into high-quality, mass-producible products. For example, cutting-edge products like foldable smartphones rely on the technical support from state-of-the-art manufacturers. Nowadays, leading precision manufacturing companies have transformed from traditional product manufacturers to comprehensive solution providers, capable of providing support for the entire product design and manufacturing process from conceptual design to delivery of the end product. As important players in the industry value chain, precision manufacturers support their customers in maintaining a competitive edge amid rapid technological advancements, facilitating swift product iteration and optimization.

INDUSTRY OVERVIEW

Industry Value Chain Analysis of the Precision Manufacturing Industry

Industry Value Chain of the Precision Manufacturing Industry



Source: Industry expert interviews, Frost & Sullivan

INDUSTRY OVERVIEW

The upstream of the precision manufacturing industry value chain consists of raw material and production equipment suppliers, which provide materials such as glass, metal and ceramics, as well as equipment for cutting, processing and inspection, to mid-stream manufacturers. Leading companies enhance efficiency, reduce costs and shorten delivery cycles by strategically deploying raw materials and smart manufacturing equipment, including independently researching and developing or investing in high-precision industrial robots and smart manufacturing equipment. Mid-stream manufacturers are responsible for processing high-precision structural parts and functional modules, and providing PCBA and complete device assembly. The downstream application fields of the precision manufacturing industry include consumer electronics, smart vehicles, smart retail devices, intelligent robots and others.

Leading precision manufacturing solution providers collaborate closely with customers in product design, research and development, manufacturing and other aspects. They offer tailor-made solutions according to customer needs and gradually achieve vertical coverage of the entire industry value chain, thus forming a one-stop precision manufacturing platform. Additionally, in terms of product design, leading precision manufacturing solution providers proactively propose conceptual designs for customers to evaluate and select from. This way, manufacturing solution providers can continuously deepen long-term strategic partnerships with customers.

Analysis of the Development Trends of the Global Precision Manufacturing Industry

The development trends of the global precision manufacturing industry mainly include the following:

- ***High-precision Development and Application of Multiple Materials***

The precision manufacturing industry is characterized by high precision, high efficiency, automation and non-standard customization, and involves various materials such as glass, metal and polymers. The demand for high-performance structural parts and functional modules in markets such as consumer electronics, smart vehicles and intelligent robots continues to grow steadily, with increasing demands for higher degrees of stability, reliability and innovation. Leading enterprises enhance product precision and competitiveness through advanced processing techniques, highly reliable processes and innovative materials, driving the industry towards ultra-high precision, high performance and high value-add.

INDUSTRY OVERVIEW

- ***Empowering Production Efficiency through Industrial Smart Manufacturing***

Precision manufacturing optimizes production processes, improves efficiency and reduces costs by leveraging industrial robots, automated equipment and the industrial internet. The automated processing and precise control of intelligent equipment reduce human errors and energy consumption, while technologies such as big data, cloud computing and AI enhance data collection, analysis and reverse control, improving production yield and transforming the production chain. Leading enterprises integrate intelligent manufacturing to build highly standardized and automated production systems, thereby achieving efficient production and assembly and driving the industry towards more efficient and intelligent development.

- ***Global Footprint Development***

Precision manufacturing companies are accelerating their global footprint to meet the global demands of customers in industries such as consumer electronics and smart vehicles. Industry leaders establish production bases at home and abroad, optimizing supply chain coordination, expanding their market share with technological and efficiency advantages and getting closer to customers to reduce delivery cycles and logistics costs, while also leveraging local policies and resources to enhance competitiveness. In addition, precision manufacturing companies jointly build global R&D centers with strategic customers to obtain cutting-edge technologies and to meet diverse market demands. Global footprint not only improves production efficiency but also enhances market adaptability and R&D capabilities, facilitating the continuous development of their global business.

INDUSTRY OVERVIEW

OVERVIEW OF GLOBAL CONSUMER ELECTRONICS PRECISION MANUFACTURING INDUSTRY

Overview of Global Consumer Electronics Products Industry

Consumer electronics refer to smart electronic products used in consumers’ daily lives, including smartphones, tablets, laptops, smart wearables and AI glasses/XR head-mount displays. These products typically feature touch interaction with users, multimedia integration and software ecosystem synergy. In 2024, global shipment volume of consumer electronics has reached 1,810.8 million units, with the global shipment volume of smartphones reaching 1,238.8 million units. Driven by high demand for AI glasses, the global shipment volume of AI glasses in 2024 experienced a significant year-on-year increase of over 200%, exceeding 2.0 million units. It is anticipated that the integration of innovative consumer electronics product designs and AI applications will accelerate further iterations of these products.

Shipment Volume of Global Consumer Electronics, 2020, 2024 & 2029E

Product Type	2020	2024	2029E	CAGR 2020–2024	CAGR 2024–2029E
	(Million Units)	(Million Units)	(Million Units)		
Smartphones	1,292.2	1,238.8	1,463.9	–1.0%	3.4%
Tablets	164.0	140.1	180.0	–3.9%	5.1%
Laptops	303.9	262.7	305.1	–3.6%	3.0%
Smart wearables . .	110.9	159.7	240.4	9.5%	8.5%
AI glasses/XR head-mount displays	6.8	9.6	106.3	8.9%	61.9%
Total	1,877.8	1,810.8	2,295.7	–0.9%	4.9%

Source: Interviews with industry experts, Frost & Sullivan

Definition

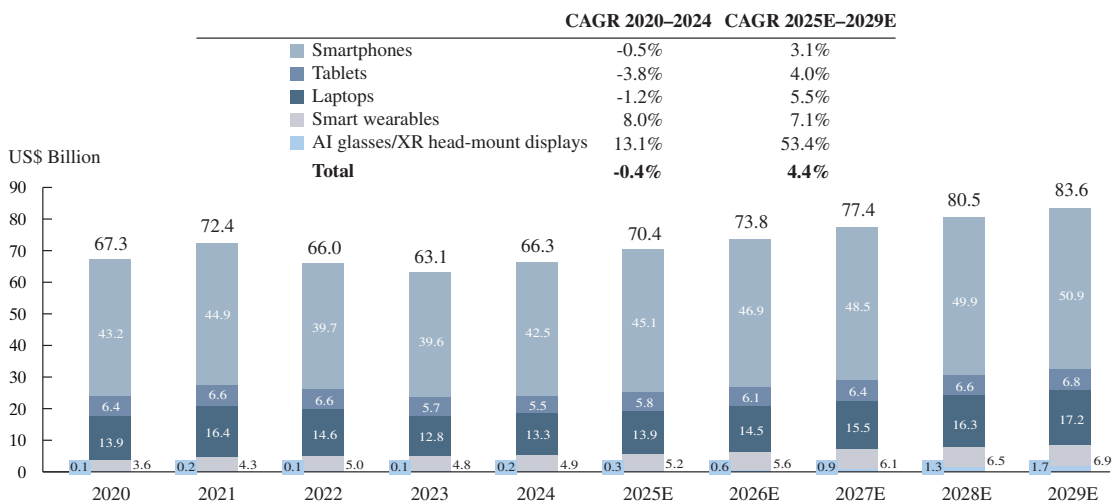
Consumer electronics precision structural parts and modules integrated solutions refers to the one-stop solution for the design, manufacturing and related services of structural parts (mainly including front, back protective covers and mid-frames) and functional modules for consumer electronics. To better meet the needs of downstream customers, leading providers of consumer electronics precision structural parts and modules integrated solutions typically engage in the product development process years before product releases. Industry participants and downstream customers often have strong ties, resulting in generally saturated orders.

INDUSTRY OVERVIEW

Market Size Analysis of Global Consumer Electronics Precision Structural Parts and Modules Integrated Solutions Industry

Precision structural parts and modules for consumer electronics play a vital role in the functionality, intelligence and usability of consumer electronics. Among them, smartphones represent the largest segment. By 2029, the market size of global consumer electronics precision structural parts and modules integrated solutions industry for smartphones is expected to reach US\$50.9 billion. In addition, fueled by ongoing advancements in AI technology and the increasing number of AI glasses introduced by diverse brands, the global market size of consumer electronics precision structural parts and modules integrated solutions for AI glasses/XR head-mount displays is expected to reach US\$1.7 billion by 2029, with a significant CAGR of 53.4% from 2025.

Market Size of Global Consumer Electronics Precision Structural Parts and Modules Integrated Solutions Industry by Application, 2020–2029E



Source: Interviews with industry experts, Frost & Sullivan

INDUSTRY OVERVIEW

Market Drivers and Development Trends of Global Consumer Electronics Precision Structural Parts and Modules integrated solutions Industry

The market drivers and development trends for the global consumer electronics precision structural parts and modules integrated solutions industry include the following:

- *Recovery of the Consumer Electronics Industry and the Application of Foldable Screens and AI Technologies*

The recovery of the global consumer electronics industry and growth of the AI industry has brought new business opportunities for the global consumer electronics precision structural parts and modules integrated solutions industry. The market size of global AI industry grew from approximately US\$0.2 trillion in 2020 to about US\$0.6 trillion in 2024, and is expected to exceed US\$3.0 trillion by 2029, with a CAGR of 37.8% from 2024 to 2029. The development and application of AI technology will further drive the growth of the global consumer electronics industry, particularly in areas such as smartphones, laptops, and AI glasses/XR head-mount displays.

As foldable screen technology becomes more widespread and AI functionalities advance, smartphone designs are shifting toward greater personalization and high-end features. The global shipment of foldable smartphones is expected to grow rapidly from 23.8 million units in 2024 to 69.7 million units in 2029, with a CAGR of 24.0%. The rapid advancement of foldable smartphones has driven a substantial growth in screen quantity per device, progressing from single-screen designs to dual-screen and even triple-screen. This evolution has not only enhanced the per-device value contribution from structural parts suppliers, but has also significantly elevated the unit value of individual screen compared to traditional rigid glass displays, owing to the adoption of innovative materials such as ultra-thin flexible glass (UTG). Additionally, the rapid development of AI technology is accelerating smartphone replacement cycles. Global shipment volume of AI smartphones is expected to grow from 235.0 million units in 2024 to 1,069.8 million units in 2029, with a CAGR of 35.4%. At the same time, the market share of high-end smartphones (priced over US\$600) is expected to increase from 27.2% in 2024 to 33.0% in 2029, further contributing to the increase in the average unit price in global smartphones, as well as to the increase in the price of related structural parts and modules.

With the application of AI technology, laptops are becoming increasingly intelligized, which also elevated demands for their exterior protection to combine both protective functionality and a sense of technological sophistication. Compared to other materials, glass, as the material for the screen cover for laptops has higher hardness and scratch resistance, along with better transparency and display effects. Additionally, other laptop components, such as keyboards and touchpads, are expected to integrate glass materials, bringing better user experiences and providing better protection.

INDUSTRY OVERVIEW

AI glasses are smart eyewears that integrate AI technology for enhanced functionality and present a more intelligent, interactive user experience. These glasses support features such as voice interaction, visual AI assistance and wireless connectivity, allowing users to seamlessly access information and perform tasks in real time. As AI glasses become more sophisticated and widely adopted, the demand for high-quality, durable and precisely manufactured structural parts and modules continues to increase.

- ***Breakthroughs in Emerging Technologies and Materials***

With the rapid iteration of consumer electronics, emerging technologies and materials are continuously driving innovations in the consumer electronics precision structural parts and modules integrated solutions industry. For example, leading companies are continuously exploring the development of emerging technologies, including advanced anti-fingerprint coating technology, specialized chemical tempering processes and ultra-thin, high-adhesive ink applications. In the area of emerging materials, UTG, equipped with multiple performance advantages, has gradually replaced colorless polyimide (CPI) materials and become the mainstream choice for foldable smartphone flexible covers. Leading companies are also developing the next generation of foldable ultra-thin glass technology-variable thin glass (VTG). Compared to UTG, VTG provides higher strength, impact resistance and scratch resistance while maintaining the same light transmittance and excellent bending performance. In terms of materials deployed in smartphone’s mid-frames, leading solution providers possess mature die-casting or CNC methods for aluminum alloy mid-frames production process, achieving high product yields, relatively low costs, light weight and excellent thermal conductivity. Additionally, sapphire, known for its high strength and scratch resistance, has been used in smartphone camera covers and smartwatches and provides better protection while enhancing the product’s aesthetics and user experience.

- ***Integration of Smart Manufacturing and Automation***

Smart manufacturing hardware and automation technologies are driving the global consumer electronics precision structural parts and modules integrated solutions industry toward a new stage. Through the integration of industrial robots, smart equipment, smart detection systems, automated production lines and the industrial internet, solution providers have significantly improved production efficiency and product quality while reducing costs and ensuring product consistency. Leading solution providers have developed automation equipment and industrial robots in-house, using artificial intelligence, big data and cloud computing technologies to achieve seamless integration of software and hardware in the production process, ensuring high precision and stability of the products while meeting customers’ customized production line needs. Meanwhile, the application of smart detection systems enables data monitoring and quality traceability across all stages of production, effectively reducing the loss within factory systems and facilitating the progress of industry value chain integration.

INDUSTRY OVERVIEW

Competitive Landscape of Global Consumer Electronics Precision Structural Parts and Modules Integrated Solutions Industry

In 2024, the market size of the global consumer electronics precision structural parts and modules integrated solutions industry reached US\$66.3 billion. The top five participants in the market accounted for 40.0% of the total market share, indicating a relatively concentrated market. Among them, our revenue in 2024 reached US\$8.6 billion, ranking the first among the global consumer electronics precision structural parts and modules integrated solutions providers, with a market share of 13.0%.

Global Top 5 Consumer Electronics Precision Structural Parts and Modules Integrated Solutions Providers by Sales Revenue, 2024

Ranking	Company	Revenue (US\$ Billion)	Market Share
1	Our Group	8.6	13.0%
2	Company A	8.0	12.1%
3	Company B	3.8	5.7%
4	Company C	3.7	5.6%
5	Company D	2.4	3.6%
Subtotal			40.0%

Source: Interviews with industry experts, Frost & Sullivan

Notes:

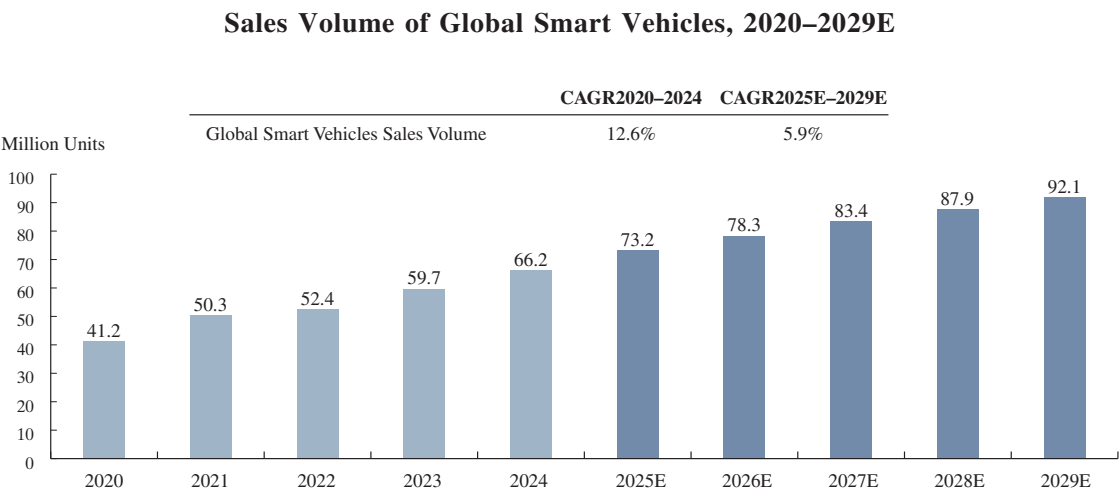
- (1) Company A was founded in 1974 and is listed on the Taiwan Stock Exchange, providing design and manufacturing of structural parts and related functional modules for consumer electronics, among others.
- (2) Company B is an unlisted company founded in 1989, focusing on the design and manufacturing of structural parts and modules for consumer electronics.
- (3) Company C was founded in 2007 and is listed on the Hong Kong Stock Exchange, mainly engaging in design and manufacturing of structural parts for consumer electronics and smart vehicles interaction systems.
- (4) Company D was founded in 2004 and is listed on the Shenzhen Stock Exchange, focusing on design and manufacturing of structural parts, especially laptops.

INDUSTRY OVERVIEW

OVERVIEW OF GLOBAL SMART VEHICLES INTERACTION SYSTEMS INTEGRATED SOLUTIONS INDUSTRY

Overview of Smart Vehicles Industry

In recent years, driven by policy support and technological advancements, the global smart vehicles market has grown rapidly, which in turn accelerated the development of electrification and autonomous driving. The “Intelligent Transformation of Both ICE Vehicles and Electric Vehicles Strategy” has become an industry trend, and vehicle interaction systems are becoming increasingly intelligent to meet consumers’ growing demand for an enhanced driving experience. The global sales volume of smart vehicles is expected to increase from 73.2 million units in 2025 to 92.1 million units in 2029, with a CAGR of 5.9% from 2025 to 2029.



Source: Association of Automobile Manufacturers, Frost & Sullivan

Definition

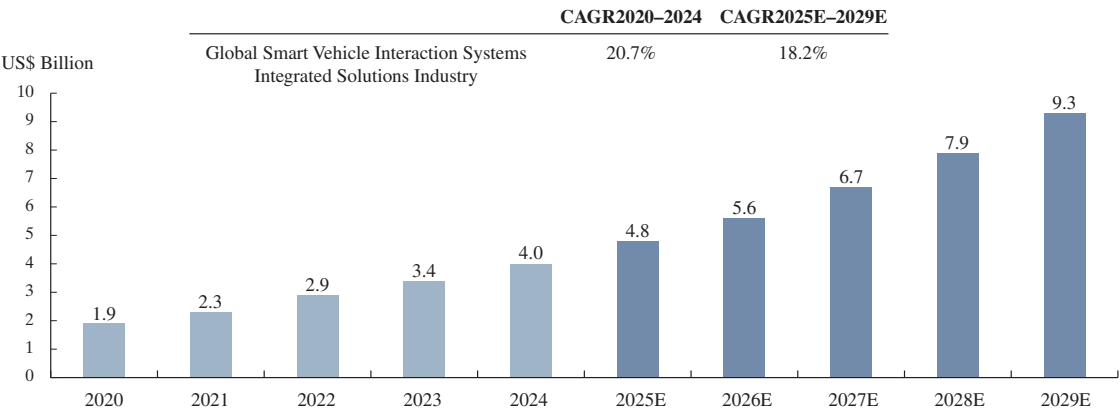
The smart vehicles interaction systems integrated solutions refers to a one-stop solution encompassing the design, manufacturing and integration of core exterior structural parts and related functional modules for smart vehicles interaction systems. These systems include central control screens, intelligent B-pillar, intelligent instrument panel, HUD and streaming rearview mirror. In addition, with the advancement of technology, multi-functional glass applied in windows and windshields has gradually been used in smart vehicles. This type of glass offers various intelligent and functional services, providing users with a better interactive experience, making it an important structural part of smart vehicles. Providers of smart vehicles interaction systems integrated solutions integrate material innovation, precision manufacturing and other capabilities to deliver high-performance and highly reliable interaction systems integrated solutions for automakers, enhancing smart vehicles in terms of safety, convenience and user experience.

INDUSTRY OVERVIEW

Market Size Analysis of Global Smart Vehicles Interaction Systems Integrated Solutions Industry

Driven by increasing demand for smart cockpits, autonomous driving technology and in-vehicle intelligence technology, the market for smart vehicles interaction systems integrated solutions is expanding rapidly. As display technology, multi-functional glass and sensing systems continue to evolve, the demand for integrated solutions is steadily increasing. Smart vehicles interaction systems integrated solutions suppliers need to offer comprehensive services from one-stop design to manufacturing to gain an edge in the competitive market. In the future, innovative technologies, high-quality services and strong R&D capabilities will become key factors driving the market. The global market size for smart vehicles interaction systems integrated solutions grew from US\$1.9 billion in 2020 to US\$4.0 billion in 2024 and is expected to reach US\$9.3 billion by 2029, with a CAGR of 18.2% from 2025 to 2029.

Market Size of Global Smart Vehicle Interaction Systems Integrated Solutions Industry, 2020–2029E



Source: Interviews with industry experts, Frost & Sullivan

As intelligent technologies become more widely adopted in the automotive industry, vehicle owners are increasingly expecting smart interactive experience. By 2029, the penetration rates for central control screens, intelligent instrument panels, HUD, streaming media rearview mirrors and intelligent B-pillar are expected to reach 98.5%, 65.0%, 50.0%, 25.0% and 29.0%, respectively. The increased penetration of these core interaction systems in vehicles will further drive the development of the global smart vehicles interactive structural integrated solutions industry.

INDUSTRY OVERVIEW

Global Penetration Rate of Key Smart Vehicles Interaction Systems, 2020, 2024 & 2029E

Interaction System	2020	2024	2029E
Central Control Screens	70.0%	90.0%	98.5%
Intelligent Instrument Panels	12.0%	40.0%	65.0%
HUD	4.2%	11.0%	50.0%
Streaming Media Rearview Mirror	0.7%	4.0%	25.0%
Intelligent B-pillar	0.8%	15.0%	29.0%

Source: Interviews with industry experts, Frost & Sullivan

Market Drivers and Development Trends of Global Smart Vehicles Interaction Systems Integrated Solutions Industry

The driving factors and development trends for the global smart vehicles interaction systems integrated solutions industry include the following:

● Demand for Automotive Intelligence Driving Growth

With continuous breakthroughs in autonomous driving technology, the penetration of smart cockpits has been steadily increasing, and user-vehicle interaction systems are evolving towards higher degrees of personalization, convenience and multimodality. Additionally, the development of smart connectivity technology has accelerated the interconnection of real-time automotive information. Driven by both policy support and technological innovation, automotive intelligence will continue to deepen, further driving the growing market demand for smart vehicles interaction systems integrated solutions.

● Advancements in Glass Technology

The progress and innovation of structural parts like glass are key factors driving the growth of the smart vehicles interaction systems integrated solutions market. The internal display interfaces of vehicles are continuously evolving towards larger screens, touch interfaces, curved surfaces and transparency. The widespread adoption of in-vehicle touch screens and HUDs is making automotive interfaces increasingly technology-oriented, enhancing the driving experience. At the same time, the application of multi-functional glass in side windows, windshields and sunroofs is rapidly expanding. Glass applied in side windows and sunroofs not only maintain traditional transparency functions but also offer a variety of intelligent and functional services to improve the interactive experience, such as automatic adjustment of light transmittance based on light changes, UV protection, heat insulation, water resistance, anti-fog, conductivity and image projection. These features integrate with in-vehicle display information, offering owners a more comfortable, safe and efficient experience.

INDUSTRY OVERVIEW

- *Requirements for Safety and Convenience*

As autonomous driving technology develops, the safety and convenience requirements for in-vehicle and vehicle-body interaction systems are continuously increasing. For example, the intelligent B-pillar in vehicles can be integrated with sensing modules to facilitate functions like recognizing owners and unlocking vehicles. With a key card or an electronic device, vehicles can be conveniently unlocked and turned on, which improves vehicle safety and ease of use. Additionally, the camera modules integrated into the intelligent B-pillar can be used for monitoring of the surrounding environment and driving assistance systems, enabling the detection of obstacles or pedestrians around the vehicle and supporting features such as automatic parking, blind spot monitoring and lane-keeping, thereby enhancing driving safety and convenience.

- *Deeper Collaboration between OEMs and Suppliers*

As the smart vehicles industry value chain deepens, collaboration between original equipment manufacturers (OEMs) and suppliers is transitioning from traditional, single-product supply to deeper collaborative innovation. OEMs’ demand for structural parts and modules is gradually emphasizing whether suppliers can provide comprehensive and integrated system solutions. This collaborative model not only creates more market opportunities for smart vehicles interaction systems integrated solutions providers but also drives the integration and innovation of industry technologies, prompting upstream and downstream supply chain companies to break through technological bottlenecks together and improve the overall performance and user experience of intelligent interaction systems.

Competitive Landscape of Global Smart Vehicles Interaction Systems Integrated Solutions Industry

In 2024, the global market size for smart vehicles interaction systems integrated solutions industry is expected to reach approximately US\$4.0 billion. The top five participants accounted for 55.7% of the market share, with our Group generating US\$0.8 billion in revenue in 2024, ranking the first in the industry, and holding a market share of 20.9%.

INDUSTRY OVERVIEW

Top 5 Rankings in the Global Smart Vehicles Interaction Systems
Integrated Solutions Industry, 2024

Ranking	Company	Revenue (US\$ Billion)	Market Share
1	Our Group	0.8	20.9%
2	Company C	0.7	17.6%
3	Company E	0.3	7.7%
4	Company F	0.2	5.3%
5	Company G	0.2	4.2%
		Subtotal	55.7%

Source: Interviews with industry experts, Frost & Sullivan

Notes:

- (1) Company C was founded in 2007 and is listed on the Hong Kong Stock Exchange, specializing in designing and manufacturing structural parts and associated functional modules for consumer electronics and smart vehicles.
- (2) Company E was founded in 2000 and is listed on the Shenzhen Stock Exchange, focusing on the production and manufacturing of structural parts and functional modules for automotive and consumer electronics.
- (3) Company F was founded in 1997 and is listed on the Shenzhen Stock Exchange, focusing on design and manufacturing of structural parts and modules, including LCD modules and touch screens.
- (4) Company G was founded in 1991 and is listed on the Hong Kong Stock Exchange, providing design and manufacturing of structural parts (mainly including LCD monitors and components, touch screens and touch modules) and related functional modules for automotive and consumer electronics.

OVERVIEW OF GLOBAL SMART RETAIL INDUSTRY

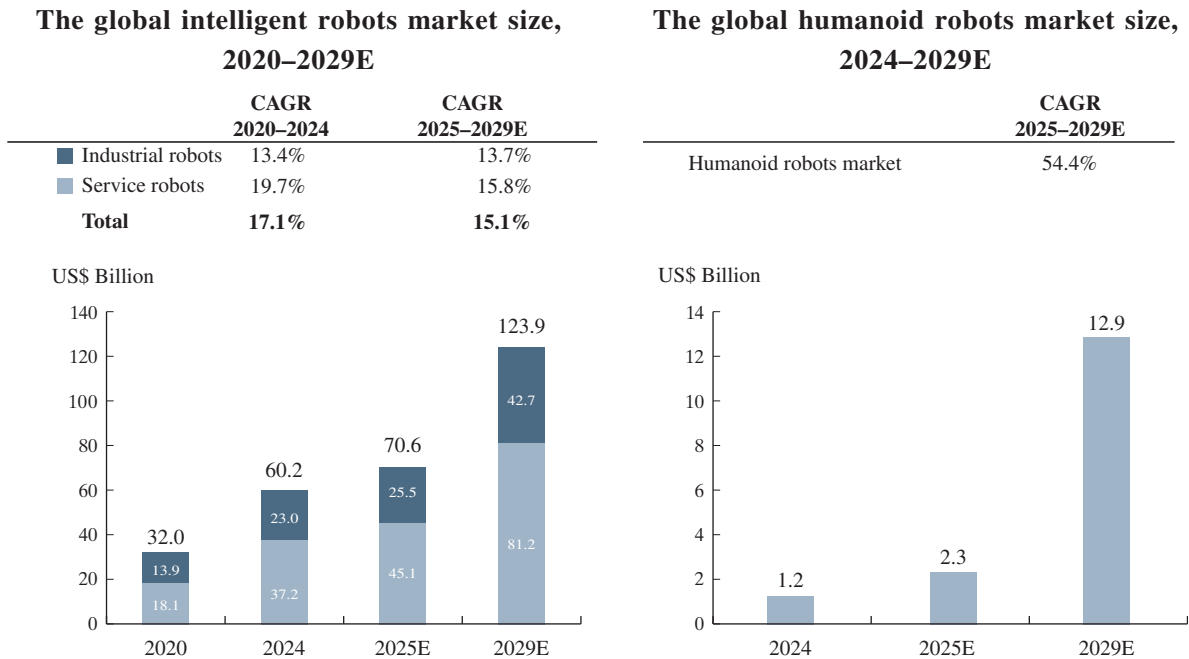
Smart retail devices and electronic price tags are core devices in the smart retail market, driving the integration of online and offline retail activities and the enhancement of consumer experience. Smart retail devices integrate advanced technologies and support multiple payment methods. They can achieve real-time transactions and data transmission through the Internet or mobile networks. The hardware devices feature multi-functional integration, high performance and high security, and are mostly made of tempered glass, metal and plastic. In July 2024, a leading third-party payment platform (with a market share of over 30% in third-party payment industry in China) launched the “Tap-to-Pay” payment mode. The “Tap-to-Pay” payment device adopts an integrated design, with a 3D glass cover plate and metal exterior, ensuring the stability and performance of the device. Electronic price tags replace traditional paper labels through e-paper display technology, updating product information in real time and supporting remote control and batch modification. They are widely used in supermarkets, shopping malls, convenience stores and other places, improving the efficiency of product information updates and the shopping experience of customers.

INDUSTRY OVERVIEW

Under the wave of digitalization and the continuous development of technologies for smart retail devices, consumers’ dependence on smart retail devices is increasing. Innovative payment devices like “Tap-to-Pay” are becoming widely popular due to their convenience. With the continuous progress of global smart retail devices and NFC technologies, the market for smart retail devices will continue to grow. The global market size of smart retail devices, in terms of the ex-factory price, is expected to increase from US\$2.9 billion in 2025 to US\$4.4 billion in 2029, with a CAGR of 11.0%. The global market size of electronic price tags, in terms of the ex-factory price, is expected to increase from US\$1.6 billion in 2025 to US\$2.7 billion in 2029, with a CAGR of 13.4%. Precision manufacturers play a crucial role in the smart retail devices market and the electronic price tags industry value chain. In particular, precision manufacturers with strong technical accumulation and large-scale production capabilities can leverage their strong innovation capabilities to provide high-quality and low-cost customized solutions.

OVERVIEW OF GLOBAL INTELLIGENT ROBOT INDUSTRY

Intelligent robots can be categorized into industrial robots and service robots, with humanoid robots being a new type of service robot. An industrial robot is a multi-purpose mechanical arm that can be automatically controlled and programmed, typically possessing the capability for programming on three or more axes. These robots are mainly used in industrial applications. A humanoid robot is a robot that is designed to resemble the human form in both shape and size and is capable of mimicking human movements, expressions, interactions and locomotion.



The global market size of intelligent robots increased from US\$32.0 billion in 2020 to US\$60.2 billion in 2024, with a CAGR of 17.1%, and it is expected to reach US\$123.9 billion by 2029. As an important segment of service robots, humanoid robots have become the market focus in recent years. The market size of humanoid robots is expected to grow from US\$2.3 billion in 2025 to US\$12.9 billion in 2029, with a CAGR of 54.4%.

INDUSTRY OVERVIEW

With the acceleration of the industrialization of humanoid robots, their core components such as structural parts and functional modules, including joint modules, dexterous hands and trunks, tend to be outsourced to highly qualified suppliers due to high technical barriers and complex processing requirements. These suppliers achieve modular production of high-precision structural parts through technological research and development. This can not only reduce the cost of humanoid robots but also improve supply chain efficiency and drive the industry to evolve towards standardization and modularization. Relying on professional production experience and large-scale manufacturing capabilities, leading companies in structural parts and functional modules are expected to enter the complete device assembly market of humanoid robots and provide full-chain solutions from components to end products.

ENTRY BARRIERS ANALYSIS OF GLOBAL PRECISION MANUFACTURING INDUSTRY

The major entry barriers in the global precision manufacturing industry include:

- **Customer and Supplier Relationship Barriers**

The success of precision manufacturers relies heavily on stable customer and supplier relationships. In the precision manufacturing industry, customers have strict certification processes for suppliers, and the verification period is lengthy. As a result, customers tend to maintain stable relationships with long-term partners, and the track record of cooperation with downstream partners in production and R&D is crucial for precision manufacturers to secure orders. Additionally, customers typically prioritize manufacturer reputation and track record. Large, well-established manufacturers with strong technical expertise and quality assurance are often the preferred choice. Existing companies, having accumulated years of experience, have built a reputation of being reliable and earned customers’ trust. In contrast, new entrants must invest significant time and resources to achieve a similar level of market recognition. In addition, precision manufacturers without long-term relationships with upstream suppliers may face greater challenges in ensuring the procurement of high-quality raw materials and maintaining stable supply. These factors collectively heighten market entry barriers and sustain the competitive advantages of leading industry players.

- **Solution Customization Barriers**

The precision manufacturing industry often involves highly customized products, with customers having stringent quality and technical requirements. Suppliers must offer highly customized designs, materials and manufacturing solutions for each generation of products. In addition, the ability to provide comprehensive services-from concept design, production to delivery of end products-is an important selection criterion for customers. Leading companies possess vertically-integrated capabilities along the full industry value chain, enabling them to quickly and efficiently respond to customers’ diverse needs. New entrants, lacking relevant experience and flexible service capabilities, face difficulty meeting customers’ high standards for customized solutions.

INDUSTRY OVERVIEW

- **Technology Innovation Barriers**

Precision manufacturing is a technology-intensive industry. With rapid technological advancements, the demand for advanced manufacturing and intelligent technologies is increasing, requiring companies to have multidisciplinary technical expertise. Some leading companies in the precision manufacturing industry own numerous patents and unique production processes. Furthermore, some leading companies collaborate with strategic clients to establish R&D centers worldwide. This global R&D network allows them to quickly access cutting-edge technological insights and enhance their innovation capabilities. New entrants must overcome these technological research and development barriers, and without breakthroughs in innovation, it is challenging for them to catch up technologically.

- **Production and Capital Barriers**

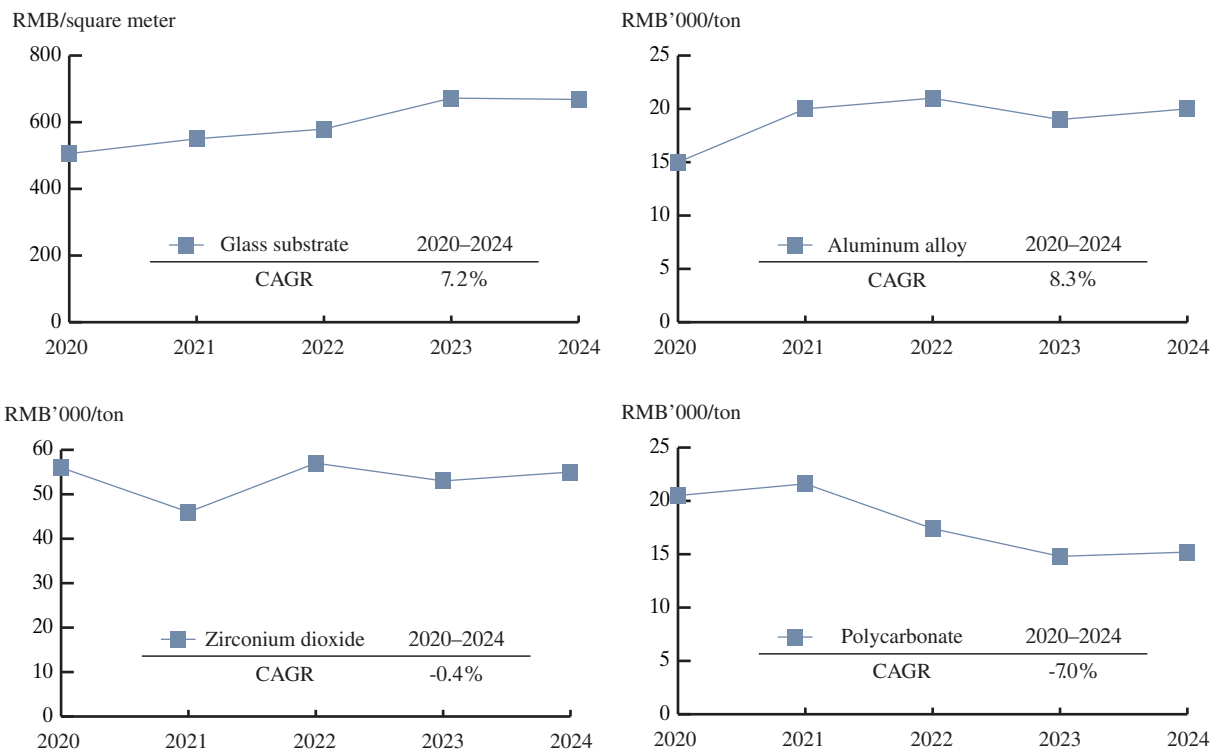
Precision manufacturing demands highly stable production capacities. Leading companies achieve this by being the first to develop and widely implement automated intelligent equipment, integrating industrial internet and AI technologies to build efficient, smart production systems. This enables the automation, digitization and intelligent upgrade of the entire production process, significantly enhancing operational efficiency and product quality, while achieving the goals of efficient production and rapid delivery. In contrast, new entrants must invest substantial resources to establish supply chain management and production systems, making it difficult for them to quickly attain sufficient production capacity and stable production lines. Additionally, large companies benefit from economies of scale, effectively reducing the production cost per unit, which is hard for new entrants to match in the short term. Moreover, the capital-intensive investment required in the industry creates a significant entry barrier. This includes expenses for production equipment, factory construction and research and development. Therefore, new entrants face significant financial pressure.

PRICE TREND ANALYSIS OF RAW MATERIAL

The main raw materials for precision structural parts are glass substrates, aluminum alloys, zirconium dioxide and polycarbonate. Glass substrate is a special glass material used in the manufacturing of high-end electronic and optoelectronic devices. It usually features high flatness, a low coefficient of expansion, high light transmittance and excellent chemical stability. Aluminum alloys are widely used in the production of metal outer frames and are commonly used for precision structural parts in consumer electronics. Zirconium dioxide is an important raw material for precision ceramic structural parts. They are non-conductive and will not block signals, making their application in consumer electronics increasingly widespread. In the past three years, due to technological advancements and growing downstream demand, the prices of glass substrate continued to rise. The prices of aluminum alloy and zirconium dioxide remained relatively stable, while polycarbonate prices showed a declining trend.

INDUSTRY OVERVIEW

Precision Structural Parts Raw Material Price Trends, 2020–2024



Source: Interviews with industry experts, Frost & Sullivan

SOURCE OF INFORMATION

We commissioned Frost & Sullivan to conduct market research on global precision manufacturing industry and prepare the Frost & Sullivan Report. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York that offers industry research and market strategies. We have contracted to pay RMB600,000 to Frost & Sullivan for compiling the Frost & Sullivan Report.

In preparing the Frost & Sullivan Report, Frost & Sullivan conducted detailed primary research which involved discussing the status of the industry with certain leading industry participants and conducting interviews with relevant parties. Frost & Sullivan also conducted secondary research which involved reviewing company reports, independent research reports and data based on its own research database. Frost & Sullivan obtained the figures for the estimated total market size from historical data analysis plotted against macroeconomic data and considered the key industry drivers. Its market engineering forecasting methodology integrates several forecasting techniques with the market engineering measurement-based system and relies on the expertise of the analyst team in integrating critical market elements investigated during the research phase of the project. These elements primarily include forecasting methodology based on expert opinions, integration of market drivers and restraints, market challenges, market engineering measurement trends and econometric variables.

The Frost & Sullivan Report is compiled based on the following assumptions: (i) the social, economic and political environment around the globe and within mainland China is likely to remain stable in the forecast period; and (ii) related key industry drivers are likely to drive the market in the forecast period.

REGULATORY OVERVIEW

OVERVIEW OF THE LAWS AND REGULATIONS IN THE PRC

I. Laws and Regulations Relating to Foreign Investment

The establishment, operation and management of corporate entities in the PRC are governed by the PRC Company Law (《中華人民共和國公司法》), which was promulgated by the Standing Committee of the National People’s Congress of the PRC (the “**SCNPC**”) on December 29, 1993 and came into effect on July 1, 1994. The PRC Company Law was subsequently amended in 1999, 2004, 2005, 2013, 2018 and 2023. The latest amended PRC Company Law became effective on July 1, 2024. The PRC Company Law generally governs two types of companies — limited liability companies and joint stock limited companies. Both types of companies have the status of legal persons, and the shareholders of a limited liability company is liable to the company to the extent of the amount of capital contributions they have made; while the shareholders of a joint stock limited company is liable to the company to the extent of shares they have subscribed for. The PRC Company Law also applies to foreign-invested companies. Where laws on foreign investment have other stipulations, such stipulations shall prevail.

On December 30, 2019, the Ministry of Commerce of the PRC (the “**MOFCOM**”) and the State Administration for Market Regulation (the “**SAMR**”) promulgated the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》) which came into effect on January 1, 2020. Where foreign investors carry out investment activities directly or indirectly within the PRC, foreign investors or foreign-invested companies shall report investment information to commerce departments. On September 6, 2024, MOFCOM and the National Development and Reform Commission (the “**NDRC**”) promulgated the Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2024) (《外商投資准入特別管理措施(負面清單)(2024年版)》) (the “**Negative List (2024)**”), which became effective on November 1, 2024. Fields that are not included in the Negative List (2024) shall be regulated according to the principle of equal treatment of domestic and foreign investments.

On March 15, 2019, the NPC promulgated the Foreign Investment Law (《中華人民共和國外商投資法》), and on December 26, 2019, the State Council promulgated the Implementing Rules of the Foreign Investment Law (《中華人民共和國外商投資法實施條例》) (the “**Implementing Rules**”), to further clarify and elaborate the relevant provisions of the Foreign Investment Law. The Foreign Investment Law and the Implementing Rules both took effect on January 1, 2020 and replaced the Sino-foreign Equity Joint Venture Enterprise Law (《中華人民共和國中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Enterprise Law (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法》). Pursuant to the Foreign Investment Law, “foreign investments” refer to investment activities conducted by foreign investors (including foreign natural persons, foreign enterprises or other foreign organizations) directly or indirectly in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) investment of

REGULATORY OVERVIEW

other methods as specified in laws, administrative regulations, or as stipulated by the State Council. The Implementing Rules further provide that foreign-invested enterprises that invest in the PRC shall also be governed by the Foreign Investment Law and the Implementing Rules.

Pursuant to the Administrative Measures for Outbound Investment (《境外投資管理辦法》) promulgated by the MOFCOM on September 6, 2014 and implemented on October 6, 2014, the MOFCOM and provincial competent commerce authorities shall carry out administration either by record-filing or approval, depending on different circumstances of outbound investment by enterprises. Outbound investment by enterprises that involves sensitive countries and regions or sensitive industries shall be subject to administration by approval. Outbound investment by enterprises that falls in any other circumstances shall be subject to administration by record-filing.

Pursuant to the Administrative Measures for Outbound Investment of Enterprises (《企業境外投資管理辦法》) promulgated by the NDRC on December 26, 2017 and implemented on March 1, 2018, a domestic enterprise, or the investor, making an outbound investment shall obtain approval or conduct record-filing for outbound investment projects, report relevant information, and cooperate with the supervision and inspection. Sensitive projects carried out by investors directly or through overseas enterprises controlled by them shall be subject to approval, specifically, including projects involving sensitive countries and regions and sensitive industries; non-sensitive projects directly carried out by investors, namely, non-sensitive projects involving investors’ direct contribution of assets or rights and interests or provision of financing or guarantee shall be subject to record-filing.

II. Laws and Regulations Relating to Import and Export of Goods

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) (the “**Foreign Trade Law**”), promulgated by the SCNPC on May 12, 1994 and amended on December 30, 2022, since December 30, 2022, no registration of foreign trade operators is required. The PRC government allows the free import and export of goods and technologies, unless otherwise provided by laws and administrative regulations. Before December 30, 2022, a foreign trade operator who is engaged in the import and export of goods or technologies shall process the filing and registration with the foreign trade authority under the State Council or its entrusted agencies, unless otherwise provided by the laws, administrative regulations and requirements of the foreign trade authority under the State Council. Where a foreign trade operator fails to do so, Customs shall not handle the formalities for declaration and clearance of the goods imported or exported by the operator.

Pursuant to the Customs Law of the PRC (《中華人民共和國海關法》) promulgated by the SCNPC on January 22, 1987 and last amended on April 29, 2021 and effective on the same date, the Customs of the People’s Republic of China is the entry and exit customs supervision and administration authority of PRC. According to the relevant laws and administrative regulations, the Customs supervises the transportation vehicles, goods, luggage, postal articles and other articles entering and leaving the country, collects customs duties and other taxes and fees, prevents and counters smuggling, compiles customs statistics and handles other customs operations.

REGULATORY OVERVIEW

Pursuant to the Regulations of PRC Customs on Administration of Recordation of Declaration Entities (《中華人民共和國海關報關單位備案管理規定》), promulgated by the General Administration of Customs on November 19, 2021, and effective as of January 1, 2022, customs declaration entities are defined as consignees and consignors of import and export goods, as well as customs declaration enterprises registered with customs. To apply for recordation, consignees, consignors, and customs declaration enterprises must first obtain market entity qualification. Additionally, consignees and consignors of import and export goods must also complete foreign trade operator recordation. The recordation of customs declaration entities is valid indefinitely, whereas temporary recordation is valid for one year and may be renewed upon expiration through reapplication.

III. Laws and Regulations Relating to Safe Production

The Work Safety Law of the People’s Republic of China (《中華人民共和國安全生產法》) was promulgated by the SCNPC on June 29, 2002, which was implemented on November 1, 2002 and latest revised on June 10, 2021. Production and business entities shall abide by this Law and other laws and regulations concerning work safety, strengthen work safety management, establish and improve a work safety responsibility system and work safety rules and systems for all employees, increase efforts to guarantee the input of funds, materials, technology, and personnel in work safety, improve work safety conditions, strengthen standardization and informatization of work safety, construct a dual prevention mechanism consisting of graded management and control of safety risks and examination and control of potential risks, improve the risk prevention and resolution mechanism, raise work safety levels, and ensure work safety. The law stipulates provisions on guarantee of safety by production and business operation entities, rights and obligations of employees relating to work safety, supervision and administration of work safety, emergency rescue, investigation, and handling of work safety accidents and legal responsibilities.

Pursuant to the Measures for the Administration of the “Three Simultaneities” System for Safety Facilities in Construction Projects (《建設專案安全設施“三同時”監督管理辦法》), promulgated by the former State Administration of Work Safety (now restructured as the Ministry of Emergency Management) on December 14, 2010 and amended on April 2, 2015, the safety facilities in any newly constructed, reconstructed, or expanded construction project shall be designed, constructed, and commissioned simultaneously with the principal part of the project. Project entities are obligated to conduct safety condition demonstration and pre-assessment for construction projects, prepare specialized safety facility design documentation, submit such documentation to the competent work safety regulatory authority for review or record-filing, and complete safety facility acceptance procedures along with preparing inspection reports in accordance with regulatory requirements.

IV. Laws and Regulations Relating to Hazardous Chemicals and Precursor Chemicals

Pursuant to the Regulations on the Safety Management of Hazardous Chemicals (《危險化學品安全管理條例》), initially promulgated on January 26, 2002 and subsequently amended on March 2, 2011 and December 7, 2013, it is strictly prohibited for any entity or individual to engage in the production, storage, use, operation, transportation, or any other business activities involving

REGULATORY OVERVIEW

hazardous chemicals without obtaining proper authorization. Entities storing hazardous chemicals must implement comprehensive safety measures, including the installation of prominent signage on transportation pipelines, regular inspection and testing of pipeline integrity, and the display of clear safety warning signs in all work areas, safety facilities, and equipment installations. Such entities are required to establish, maintain, and regularly upgrade their safety facilities and equipment in compliance with national and industry standards, taking into account the specific classification and hazard characteristics of the stored chemicals. Entities storing highly toxic chemicals or hazardous chemicals that constitute a significant hazard source must report detailed information including storage quantities, precise locations, and designated management personnel to both the work safety supervision department and the public security agency at the county-level local government. Any enterprise engaged in the production of chemicals listed in the Catalogue of Hazardous Chemicals must obtain a Hazardous Chemicals Work Safety Permit in accordance with the Regulation on Work Safety Permits prior to commencing production activities.

Pursuant to the Regulation on the Administration of Precursor Chemicals (《易制毒化學品管理條例》), promulgated on August 26, 2005 and subsequently amended on July 29, 2014, February 6, 2016, and September 18, 2018, the State implements a category-based management and licensing system governing the production, operation, purchase, transportation, import, and export of precursor chemicals. Precursor chemicals are classified into three categories, with Category I comprising major substances used in drug production, while Categories II and III encompass chemical auxiliary substances utilized in drug manufacturing. For pharmaceutical precursor chemicals falling under Category I, entities purchasing precursor chemicals must obtain a purchase license through examination and approval by the medical products administration of the provincial-level people’s government, autonomous region, or municipality directly under the Central Government where entities operate; for non-pharmaceutical precursor chemicals classified under Category I, entities purchasing precursor chemicals are required to secure a purchase license following examination and approval by the public security organ of the provincial-level people’s government, autonomous region, or municipality directly under the Central Government where entities operate; for precursor chemicals categorized under Category II or III, entities purchasing precursor chemicals must report the specific varieties and required quantities to the public security organ of the local people’s government at or above the county level for registration prior to procurement.

According to the Measures for the Administration of Public Security Control over Explosive Precursor Chemicals (《易制爆危險化學品治安管理办法》) issued by the Ministry of Public Security on July 6, 2019, enterprises that have legally obtained the Work Safety License for Hazardous Chemicals, the Safe Use License for Hazardous Chemicals, or the Business License for Hazardous Chemicals may purchase explosive precursor chemicals by presenting the corresponding licenses.

V. Laws and Regulations Relating to Product Quality

Pursuant to the provisions of the Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated on February 22, 1993 and amended on July 8, 2000, August 27, 2009 and December 29, 2018 respectively, all producers and sellers who engage in production and sales activities in the PRC shall establish and improve the internal product quality management system,

REGULATORY OVERVIEW

and strictly implement position-based quality regulations, quality responsibilities and corresponding assessment measures. Where any producer or seller violates the responsibilities and obligations of the Product Quality Law, and cause losses or personal or property damages to consumers, it shall be liable for compensation. The competent authority may take administrative penalties against any illegal acts, such as ordering to suspend production, confiscating illegally produced or sold products, imposing a fine, confiscating illegal gains (if any), and revoking the business licence in case of a serious violation. If a crime is constituted, it shall be investigated for criminal liabilities in accordance with the law.

VI. Laws and Regulations Relating to Environmental Protection

1. *Environmental Protection Law*

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) was promulgated and came into effect on December 26, 1989, and was most recently amended on April 24, 2014. The Environmental Protection Law was established to protect and improve both the living and ecological environments, prevent and control pollution and other public hazards, and safeguard public health.

According to the provisions of the Environmental Protection Law, in addition to other relevant laws and regulations of the PRC, the Ministry of Environmental Protection and its local counterparts are responsible for administering and supervising environmental protection matters. Pursuant to the Environmental Protection Law, construction projects that have environmental impact shall be subject to an environmental impact assessment. Installations for the prevention and control of pollution in construction projects must be designed, built and commissioned together with the principal construction plan of the project. Such installations shall not be dismantled or left idle without authorisation from the relevant government agencies.

2. *Construction Project Environmental Protection*

According to the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》), which was promulgated by the SCNPC on December 29, 2018 and came into effect on the same day, the Regulation on the Administration of Environmental Protection of Construction Projects (《建設項目環境保護管理條例》), which was amended by the State Council on July 16, 2017 and came into effect on October 1, 2017, and the Interim Measures for Environmental Protection Acceptance Inspection Upon Completion of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》), which was promulgated by the former Ministry of Environmental Protection on November 20, 2017 and came into effect on the same day, the PRC implements an environmental impact assessment system for construction projects. Prior to the commencement of a construction project, the construction entity must submit an environmental impact report, an environmental impact statement for approval, or an environmental impact registration form for record-filing, as required by the competent environmental protection administrative department under the State Council. Furthermore, upon completion of a construction project for which an environmental impact report or

REGULATORY OVERVIEW

statement has been prepared, the construction entity must conduct an acceptance inspection of the supporting environmental protection facilities in accordance with the standards and procedures prescribed by the competent environmental protection administrative department under the State Council, and prepare an acceptance report. For projects constructed or put into operation in phases, the corresponding environmental protection facilities must undergo phased acceptance inspections. The construction project may only be put into production or use after the supporting environmental protection facilities have passed the acceptance inspection. Facilities that have not undergone or failed the acceptance inspection are prohibited from being put into production or use.

3. *Prevention and Control of Various Types of Pollution*

The Law on Prevention and Control of Water Pollution of the PRC (《中華人民共和國水污染防治法》), as promulgated on May 11, 1984 and last amended on June 27, 2017, the Law on Prevention and Control of Atmospheric Pollution of the PRC (《中華人民共和國大氣污染防治法》), as promulgated on September 5, 1987 and last amended on October 26, 2018, the Law on Prevention and Control of Environmental Noise Pollution of the PRC (《中華人民共和國噪聲污染防治法》), which was promulgated on December 24, 2021, and the Law on the Prevention and Control of Environmental Pollution by Solid Wastes of the PRC (《中華人民共和國固體廢物污染環境防治法》), which was promulgated on October 30, 1995 and last amended on April 29, 2020, prescribe the requirements for the prevention and control of water pollution, atmospheric pollution, noise pollution and solid waste respectively.

Pursuant to the Administrative Measures for Pollutant Discharge Licensing (《排污許可管理辦法》), which was promulgated on April 1, 2024 and implemented on July 1, 2024, and the Regulations on the Administration of Pollution Discharge Permits (《排污許可管理條例》) promulgated by the State Council on January 24, 2021 and took effect on March 1, 2021, enterprises, public institutions and other producers and operators under the administration of discharge permits shall apply for and obtain a pollutant discharge license and discharge pollutants in accordance with the provisions of the discharge permit. Any enterprise that fails to obtain a pollutant discharge license as required shall not discharge pollutants.

VII. Laws and Regulations Relating to Fire Prevention

The Fire Prevention Law of the PRC (《中華人民共和國消防法》) (the “**Fire Prevention Law**”) was issued by the SCNPC on April 29, 1998, became effective on September 1, 1998 and was last amended and implemented on April 29, 2021. According to the Fire Prevention Law, for special construction projects stipulated by the housing and urban-rural development authority of the State Council, the developer shall submit the fire safety design documents to the housing and urban-rural development authority for examination, while for construction projects other than those stipulated as special development projects, the developer shall, at the time of applying for the construction permit or approval for work commencement report, provide the fire safety design drawings and technical materials which satisfy the construction needs. Pursuant to the Fire

REGULATORY OVERVIEW

Prevention Law, the construction project that fails to complete as-built acceptance check on fire prevention shall be ordered by the competent government authorities to close and shall be fined not less than RMB30,000 but not more than RMB300,000.

According to Interim Regulations on Administration of Examination and Acceptance of Fire Prevention Design of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) issued by the Ministry of Housing and Urban-Rural Development of the PRC on April 1, 2020, last amended on August 21, 2023 and effective on October 30, 2023, an examination system for fire prevention design and acceptance only applies to special construction projects, and for other projects, a record-filing and spot check system would be applied.

VIII. Laws and Regulations Relating to Employment and Labour Security

1. *Labour Law and Labour Contracts*

According to the Labour Law of the PRC (《中華人民共和國勞動法》) promulgated on July 5, 1994 and amended on August 27, 2009 and December 29, 2018, enterprises shall establish and improve their system of work place safety and sanitation, strictly comply with state rules and standards on workplace safety, and provide employees with training on labor safety and sanitation. Labour safety and sanitation facilities shall comply with statutory standards. Enterprises and institutions shall provide employees with a safe workplace and sanitation conditions which are in compliance with relevant laws and regulations of labour protection.

The Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated on June 29, 2007 and amended on December 28, 2012, and the Implementation Rules of the Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) promulgated on 18 September 2008 set out specific provisions in relation to the execution, the terms and the termination of a labour contract and the rights and obligations of the employees and employers, respectively. At the time of hiring, the employers shall truthfully inform the employees the scope of work, working conditions, working place, occupational hazards, work safety, salary and other matters which the employees request to be informed about.

2. *Despatched Workers*

According to the Interim Provisions on Labour Despatch (《勞務派遣暫行規定》) issued on January 24, 2014 and implemented on March 1, 2014 by the Ministry of Human Resources and Social Security, employers may only use despatched workers for temporary, ancillary or substitute positions. The aforementioned temporary positions shall mean positions lasting for no more than six months; ancillary positions shall mean positions of non-major business that serve positions of major business; and substitute positions shall mean positions that can be substituted by other workers for a certain period of time during which the workers who originally held such positions are unable to work as a result of full-time study, being on leave or other reasons. According to the Interim Provisions on Labour Despatch, the employers

REGULATORY OVERVIEW

should strictly control the number of despatched workers, and the number of the despatched workers shall not exceed 10% of the total amount of their employees (including the aggregate number of employees and despatched workers).

Pursuant to the Interim Provision on Labour Despatch, the Labour Contract Law of the PRC and the Implementation Rules for the Labour Contract Law of the PRC, employers failing to comply with the relevant labour dispatch requirements shall be ordered by labour administrative authorities to rectify the non-compliance within a specified period. Failure to rectify within the stipulated period may result in a penalty of RMB5,000 to RMB10,000 per despatched worker exceeding the 10% threshold.

3. *Social Insurance and Housing Fund*

According to the Social Insurance Law of the People’s Republic of China (《中華人民共和國社會保險法》), last amended by the SCNPC and effective as of December 29, 2018, and the Regulation on the Administration of Housing Provident Fund (《住房公積金管理條例》), last amended by the State Council and effective as of March 24, 2019, as well as other relevant laws and regulations, employers in PRC are obligated to provide employees with welfare schemes covering basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance, work-related injury insurance, and housing provident fund.

In addition, any employer that fails to make contributions to the aforementioned social insurance and housing provident fund as required may be ordered to pay the outstanding contributions within a prescribed time limit. If the employer fails to comply within the specified period, a fine may be imposed. For overdue contributions, the people’s court may enforce collection.

4. *Prevention and Control of Occupational Diseases*

Pursuant to the Law of the People’s Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), promulgated on October 27, 2001 and subsequently amended on December 31, 2011, July 2, 2016, November 4, 2017, and December 29, 2018, employers are obligated to provide work environments and conditions that comply with national occupational health standards and requirements. Employers must implement measures to ensure occupational health protection for workers, establish and improve responsibility systems for occupational disease prevention and control, strengthen management in this area, enhance prevention and control capabilities, and assume liability for any occupational disease-related harm. Employers whose workplaces contain occupational disease hazard factors listed in the official catalogue must declare such hazardous items to local health administrative departments and accept supervision. For new construction, expansion, reconstruction projects, or technical transformation/technology introduction projects that may generate occupational hazards, the construction entity must conduct occupational hazard pre-assessments during the feasibility study stage. The construction entity shall incorporate necessary expenses for occupational disease protection facilities into the project budget and ensure simultaneous design, construction, and commissioning of such

REGULATORY OVERVIEW

facilities with the main project. Prior to project completion acceptance, the construction entity must evaluate the effectiveness of occupational hazard control measures. For occupational disease protection facilities in construction projects (excluding those for radioactive occupational disease hazards in medical institutions), the construction entity must organize official acceptance inspections; the project may only commence operations after passing such acceptance procedures.

IX. Laws and Regulations Relating to Intellectual Property Rights

1. *Patent*

The Patent Law of the People’s Republic of China (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984, most recently amended on October 17, 2020 and effective on June 1, 2021, and its implementation rules (《中華人民共和國專利法實施細則》), which were promulgated by the State Council on June 15, 2001 and most recently amended by the State Council on December 11, 2023 and effective on January 20, 2024, provide for three types of patents: “invention”, “utility model” and “design”. “Invention” refers to any new technical solution in relation to a product, or a process or improvement thereof; “utility model” refers to any new technical solution relating to the shape, structure, or their combination, of a product, which is suitable for practical use; “design” refers to a new design that is aesthetic and suitable for industrial application for the overall or partial shape, pattern or its combination of products, as well as the combination of color, shape and pattern. The validity period of patent for an “invention” is 20 years, while the validity period of patent for a “utility model” is 10 years and that of a “design” is 15 years, from the date of application.

2. *Trademark*

Registered trademarks are protected under the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated on August 23, 1982 and most recently amended on April 23, 2019, and the Implementation Rules of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) last amended by the State Council on April 29, 2014 and came into effect on May 1, 2014. Where registration is sought for a trademark that is identical or similar to another trademark which has already been registered or given preliminary examination and approval for use in the same or similar category of commodities or services, the application for registration of this trademark may be rejected. Trademark registrations are effective for 10 years which may be renewed for consecutive 10-year periods upon request by the trademark owner, unless otherwise revoked.

3. *Copyright*

According to the Copyright Law of the People’s Republic of China (《中華人民共和國著作權法》), last amended by the SCNPC on November 11, 2020, and effective as of June 1, 2021, works of Chinese citizens, legal persons, or unincorporated organizations-defined as intellectual achievements in the fields of literature, art, and science that are original and can

REGULATORY OVERVIEW

be expressed in a certain form, whether published or not—are entitled to copyright protection in accordance with the law. Copyright encompasses a series of personal and property rights, including but not limited to the right of publication, the right of authorship, the right of modification, the right to protect the integrity of the work, and the right of reproduction.

Pursuant to the Measures for the Computer Software Copyright Registration (《計算機軟件著作權登記辦法》), promulgated by the National Copyright Administration on February 20, 2002, and the Regulations on the Protection of Computer Software (《計算機軟件保護條例》), amended by the State Council on January 30, 2013, and effective as of March 1, 2013, the National Copyright Administration is the competent governmental authority responsible for the nationwide administration of software copyright registration. The China Copyright Protection Center is designated as the software registration authority, which shall issue registration certificates to computer software copyright applicants in accordance with the Measures for the Computer Software Copyright Registration and the Regulations on the Protection of Computer Software.

4. Domain Name

Pursuant to the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》), promulgated by the Ministry of Industry and Information Technology (the “MIIT”) on August 24, 2017 and effective on November 1, 2017, the MIIT supervises and administers domain services nationwide. The principle of “first come, first serve” is followed for the domain name registration service. Applicants of domain name registration shall provide the domain name registration authority with true, accurate and complete information about the identity of the domain name holder for registration purpose, and sign a registration agreement with it. After completing the domain name registration, the applicant becomes the holder of the domain name registered by him/her/it.

X. Laws and Regulations Relating to Tax

1. Enterprise Income Tax

According to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), promulgated by the NPC on March 16, 2007, most recently amended on December 29, 2018 and effective on the same date, and the Enterprise Income Tax Implementation Regulations (《中華人民共和國企業所得稅法實施條例》), promulgated by the State Council on December 6, 2007, most recently amended on December 6, 2024 and effective on January 20, 2025, enterprises are divided into resident enterprises and non-resident enterprises. Resident enterprises are enterprises which are set up in the PRC in accordance with the law, or which are set up in accordance with the law of a foreign country (region) whose actual administration institution is in the PRC. Non-resident enterprises are enterprises which are set up in accordance with the law of a foreign country (region) and whose actual administrative institution is not in the PRC, but which have institutions or establishments in the PRC, or have no such institutions or establishments but have income generated from inside China. Resident enterprises are subject to a uniform 25% enterprise income tax rate on their

REGULATORY OVERVIEW

worldwide income. The enterprise income tax rate is reduced to 20% for qualifying small low-profit enterprises. The high-tech enterprises that need full support from the PRC’s government will enjoy a 15% preferential tax rate for Enterprise Income Tax.

2. *Value-Added Tax*

Pursuant to the Provisional Regulations on Value-Added Tax of the People’s Republic of China (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on December 13, 1993, most recently amended on November 19, 2017 and effective on the same date, and the Detailed Rules for the Implementation of the Interim Regulations of the People’s Republic of China on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the Ministry of Finance on December 25, 1993 most recently amended on October 28, 2011, and effective on November 1, 2011, all entities and individuals engaged in sale of goods or provision of processing, repair and maintenance services or importation of goods in mainland China are subject to the Value-Added Tax (the “**VAT**”). Unless otherwise specified in the above-mentioned regulations, the VAT rate is generally 17% in respect of the sale or importation of goods by taxpayers.

Pursuant to the Notice on the Adjustment to VAT Rates (《關於調整增值稅稅率的通知》), promulgated by the Ministry of Finance (the “**MOF**”) and the State Administration of Tax (the “**SAT**”) on April 4, 2018, and became effective as of May 1, 2018, the VAT rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

Pursuant to the Announcement on Relevant Policies for Deepening VAT Reform (《關於深化增值稅改革有關政策的公告》), promulgated by the MOF, the SAT and the General Administration of Customs on March 20, 2019 and became effective on April 1, 2019, the VAT rates of 16% and 10% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 13% and 9%, respectively.

XI. Laws and Regulations Relating to Foreign Exchange

According to the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》) (the “**Foreign Exchange Administration Regulations**”), which was promulgated by the State Council on January 29, 1996 and came into effect since April 1, 1996, the Foreign Exchange Administration Regulations classify all international payments and transfers into current items and capital items. Most of the current items are not subject to the approval of foreign exchange administration agencies, while capital items are subject to such approval. The Foreign Exchange Administration Regulations were subsequently amended on January 14, 1997 and August 1, 2008, and came into effect on August 5, 2008. The latest amendment to the Foreign Exchange Administration Regulations clearly states that the PRC will not impose any restriction on international current payments and transfers.

REGULATORY OVERVIEW

Pursuant to the provisions of the Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) issued on December 26, 2014, where a joint stock limited company incorporated in the PRC issues shares overseas and is publicly listed and outstanding on overseas exchanges upon the approval by the CSRC, it shall, within 15 business days after the date of the end of its overseas listing issuance, register the overseas listing with the Administration of Foreign Exchange at the place of its establishment, and present its certificate of overseas listing to open a “special account for overseas listing of domestic company” at a local bank to handle the exchange, remittance and transfer of funds for the business concerned. The proceeds raised by the domestic companies through overseas listing may be remitted to the domestic account or deposited in an overseas account, provided that the use of the proceeds shall be consistent with the content of the document and other public disclosure documents.

Meantime, where a domestic shareholder of a domestic company intends to decrease his/her overseas listed shares in accordance with relevant regulations following the overseas listing of the domestic company, such domestic shareholder shall register with the State Administration of Foreign Exchange (the “SAFE”) branch in the place of domicile of the shareholder within 20 working days after the decrease of shares to obtain the business registration certificate; where a domestic shareholder of the domestic company intends to increase his/her overseas listed shares in accordance with relevant regulations, the shareholder shall, after obtaining the approval, filing, or no-objection letter from the relevant regulatory authorities regarding the increase in shareholdings (except where such documents are not required under applicable regulations), register with the SAFE branch in the place of domicile of the shareholder within 20 working days before the increase of shares to obtain the business registration certificate.

XII. Laws and Regulations Relating to Overseas Securities Offering and Listings

1. *Overseas Securities Offering and Listings*

On February 17, 2023, China Securities Regulatory Commission (the “CSRC”) released several regulations regarding the management of filings for overseas offerings and listings by domestic companies, including the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Trial Measures**”) together with 5 supporting guidelines (together with the Trial Measures, collectively referred to as the “**New Regulations on Filing**”), which was implemented on March 31, 2023. Under New Regulations on Filing, an enterprise within the PRC that directly or indirectly issues securities overseas or lists and deals in its securities overseas shall comply with the laws, administrative regulations and relevant national rules on foreign investment, state-owned assets management, industrial supervision, overseas investment, cyber security, and data security etc., and shall not disturb the domestic market order or do harm to national interests, social public interests, and the legitimate rights and interests of domestic investors.

REGULATORY OVERVIEW

An issuer seeking an overseas initial public offering or listing shall, within 3 working days after submitting the issuance and listing application documents overseas, file a registration with the CSRC and submit the filing report, legal opinions, and other relevant documents, ensuring a true, accurate, and complete description of shareholder information. Once the filing documents are complete and comply with the stipulated requirements, the CSRC will, within 20 working days of receiving such documents, conclude the review procedure and publish the filing results on its official website. If the filing documents are incomplete or do not conform to the stipulated requirements, the CSRC will, within 5 working days of receiving the filing documents, request supplementary materials. The issuer shall provide the additional documents within 30 working days. During the review of the filing documents, the issuer may encounter circumstances that are prohibited under the regulations governing overseas offerings and listings. In such cases, the CSRC may seek opinions from the relevant competent authorities of the State Council.

2. Confidentiality and Archives Administration

On February 24, 2023, the CSRC and other three relevant government authorities jointly promulgated the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Issuance and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the “**Provision on Confidentiality**”), which was implemented on March 31, 2023. Pursuant to the Provision on Confidentiality, where a domestic enterprise provides or publicly discloses any document or material that involves state secrets and working secrets of state agencies to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, it shall report to the competent department with the examination and approval authority for approval in accordance with the law, and submit to the secrecy administration department of the same level for filing. The working papers formed within the territory of the PRC by the securities companies and securities service agencies that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of the PRC, and cross-border transfer shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

BUSINESS

OVERVIEW

Our Mission

Strive to provide customers with satisfactory technologies, products and services, and continue to create value for shareholders.

Our Vision

To lead industry trends through technological innovation and forge a global leading smart manufacturing enterprise.

Who We Are

We are an industry-leading integrated one-stop precision manufacturing solution provider. We are focused on technological innovation and empowered by smart manufacturing. In terms of revenue in 2024, we are a global leading player in precision structural parts and modules integrated solutions for both consumer electronics and smart vehicles interaction systems. We have accumulated strong expertise and capabilities in consumer electronics and smart vehicles, with robust and comprehensive platform-based capabilities that include talent, technology, supply and smart manufacturing. This empowers us to expand into new business areas and seize future growth opportunities, and lays the foundation for being one of the first companies in the industry to undertake large-scale production of key components and complete device assembly for humanoid robots and AI glasses/XR head-mount displays.

The following are our business highlights:

Pioneering contributions	Consumer electronics	Smart vehicles	Financial performance
<p>Screen sectors First in the industry to apply glass, sapphire and ceramics to smartphones, computers and smart wearables¹</p> <p>Critical core components for humanoid robots and AI glasses One of the first companies to undertake mass production and complete device assembly²</p> <p>Automated equipment and industrial robots One of the first companies in the industry to apply automated equipment and industrial robots and establish a systematic smart manufacturing system³</p>	<p>Top ranking In the global consumer electronics precision structural parts and modules integrated solutions industry²</p> <p>The world's first touch-enabled smartphones with full-sized screen Cover glass core supplier</p> <p>Cutting-edge layout and technological strength Optical waveguide, glass substrate made from laser technology, UTG, VTG and hinges for foldable screens</p>	<p>Top ranking In the global smart vehicle interaction systems integrated solutions industry²</p> <p>The world's first premium smart electric vehicle Central control screens and intelligent B-pillars supplier</p> <p>Serving the largest number of vehicle brands Established partnerships with over 30 vehicle brands</p>	<p>RMB69.9 billion, with a year-on-year growth of 28.3% Total annual revenue for 2024</p> <p>RMB3.7 billion, with a year-on-year growth of 20.9% Total net profit for 2024</p> <p>RMB7.5 billion, with a dividend payout ratio of 36.8% Cumulative dividend payout from 2015 to 2024</p>
Smart manufacturing	Quality control		R&D
<p>Integrated one-stop precision manufacturing platform Achieving full industry value chain vertical integration for smart devices</p> <p>Industry-first single-piece flow production Integrate multiple processes into a continuous production line spanning hundreds of meters, enabling a seamless and efficient production flow for final product delivery</p> <p>Factory layout based on the concept of independent operating units The factory layout is designed to tailor production process to specific products, ensuring operational efficiency and financial accountability by functioning as an independent operating unit</p>	<p>Full material coverage Customized solution covering a wide range of materials, including glass, metal, sapphire, ceramic, plastic, leather, silicon, glass fiber, carbon fiber and more</p> <p>IoT and smart systems Through the development of IoT, we have largely achieved interconnectivity within the production system, with Key manufacturing processes fully automated and intelligent</p> <p>National Quality Benchmark and Industrial Internet Pilot, Excellence-level Smart Factory Recognized by the MIIT (2022, 2025)</p>		<p>2,249³ Authorized patents covering multiple fields such as processing technology, product testing, equipment development, new materials, and industrial internet</p> <p>More than RMB18 billion Cumulative R&D investment from 2015 to 2024</p> <p>6,000+ units/year Proprietary R&D and manufacturing capability for large-scale automated equipment</p>

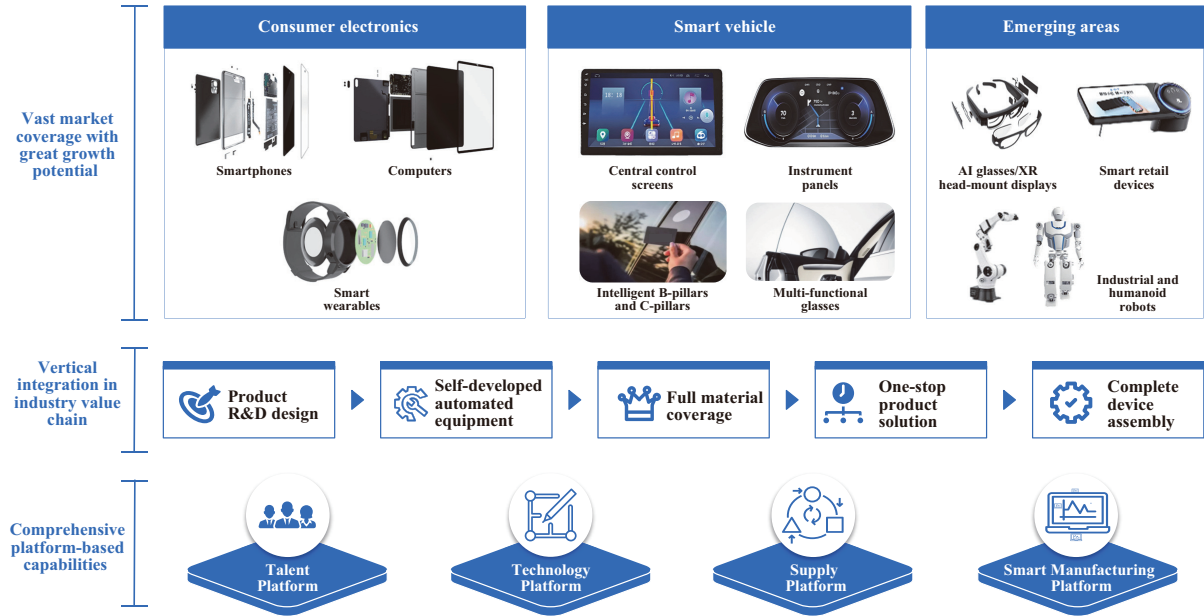
Note 1: Source from the Frost & Sullivan Report;

Note 2: In terms of revenue for 2024;

Note 3: As of December 31, 2024

BUSINESS

Since the 2000s, led by our Chairman, Ms. Chau, we have pioneered the development and application of new materials such as glass, sapphire and ceramics in consumer electronics under the guidance of our “four new” strategy — new materials, new technologies, new equipment and new fields. In 2007, we were the first in the industry to apply glass to the world’s first touch-enabled smartphone with full-sized screen, establishing the mainstream technology for functional panels on smart devices. To date, through our accumulated expertise in materials science — including glass, metal, sapphire, ceramics, plastics, leather, glass fiber and carbon fiber — we have achieved full vertical integration along the smart devices industry value chain. This spans from raw materials and structural part production to functional module lamination and complete device assembly. We have established long-term strategic relationships with global leading brands in consumer electronics and smart vehicles and are deeply involved in the development and production of their products two to three years ahead of the product launches. In addition, we proactively expand into broad and high-growth-potential areas and extend horizontally into diversified markets such as smart retail devices, industrial applications, humanoid robots and AI glasses/XR head-mount displays, creating a multi-faceted presence in various emerging markets.



BUSINESS

Our Solutions

Consumer Electronics: We provide various structural parts and functional modules including cover glass, metal mid-frames, touch modules, display modules, thermal modules, antenna modules, biometric recognition modules and wireless charging modules as well as complete device assembly for consumer electronics such as smartphones, computers and smart wearables. Our customized solutions cover a variety of materials, including glass, metal, sapphire, ceramics, plastics, leather, silicone, glass fiber and carbon fiber.

Smart Vehicle: We develop and produce a wide range of automotive electronics products and structural parts for the smart cockpit. We offer innovative solutions to customers, including glass and components for automotive electronics such as central control screens and instrument panels, intelligent B-pillars and C-pillars and multi-functional glasses for side windows, windshields and sunroofs.

Other Emerging Smart Devices Markets: We have expanded into various markets, including humanoid robots, AI glasses/XR head-mount displays and smart retail devices. We collaborate with leading humanoid robot companies, providing mass production of core components and complete device assembly. In the AI glasses/XR head-mount displays market, we offer a variety of products and services covering functional modules and complete device assembly. In addition, we have also jointly launched “Tap to Pay” smart retail devices with a leading company in the third-party payment industry.

Our Platform-Based Capabilities

We possess robust and comprehensive platform-based capabilities, encompassing talent, technology, supply and smart manufacturing. As for the talent platform, we have cultivated a large number of R&D expert teams who combine theoretical innovation with excellent craftsmanship and practical skills. Moreover, we are capable of quickly assembling teams across various areas and industries to meet our evolving business requirements. Our technology platform embodies the ability to transfer technologies across different areas, leveraging proven technologies in mature areas to empower new end uses. Our supply platform, which encompasses major phases of production and testing, is built upon our in-house manufacturing capabilities, covering tooling, fixtures, cutting tools, and mold manufacturing, along with our in-house production of raw materials and auxiliary materials, supported by extensive global upstream resources. This further enables the rapid mass production of a wide range of products and the efficient fulfillment of customers’ diverse requirements. Our smart manufacturing platform, stems from years of accumulated experience in equipment development, which enables us to make adjustments based on the modules and designs of existing equipment and efficiently develop production lines for new products.

Vertical Integration

Our business operations cover everything from production of raw materials and structural part production such as cover glass and metal mid-frames, to functional module lamination such as touch modules, display modules, thermal modules, radio frequency antenna modules, fingerprint

BUSINESS

modules, camera modules and wireless charging modules, as well as complete device assembly of smart devices. We have achieved comprehensive coverage of raw materials through technical capabilities for a variety of functional materials. More specifically, we are one of the few solution providers in the global consumer electronics supply chain with advanced processing capabilities in both glass and metal. We offer our customers vertically integrated one-stop solutions, covering everything from design to mass production.

Global Footprint

We have nine production and R&D centers both domestically and internationally, including a production center in Southeast Asia and domestic and overseas offices, ensuring extensive coverage of domestic and international markets. By strategically positioning ourselves close to our customers, we optimize supply chains and logistics costs, enabling us to respond quickly to customer demands.

Market Opportunities

- **Consumer electronics:** Consumer electronics products will continue to be updated, iterated and innovated in the next few years with continuous technological development and innovation being the key drivers. For example, the advancement of foldable screen technology and the continuous enhancement of AI function are expected to make smartphones lighter, more individualized, intelligent and high-end. This led to higher hardware requirements for structural parts and functional modules of smartphones. For example, ultra-thin flexible glass (“UTG”) will be widely used in foldable smartphones due to its small bending radius and its ability to fold without creases. Variable-thickness glass (“VTG”) can offer higher strength, impact resistance and scratch resistance compared to UTG, and has become one of the key research and development areas of leading companies in the industry. In addition, we have also developed optical waveguide technology, which will be widely adopted in AR/AI glasses in the future.
- **Smart vehicles:** Driven by policy support and technological innovation, the smart vehicles market is expected to continue to develop rapidly in the next few years, and vehicles are expected to become more intelligent. Specifically, as users’ expectations for driving and riding experience increase, the application of smart glass is developing rapidly. Glass components such as side windows and sunroofs will provide a variety of intelligent functions, such as heat insulation, electrochromic sunshade, water-repellency, anti-fogging and image display. This has driven the widespread use of glass in smart vehicles and also requires hardware suppliers to achieve new technological developments and breakthroughs in materials and processing.
- **Other emerging end markets:** With the development of artificial intelligence and technological advancements in new materials and new end uses, many emerging end markets such as humanoid robots, AI glasses/XR head-mount displays and smart retail are expected to experience significant growth in the coming years.

BUSINESS

Financial Performance

As a result of the continuous expansion of our product and service portfolio and the deepening of our relationships with our customers, we have achieved remarkable growth in revenue and net profit during the Track Record Period. We recorded revenue of RMB46,698.5 million, RMB54,490.7 million and RMB69,896.8 million in 2022, 2023 and 2024, with a year-on-year growth of 16.7% in 2023 and 28.3% in 2024. We recorded profit for the year of RMB2,519.8 million, RMB3,041.8 million and RMB3,676.9 million in 2022, 2023 and 2024, with a year-on-year growth of 20.7% in 2023 and 20.9% in 2024. As further testament to our ability to create value for our Shareholders, we declared and paid dividends of RMB493.1 million, RMB986.2 million and RMB1,482.2 million in 2022, 2023 and 2024.

STRENGTHS

Global leader in integrated one-stop precision manufacturing, with leading positions across multiple industries

We are a leading integrated one-stop precision manufacturing solution provider with services covering the entire smart devices value chain, and we are a global leader in multiple smart device end markets. We provide vertically integrated solutions that cover the entire industry value chain of precision manufacturing for a diverse range of smart devices, including product design, mold development, production of new materials, software development, manufacturing and processing, quality management and complete device assembly.

- Based on revenue in 2024, we have global leading market share in precision structural parts and modules integrated solutions for both consumer electronics and smart vehicles interaction systems.
- Based on revenue in 2024, we are (i) the primary supplier of cover glass for mid-to-high-end smartphone brands globally, and (ii) the main supplier of central control screens and intelligent B-pillars for the world’s largest battery electric vehicle brand.

Leveraging our excellent innovation capability and sustained R&D investment, we continuously explore new business growth areas and lead the industry in terms of innovation. We have developed high-precision, high-performance components for emerging end-use areas through our expertise in precision structural parts and smart manufacturing. With our platform-based capabilities, we have improved the performance of humanoid robots and AI glasses/XR head-mount displays while empowering smart retail devices with better user experience.

BUSINESS

Focused on technological innovation and committed to research and development, we drive the evolution of advanced materials and technology

The precision manufacturing industry addresses end markets such as consumer electronics and smart vehicles, which are characterized by the persistent introduction of innovative technologies and new product features. Our focus on research and development and innovation enables us to stay at the forefront of the market and provide smart manufacturing solutions for the latest products. Guided by our “four new” strategy, namely new materials, new technologies, new equipment and new fields, we are able to fulfill our long-term strategic customers’ needs for innovative product functions while also spearheading the development of new products through collaborative research and development with our downstream partners.

We are committed to research and development and innovation, and have accumulated abundant core technologies in materials and production processes, thereby leading the technological transformation in smart devices and significantly improving the aesthetics and functionality of smart devices. For example, we have pioneered the application of materials such as glass, sapphire and ceramics in premium smart devices. We independently developed and pioneered process innovations such as CNC glass machining, fully-automatic silk-screen printing and intelligent transfer printing and coating, which have become industry standard technologies. In addition, we have strategically planned for the research and development of cutting-edge technologies with growth opportunities in emerging areas such as foldable screens, industrial and humanoid robots and AI glasses/XR head-mount displays.

To prepare for future changes, we proactively established a scientific and technological innovation system. The core of our in-house R&D system in recent years has been our Innovation Research Institute and the Shenzhen R&D Center, which are committed to technological research and development and product innovation focused on addressing key issues in the industry, market demands and future technologies. In addition, we also continuously conduct R&D and technological transformation of products and end uses during the production process. Through our R&D planning and forward-looking technological advancements, we can seize the strategic opportunities brought about by the dual-wheel drive of AI-enabled devices and foldable screens. We have been strategically and proactively engaged in the research and development of new technologies such as UTG and VTG and exploring foldable screen structural component upgrades. In the area of robots, we have developed the capabilities of independent R&D and mass production of core components for robots. Moreover, we continue to cooperate with customers in the research and development and innovation of components related to AI-enabled devices, which are expected to grow significantly in the future.

Furthermore, we collaborate with top-tier domestic and international customers to establish research and development centers dedicated to their products, building a global R&D network. At the same time, we partner with renowned universities worldwide to develop an industry-academia collaboration model, broadening the application of scientific research outcomes to cultivate future technology talent and meet the diverse demands of future markets. Through this mechanism, we enhance the research capabilities of our R&D and technical personnel, expand their perspectives, and jointly design and manufacture new products to cater to the diverse needs of both domestic and international markets.

BUSINESS

As of December 31, 2024, we had over 24,000 experienced R&D and technical personnel and our total research and development expenses from 2015 to 2024 exceeded RMB18 billion.

Our ongoing breakthroughs in core technologies and our leading first-mover advantage enable us to seize market opportunities more effectively, continuously enhance our competitive edge, achieve long-term sustainable growth and solidify our leading position in the global precision manufacturing industry.

Long-term strategic collaborations with global leading customers to lead and pioneer developments within the industry

We have been a trusted partner of many global leading consumer electronics and smart vehicles brands and have established long-term and stable cooperative relationships with them. In terms of revenue in 2024, we are (i) the primary supplier of cover glass for mid-to-high-end smartphone brands globally; and (ii) the main supplier of central control screens and intelligent B-pillars for the world’s largest battery electric vehicle brand. For more than a decade, we have been working with the world’s largest consumer IoT platform company, and our solutions to this company have covered cover glass and metal mid-frames in its flagship smartphones as well as complete device assembly. Since our initial collaboration more than 10 years ago, our relationships have expanded from the initial smartphones related products and services to smart vehicles and IoT products.

The long-term and sustainable partnerships we maintain with global leading brands testify our technical expertise, strong manufacturing capacity, efficient production processes and robust R&D capabilities. Such cooperation also lays the foundation for new opportunities and growth potentials.

We are committed to driving progress and evolution in the consumer electronics industry, partnering with our key customers to shape industry trends and deepen our cooperation in mutually-beneficial ways.

- ***Collaboration since the product design phase.*** We collaborate with our key customers throughout the entire process of product development, including product design, research and development, manufacturing and future iterations, offering tailored solutions and establishing ourselves as a key technical partner of our key customers.
- ***Continuous expansion of relationship.*** We continually and proactively improve our R&D and precision manufacturing capabilities, which allows us to expand our collaboration with our customers into other areas such as smart wearables, encompassing structural parts made of various materials such as metal, sapphire and ceramics. This set the stage for our vertical expansion into functional module lamination and complete device assembly, ultimately achieving closed-loop coverage of the industry value chain. This not only increases technological barriers and entry thresholds but also strengthens our long-term strategic partnerships with customers and creates value for our key customers.

BUSINESS

- ***Next generation product development.*** Precision manufacturing capability directly impacts the competitiveness of the end products and the successful realization of innovative concepts. We set up our Innovation Research Institute in 2023 to strategically undertake research and development of technology, processing and production techniques, materials and innovative production or end uses. Our Innovation Research Institute currently focuses on the research and development of brittle materials, applications of new energy and optics, metal materials, modules, artificial intelligence and others. We have collaborated with our key customers to engage in and strategize our future-oriented technological R&D for innovative products by setting up joint R&D facilities and labs. Typically, our research and development starts approximately two to three years prior to the end product’s official release. This allows us to consistently maintain a leading position in the industry with each new product iteration through providing of effective and high-quality comprehensive solutions to our customers. In addition, we strategically expand our global footprint to stay close to our customers, allowing us to respond to customer needs quickly and optimize logistics costs, to improve our overall competitiveness.

Leading brands in smart devices typically begin collaborating with precision manufacturing solution providers during the product R&D phase, and these brands usually have rigorous and lengthy supplier approval procedures. These factors significantly increase the difficulty for new suppliers to enter the brand customers’ supply chain, thereby solidifying our competitive advantages.

Comprehensive platform-based strategy and vertical integration along the full industry value chain to identify and capture market opportunities

We have accumulated deep expertise and capabilities in the consumer electronics and smart vehicles industries, with strong and comprehensive platform-based capabilities, encompassing the following aspects:

Talent Platform: We have cultivated a high-quality R&D team that combines theoretical innovation with exceptional craftsmanship. The average age of our R&D team is 30 years old and we have over 24,000 R&D and technical personnel, with a focus on exploration and willingness to push the boundaries of technology. Additionally, our core R&D and technical personnel have over 15 years of industry experience, possessing deep practical expertise and strong technical capabilities. Our platform has brought together and nurtured many experienced technical experts through business units, research institutes and external academic partnerships with multi-disciplinary and comprehensive technical capabilities, enabling us to quickly form cross-domain and cross-industry teams when needed and realizing the synergistic effect of our talent network to efficiently execute R&D plans. With the ongoing AI revolution, we continuously advance in research methods and experimental validation equipment, while also actively recruiting high-end talent to keep the team in a state of constant activation.

BUSINESS

Technical Platform: We possess the capability of cross-field technology transfer, utilizing proven technologies in mature areas to empower new end uses. For instance, we have successfully transferred our efficient implementation capabilities and precision manufacturing capabilities in smartphones to smart retail devices. We were the first to achieve advanced processing of and precise assemble for metal mid-frames, 3D glass panels and die-cut accessories, thereby providing one-stop solutions for payment devices, covering everything from design and development to mass production. In addition, our numerous technological breakthroughs in cover glass, curved glass, coating technology and touch display modules for consumer electronics have a wide range of applications in smart vehicles. These technologies enabled us to seamlessly expand into the supply chain of products such as central control screens and intelligent B-pillars.

Supply Platform: By leveraging strong upstream capabilities, advanced production processes and technologies and a diverse product portfolio, we have established platform-based supply capabilities. On the upstream side, we have the capability to produce multiple raw materials in-house and maintain a comprehensive network of upstream resources. With years of manufacturing experience and advanced production technologies, we can swiftly organize production workflows and achieve high-efficiency mass production. For example, our industry-first single-piece flow production method has significantly reduced various production costs and lead times, ultimately creating value for our customers. Furthermore, our diverse product offerings enable us to effectively fulfill customers’ various requirements efficiently.

Smart Manufacturing Platform: We possess strong capabilities in bringing innovative equipment and products to life in scale. With our in-house expertise in equipment and process development, we collaborate closely with customers in the early stages of product innovation. This allows us to adjust and adapt equipment based on product characteristics, production line layouts and processing technologies, enabling tailored improvements to create highly automated and intelligent production systems. As a result, we are able to systematically enhance production efficiency and yield rates, achieving rapid large-scale manufacturing and delivery.

Our operation is vertically integrated along the entire industry value chain from R&D and manufacturing of smart manufacturing equipment to production of innovative materials, product design, software development, production of structural parts and lamination of functional modules, quality management and complete device assembly, ultimately forming our capability to provide an integrated one-stop precision manufacturing solution. Our strong and vertically integrated operation allows us to achieve closed-loop coverage of the entire industry value chain, fostering a robust industrial ecosystem around our main operations.

We have achieved comprehensive material coverage while consistently advancing research and development of new materials and their innovative applications. We are a global leader in the processing and production of glass, sapphire, ceramics, leather, glass fiber, and carbon fiber, achieving complete supply chain coverage for smart devices and providing holistic solutions for our customers. With the establishment of Lens Taizhou through acquisition and integration with our existing businesses, we significantly enhanced our processing and assembly capabilities for metal. With this expansion, we became one of the few solution providers in the global consumer electronics supply chain with advanced processing capabilities for both glass and metal.

BUSINESS

Leveraging our extensive technological expertise, we have established robust capabilities that are underpinned by our core technologies. This enables us to comprehensively and effectively cater to a wide range of customers in smart devices while expanding into diverse end uses, allowing us to capitalize on significant growth opportunities presented by the following end markets:

- ***Consumer Electronics:*** Capitalizing on our long-lasting and profound strategic alliances with global leading brands in consumer electronics, we have significant first-mover advantage and have made technological achievements in cutting-edge science and technology. For example, we actively invest in the research and development of new technologies such as UTG and VTG, and we have developed the capability for rapid mass production of foldable screen structural parts and modules.
- ***Smart Vehicles:*** We have expanded into the smart vehicles industry to establish an additional growth driver. We have significantly expanded the range of products offered to customers in the smart vehicles industry, with our current product offerings encompassing central control screens, instrument panels, intelligent B-pillars, C-pillars, charging stations, structural parts for batteries and multi-functional glasses for side windows, windshields and sunroofs. With the rapid development of the smart vehicles industry, this business line has become our second-largest revenue source, generating approximately RMB6 billion in 2024, and we have established close strategic partnerships with several global leading brands in the smart vehicles industry.
- ***Emerging end uses:*** We continue to expand our footprint in a number of cutting-edge areas, such as smart retail devices, humanoid robots and AI glasses/XR head-mount displays. We undertook the production, assembly and quality control of the core components of humanoid robots for a leading robotics company, and have successfully delivered the first batch of humanoid robots. In addition, with our expertise in nanocrystalline glass technology, we entered into an in-depth strategic cooperation with a leading AI glass company for its entire range of AI glasses, helping it to accelerate bulk delivery and providing core support for the expected explosive growth in AI glasses globally in 2025. Furthermore, we collaborated with a global leading mobile payment platform to develop a smart retail device. Leveraging our extensive expertise in functional modules and complete device assembly, we capitalized on our vertically integrated operation along the full industry value chain to accelerate the delivery and deployment of such device, showcasing our robust product development capabilities in smart devices.

Industry-first automated smart manufacturing equipment and highly advanced data-driven manufacturing system

As a pioneer in the Chinese smart manufacturing landscape, we champion and lead the industry by being one of the earliest companies to focus on the research, production and large-scale application of automated equipment, industrial robots and smart manufacturing production system. We have created smart manufacturing facilities that incorporate state-of-the-art technologies, including the Internet of Things, intelligent warehousing, fully automated production processes, single-piece flow and real-time quality checks. We were listed on the MIIT’s “National Quality

BUSINESS

Benchmark List” and the Industrial Internet Pilot Demonstration List in 2022. In addition, our high-end in-vehicle display components full lifecycle collaborative smart factory in Changsha was recognized as an “Excellent Smart Factory Project” by the MIIT in 2025.

We have accumulated profound experience and achievements in the R&D and application of smart manufacturing in both hardware and software. In terms of hardware, we conduct large-scale in-house R&D, production and deployment of smart and automated production equipment (including laser processing, robotic arms and hot bending machines), and have successfully developed, among others, the industry’s first automatic glass printing line and baking line. We are also independently developing and producing high-precision, cost-effective and highly versatile industrial robots and premium smart manufacturing equipment, such as four-axis, six-axis and parallel robots, humanoid robots, AOI visual inspection robots and automatic towing vehicles. These proprietary equipment not only outperforms conventional equipment in the market in terms of performance, overall efficiency, degree of automation, energy consumption and cost, but also ensures high product quality and consistency, expanding our advantages in efficiency and product yield rate. Moreover, we enhance our cost-efficiency by upgrading our equipment to adapt to the layout of our production lines and our processing techniques. For example, we designed and established the first single-piece flow production line in the industry, which strings multiple processes into one straight production line extending over hundreds of meters, enabling the seamless and efficient production of products. This unique design effectively eliminates the need to physically transport work-in-progress and coordinate among different facilities, thereby reducing costs and expenses and creating value for our customers.

In terms of software, we deeply integrate manufacturing with new technologies such as industrial internet, big data, cloud computing and artificial intelligence, significantly improving the level of automated data collection, analysis and reverse control. We have independently developed an industrial large model and its algorithms for internal monitoring of the behavioral patterns of manufacturing processes, such as optimizing the CNC machining process and developing a coating operation system for real-time monitoring of coating quality. Our smart manufacturing system has achieved full internal connection and system integration through our self-developed “Lens Cloud” industrial internet platform. We achieved real-time sharing of data and information, and digital monitoring of, various processes, thereby facilitating intelligized business decision making, optimizing the design and operation of our factories and production lines, improving our overall production efficiency and product yield rate, and reducing production management cost. In addition, we are among the first in the industry to apply cutting-edge technologies such as machine vision to product exterior inspection. We significantly reduced the costs and labor intensity for product inspection with our automated inspection software and optical platforms that can analyze various characteristics and quality metrics of different materials.

Currently, our major production lines have been automated, and our key production processes such as hot bending, precision carving, printing (including silk-screen printing and pad printing) and AOI inspection have been digitalized and, through the construction of industrial Internet of Things, we have achieved interconnection within our production system. Various operations within our warehousing and logistics system have also been digitalized, such as product warehousing, sorting, handling and transportation. The integration of various processes including production, logistics and warehousing enables precise and targeted transportation and delivery based on real-

BUSINESS

time production requirements. Our capabilities in digitalizing and automating production enable us to continuously optimize our production processes and techniques, thereby enhancing our customers’ trust in us and increasing our profit margins.

Visionary founder and experienced senior management team that guided our rise to global leadership in smart manufacturing

Our founder, Ms. Chau, is an entrepreneur with strategic vision, innovative spirit, strong execution ability, acute market insight and profound industry experience. Ms. Chau’s strategic vision, her ability to grasp the general trend of the industry from a macro perspective and the rich industry experience she has accumulated was instrumental in our success and growth on a global scale. Since the establishment of Lens Shenzhen in 2003, Ms. Chau has been fully responsible for the strategic planning of our growth and has led us to achieve remarkable achievements over the past 20 years. Ms. Chau has received numerous honors and awards in the industry. These include being listed on the Forbes list of the World’s 100 Most Powerful Women in 2019, Forbes China’s Best CEO in 2021, Hurun Richest Self-Made Women in the World in 2022, “The Most Powerful Women” by Fortune China in 2024 and ranking 2nd on the Forbes “100 Power Businesswomen” list in 2025.

Under the leadership of our Chairman, Ms. Chau, we have formed a proficient management team that brings a wealth of industry expertise and a global perspective. Our executive directors and senior management have an average tenure of more than 15 years with us and more than 20 years of experience in the relevant industries. We recruited management and technical personnel from around the world who possess diverse backgrounds and overseas experiences as well as strategic global mindsets. For details regarding our senior management, see “*Directors, Supervisors, and Senior Management*”. We are confident that the extensive industry knowledge and keen market awareness possessed by our senior management will significantly contribute to our ability to develop our business strategies, reach our strategic objectives, foster employee unity and capitalize on growth opportunities, ultimately facilitating our consistent and sustainable business expansion.

Our employees, whether those who have spent decades with us or those international talent, are united together by our shared and unique corporate culture of “law-abiding, people-centric, integrity-first, bold in innovation and willing to commit”. Our commitment to our people-centric corporate culture has remained steadfast, as we strive to enhance the well-being of our employees by fostering a safe and healthy workplace, along with extensive welfare initiatives. We have adopted share incentive plans to mobilize our employees by enabling them to benefit from the success of our business.

BUSINESS

OUR STRATEGIES

Expand our global footprint through strategic expansion and optimization of production capacity

We are committed to continuously providing market-leading products and services to our existing and potential customers around the world. To this end, we plan to expand our global footprint to solidify our market leadership, enhance our supply chain resilience and meet increasing demands for precision manufacturing solutions. By strategically broadening our global footprint, we aim to align our manufacturing capabilities with global market dynamics, ensuring proximity to our key customers and reducing logistics costs.

We plan to expand and optimize our production capacity globally by setting up new production centers at strategic locations that are close to our key customers. In addition, as demands from emerging end markets such as AI-enabled devices and humanoid robots are expected to grow rapidly, our expanded production capacity will enable us to capitalize on market opportunities to strengthen our competitiveness. For details of our production capacity expansion plan, please refer to the section headed “Future Plans and Use of [REDACTED]”.

Enrich product and service portfolio to meet diversified customer needs

We will continue to enrich our product and service portfolio to stay at the forefront of cutting-edge industry developments. We will continuously facilitate product iterations and service upgrades by incorporating new materials and manufacturing processes to meet our customers’ requirements for product features. This will enable us to further deepen our cooperative relationships with existing customers and expand our diverse customer base. We will also continue to cooperate with our strategic customers to develop upgraded products with innovative features, so as to capitalize on opportunities arising from the development of emerging technologies in the consumer electronics industry. In the meantime, we will further vertically integrate our operation along the smart vehicles supply chain, and expand our offerings of smart exterior structural parts and ancillary products. In addition, we will leverage our advantages in material, technology and smart manufacturing to accelerate the implementation and mass production of products tailored to emerging end markets, such as AI glasses/XR head-mount displays and humanoid robots.

Continue to enhance of our smart manufacturing system to improve production efficiency and promote green manufacturing

We will continue to pursue the digitalization and automation of our production processes and equipment to further improve our production efficiency and increase our product yield, which in turn enable us to offer high-quality products and services to our customers at competitive prices and at our desired profit margins. We will also invest in the research and development of production techniques and manufacturing equipment and upgrade our existing production facilities and systems to enhance our capabilities in smart manufacturing. We will also continue to promote green manufacturing by continuously optimizing our production processes and techniques as well as upgrading our automation technologies to further reduce production waste, energy use and carbon emissions.

BUSINESS

Further invest in research and development to solidify our technological leadership

As a company focused on and driven by technological innovation, we will continue to invest in research and development to strengthen and solidify our technological leadership in the industry. We intend to continue to invest in and follow our “four new” strategy on research and development. In addition, we plan to deepen our collaboration with our customers as well as suppliers on the research and development of new products and new equipment.

Furthermore, to strengthen our research and development capabilities, we plan to continue to attract, train, retain and motivate high-quality talents to support our research and development activities. Specifically, we plan to continue to recruit and cultivate talents for innovation in key aspects of our research and development, including product design and development, innovative technologies and new materials, production techniques and smart manufacturing equipment. We believe that a high quality, dedicated and experienced research and development team is the key to our research and development success.

Facilitate growth through potential industry value chain integration and strategic acquisitions

To complement our organic growth strategy, we will selectively pursue strategic investments, including investments and acquisitions that enhance our capabilities in the vertical industry value chain and the end markets that we currently serve or may enter. Additionally, we aim to expand our user base and extend our product and service offerings. We will continue to evaluate potential businesses and assets that can complement our existing operations and create synergies.

OUR EVOLUTION

We started processing, manufacturing and selling glass products more than 20 years ago, and have since successfully developed in-depth technology and experience in the processing of glass, gained customer recognition in glass products and became the supplier of glass products, primarily cover glass, of many well-known global brands in the consumer electronics industry.

Through our research and development efforts in our core competence of cover glass processing and manufacturing, we pioneered the development and application of several processing techniques and technologies that became the industry standard. For example, we were the first to introduce CNC techniques in the processing of cover glass, significantly increasing product yield and precision and opening up possibilities for more product specifications and customizations. We also invented an anti-fingerprint coating technique that became the industry-standard technique and enabled mobile phone screens to become stain-resistant and water-resistant. For details of our research and development breakthroughs, see “— Research and Development — Innovative R&D.”

BUSINESS

With the development of consumer electronics and increasing consumer desire for better and more diverse products, we started exploring other materials to meet the design and functional requirements of our customers. We were the first to use sapphire and ceramics in smartphones and wearable products. Sapphire and ceramics each has distinct characteristics that enhance the hardness, abrasion resistance, corrosion resistance and texture of consumer electronics products, but the processing of these materials presented challenges for manufacturers. We successfully overcame these challenges with research and development breakthroughs in material optimization, equipment development and processing technology. Our processing techniques allow our customers to have more diverse options of applying different materials in the design of their products.

In 2020, Lens Taizhou was established through acquisition and integration, significantly increasing our production capacity of precision metal and expanding our business scale. By expanding our coverage of the consumer electronics value chain, we further deepened our relationships with existing customers and laid the foundation for our future growth.

With the rapid development of smart vehicles in recent years, we saw an opportunity to apply our expertise in precision processing and manufacturing to a new industry in 2018. Accordingly, we started cooperating with leading brands in smart vehicles, both domestically and overseas, and expanded our product offerings to central control screen, instrument panel, intelligent B-pillars and rearview mirror for smart vehicles.

Over the years, we deepened our expertise in structural parts and started expanding our business to functional modules to vertically expand our coverage of the consumer electronics value chain. Our vertically integrated manufacturing processes allows seamless one-stop production from structural parts to functional modules with high efficiency and cost-effectiveness. In addition, our large-scale production capacity and adherence to stringent quality control ensures that we can meet the rigorous demands of our customers by reliably providing high-quality functional modules in large quantities and on time.

In line with our growth strategy of becoming the one-stop solution provider covering the full smart device industry value chain, we started strategically planning for our expansion into complete device assembly several years ago. In 2021, we started providing complete device assembly on a large scale. This milestone enabled us to capture more of the industry value chain and further solidified our strategic relationship with our customers.

Our vertically-integrated operation enables us to quickly capture market share in new and growing end markets such as humanoid robots, smart retail and AI glasses/XR head-mount displays. In the humanoid robots market, we have established strong partnerships with a number of innovative companies for the manufacturing, assembly and quality control of essential components such as joint modules, DCU controller and gripper, and have successfully delivered the first batch of humanoid robots in January 2025. In the smart retail market, we have demonstrated our strong capability to implement processes efficiently from the research phase to full-scale production by partnering closely with a global leading mobile payment platform to jointly develop a smart retail device by leveraging our full-spectrum industry strengths. In the AI glasses/XR head-mount displays market, we have established profound strategic partnerships with prominent players in AI interaction for AI glasses/XR head-mount displays, encompassing functional modules and complete device assembly, enabling our customers to overcome production capacity challenges and accelerate

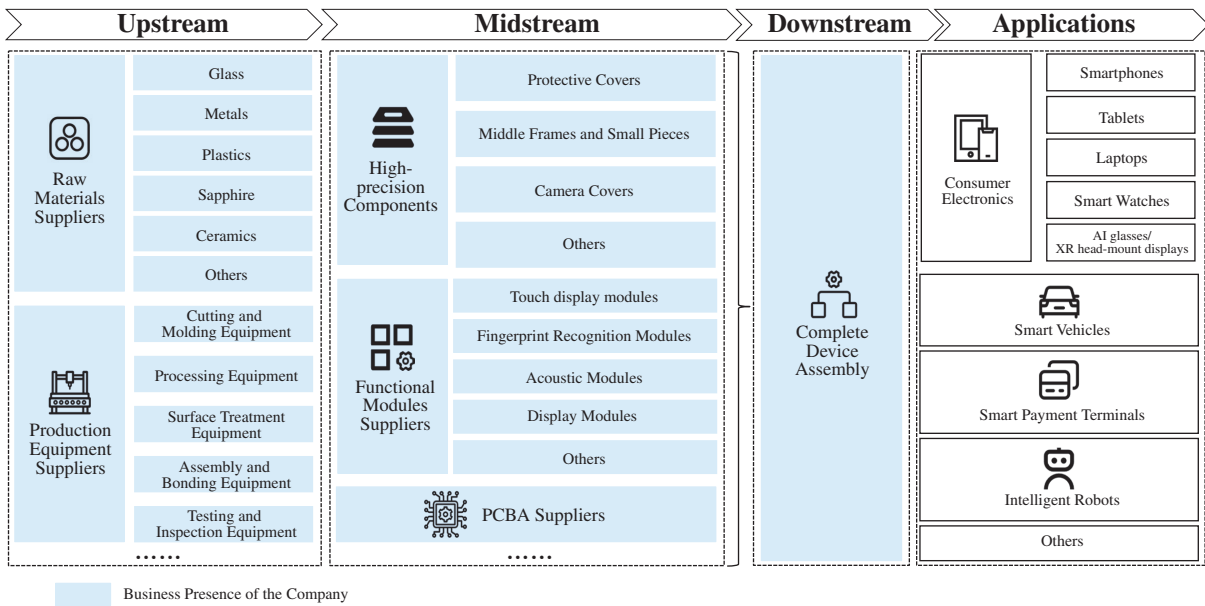
BUSINESS

the schedule for mass-scale delivery, thereby providing essential support for the anticipated surge in global deliveries of AI glasses/XR head-mount displays in 2025.

OUR SOLUTIONS

We currently offer a comprehensive suite of precision manufacturing solutions in consumer electronics, smart vehicles and other emerging end markets, including various structural parts, functional modules and others, such as complete device assembly. Most of our solutions are specifically designed and manufactured pursuant to the customizations and needs of our customers.

The following diagram shows our coverage of our value chain:



Major end uses of our solutions include the following:

Smartphones and Computers

We offer a comprehensive suite of structural parts and functional modules for use in smartphones and computers, including cover glass used in smartphones, tablets and laptops, metal mid-frames for smartphones and various modules such as touch display module fingerprint modules, antenna modules and camera modules and back cover for smartphones and tablets.

BUSINESS

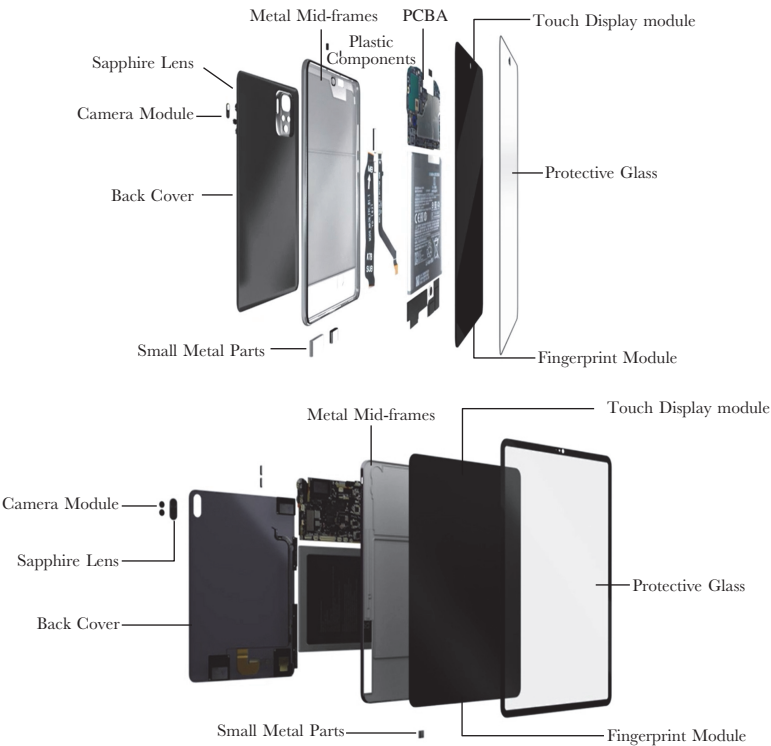
Our cover glass are light, thin, clear, scratch-resistant and fingerprint-resistant. Light transmittance rate of our front cover glass can reach up to 98% with our advanced double-sided anti-reflective coating, and cover glass produced with our chemical strengthening technique can achieve a surface hardness of over 680HV, significantly enhancing their performance in 4-point bending tests. We utilize a diversified range of surface treatment techniques for our glass products, including non-conductive vacuum coating color film, gradient color coating, silk screen printing, pad printing, lithography processing, frosted surface treatment, film lamination, texturing and wire drawing, providing our customers with a complete set of technical solutions.

Our metal mid-frames are crafted with precision to accommodate various device specifications, ensuring structural integrity and design aesthetics. We have comprehensive surface treatment capabilities for our metal products, such as automatic three-dimensional polishing, super-hard physical vapor deposition coating, automated anodizing and various metal surface treatments. Our processing accuracy for metal remains stable at around 0.03mm.

We provide a variety of functional modules for use in smartphones and computers, primarily touch display module, fingerprint modules, antenna modules and camera modules. A functional module is a set of parts and units that are integrated together to construct a more complex structure and is one of the basic components of an electronic device. For example, a touch display module in a smartphone includes several parts such as the touchscreen digitizer, the display panel, the touch sensor and the cover glass, which are laminated together to form the touch display module that enables users to interact with the phone through touch gestures. Thanks to our advanced processing techniques and vertically integrated operation, we can seamlessly integrate the production processes for structural parts and functional modules.

BUSINESS

Set forth below are photos of our main products for smartphones and computers.

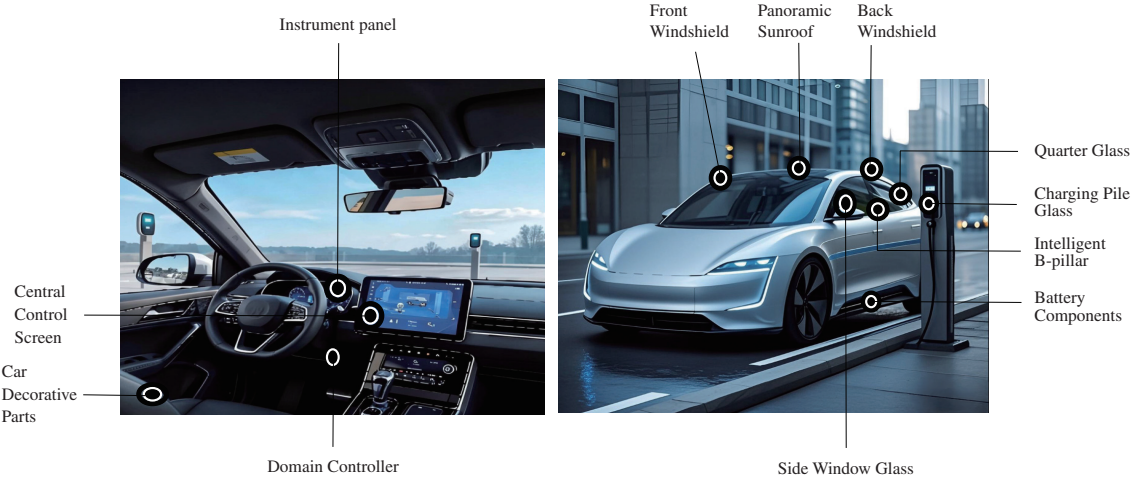


In addition to structural parts and functional modules, we also provide complete device assembly for smartphones where we assemble components and modules, including those manufactured by us and other providers, into end products. With our complete device assembly, we provide our customers with a one-stop solution for structural parts, modules and assembly, achieving vertical integration of the entire value chain.

Smart Vehicles and Cockpits

Our products for smart vehicles and cockpits include, among others, in-vehicle electronic glass and components such as central control screens and instrument panels, intelligent B-pillars/C-pillars and multi-functional glasses for vehicle side windows, windshields and sunroofs. Our in-depth experience gained in smartphones and computers, along with our platform-based capabilities, allowed us to successfully expand to smart vehicles and cockpits in 2018.

Set forth below are photos of our main products for smart vehicles and cockpits.



BUSINESS

Others

Our products and services cover a diverse range of end markets and end uses, including cover glass and various functional modules for intelligent head-mounted displays and smart wearables and smart devices in other end markets such as humanoid robots, AI glasses/XR head-mount displays and smart retail.

The table below sets forth a breakdown of our revenue by product end use for the periods indicated.

	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
(in millions, except for percentages)						
Smartphones and computers						
Structural parts and functional modules	37,710.4	80.7%	36,868.4	67.7%	43,234.3	61.9%
Complete device assembly	503.4	1.1%	8,032.2	14.7%	14,519.9	20.8%
Subtotal.	38,213.8	81.8%	44,900.6	82.4%	57,754.2	82.6%
Smart vehicles and cockpits	3,583.8	7.7%	4,998.5	9.2%	5,934.8	8.5%
Intelligent head-mounted displays and smart wearables	3,538.7	7.6%	3,103.8	5.7%	3,488.4	5.0%
Other smart devices	171.8	0.4%	164.8	0.3%	1,408.4	2.0%
Others ⁽¹⁾	1,190.4	2.5%	1,323.0	2.4%	1,311.0	1.9%
Total	46,698.5	100%	54,490.7	100%	69,896.8	100%

Note:

(1) Others mainly include revenue generated from sales of scraps and materials, processing fees and leases.

Seasonality

Demand for and sales of our products follow the same seasonality pattern as sales of the end products that feature our products, including consumer electronics and smart vehicles. Demand for end products is affected by the holiday season and people’s consumption habits, with certain seasonality patterns. As a result, we typically experience higher sales in the fourth quarter of the year. See “Risk Factors — Our sales may be influenced by seasonality” for risks associated with the seasonality of our sales.

Product Pricing

We generally determine the price of our products based on a variety of factors, including (i) complexity of the product both in terms of design and manufacturing, (ii) the costs of developing and manufacturing such products and our expected profit margin and (iii) competition.

BUSINESS

RESEARCH AND DEVELOPMENT

Research and development are critical to maintaining our market-leading position and to the sustained growth of our business by ensuring that we can continue to meet the evolving needs of global brands. We are dedicated to research and development, continuously exploring new materials and technologies to enhance our product offerings and upgrade our production processes.

Product R&D

Given the highly customized nature of our products and solutions, our product R&D are primarily done in cooperation with our customers for specific projects according to the customers’ customization requirements and end product designs. Our customers usually approach us at the beginning of the product cycle of the end products, and we work with them closely to design and develop customized structural parts or functional modules pursuant to their specifications and the design of the end products in which the structural parts and functional modules will be used.

Innovative R&D

In addition to the research and development of specific projects and products, we also undertake innovative R&D initiatives that focus on new materials, new technologies, new equipment and new fields. Our innovative R&D has resulted in various technology breakthroughs and upgrades that enabled the continuous iteration and advancement of consumer electronics.

To address the challenges of glass processing, we developed several glass processing techniques that became industry standard practices. Set forth below are some examples.

- ***CNC processing.*** We were the first to adopt computer numerical control (“CNC”) techniques in the processing of cover glass. CNC is a manufacturing method that automates the control, movement and precision of machine tools through preprogrammed software. There were challenges in applying CNC processing on glass due to its brittleness. The application of CNC to glass processing allowed glass to be drilled and cut with high precision and high speed, significantly improving product yields and production efficiency and opened up possibilities for more product specifications and customizations.
- ***Ion-exchange strengthened glass.*** We invented a method for eliminating surface compressive stress of strengthened glass through chemical ion exchange. This technique prevents glass bending during processing due to stress differences in glass surface, thus achieving a high-flatness, high-quality smooth surface of strengthened glass while improving yield rates.
- ***Coating technique.*** When tackling the technical challenges of making glass water-resistant and stain-resistant, we invented an anti-fingerprint coating technique, where a layer of material is applied onto the glass surface using nanocoating technology to reduce the adhesiveness of glass, making it difficult for dust or water to stick to the glass. This technique soon became the industry-standard technique and enabled smartphone screens to become stain-resistant and water-resistant.

BUSINESS

- ***High-adhesion ultra-thin ink.*** Our high-adhesion ultra-thin ink is a patented innovation that overcame critical challenges in the processing of glass such as poor adhesion on ultra-thin or curved glass, reduced touch sensitivity from thick coatings and vulnerability to environmental factors like sweat or chemicals. Our ink achieves micron-level thinness while maintaining strong adhesion, scratch resistance and corrosion durability. This breakthrough set industry benchmarks by enabling sleeker, more durable device designs and improved product yields.
- ***Polishing techniques.*** We were the pioneer in China to adopt glass hole polishing and cross-section polishing technologies to solve the problem of glass being easily broken due to microcracks. This innovation makes glass more durable and less prone to breaking, increasing both product yields and the durability of the finished product.
- ***Spraying techniques.*** Our patented gradient glass spraying technique solved the issue where the surface of glass, after painted, is usually not smooth which reduces its appeal and practical application. Our gradient glass spraying technique advanced the development of various colorful designs of mobile phone back covers.
- ***Yellow light processing.*** We were the pioneer in adopting the yellow light process in the manufacturing of three-dimensional cover glass, which solved the previous technical problem where edge oil was easily formed during processing, and manual wiping caused secondary defects such as edge transparency and chipping, resulting in high production costs and low yields.

We were also the pioneer in applying ceramics and sapphire to mobile phones and smart wearable devices.

- ***Sapphire***

Sapphire has several advantages that make it an excellent material for consumer electronics. For example, it is one of the hardest materials, highly resistant to scratches and wear, making it ideal for watch faces since watches face harsher conditions than phones due to daily wear by consumers and constant contact with skin, sweat and outdoor environment. It is also highly transparent, which is critical for readability in sunlight and accuracy of sensors, such as the heart rate or blood oxygen sensors imbedded in some smart watches, which rely on precise light transmission for accuracy.

However, manufacturing sapphire is expensive, which limited its application in electronics products. We started investing in the growing, processing and manufacturing of sapphire more than 10 years ago and have developed vertically integrated comprehensive capabilities along the sapphire value chain, from growing sapphire in furnaces, processing sapphire to applying sapphire in structural parts and functional modules. This allowed us to significantly decrease costs associated with applying sapphire in consumer electronics, providing our customers with the option of applying sapphire in more products and end uses and on a broader scale.

BUSINESS

- ***Ceramics***

Ceramics are resistant to wear, corrosion and thermal cycling, making them suitable for harsh environments. In addition, ceramics exhibit high thermal conductivity, efficiently dissipating heat from components such as processors. This prevents overheating in smartphones, ensuring reliability and longevity of devices.

The processing of ceramics presents several difficulties. For example, ceramics are prone to cracking under mechanical or thermal stress which requires careful handling during manufacturing. We overcame these processing difficulties by adjusting the traditional production formula for ceramics and adopting innovative techniques to enhance their durability during processing. Furthermore, we also applied various techniques to enhance the appearance and functionality of ceramics products, widely increasing their application in consumer electronics.

Innovation Research Institute

We set up our Innovation Research Institute in 2023 to strategically undertake research and development of technology, processing and production techniques, materials and innovative production or end uses. Our Innovation Research Institute currently focuses on the research and development of brittle materials, applications of new energy and optics, artificial intelligence and others. For example, we have developed three-dimensional aspheric metal materials, modules, freeform glass molding technology and its printing technology, which eliminates straight lines and flat surfaces, as well as a full-process laser machining technology which ensures precise and consistent results for brittle materials such as glass and ceramics. Additionally, we have developed a coating machine software platform and a novel AI dynamic control system to achieve optimal coating results.

In addition to internal research and development efforts, we also collaborate with external parties such as universities or research institutions to undertake research and development projects. For our research and development projects with universities, we generally bear the expenses of such projects and obtain the resulting intellectual properties.

Recent R&D Focus

We adjust our research and development focus based on the latest industry trends and projected growth areas. For example, in recent years, we have been focusing on research and development of techniques and technologies relating to foldable screen and AI-enabled devices and have achieved significant results. Set forth below are three notable examples.

- ***Foldable screens***

We have been strategically and proactively planning the advancement and exploration of new techniques and technologies to prepare for opportunities presented by foldable screens in consumer electronics. Foldable screens still present a number of technical difficulties, such as the tendency to have folding marks and fragility. We are engaged in technological as well as

BUSINESS

product R&D to try to overcome these challenges. Specifically, we are optimizing the design and structure of the hinges for foldable screens to reduce the pressure on screens, thereby minimizing the folding marks on screen.

- ***AI glasses/XR head-mount displays***

Leveraging our advanced manufacturing system and technological breakthroughs, we collaborated with our customers to address challenges presented in the production of AI glasses/XR head-mount displays and successfully expedited the timeline for mass product delivery.

We have made several breakthroughs in key technologies. Our proprietary nano-microcrystalline glass technology improves the strength and light transmission rate of glass lenses, allowing AI glasses/XR head-mount displays to be both lightweight and capable of delivering high-quality visuals. Our technological innovation in optical waveguide enables compact designs and more immersive experiences for AI glasses/XR head-mount displays. Furthermore, our Innovation Research Institute is working on creating lightweight, durable materials, establishing us as a main provider for global leading brands in AI-enabled devices.

- ***Industrial and humanoid robots***

We have been developing industrial robots since 2016, including four-axis, six-axis, parallel robots, humanoid robots and AOI visual inspection robots. Our industrial robots are widely used in our production activities, significantly increasing our production efficiency and scalability and enhancing the consistency and precision of our products.

We have made significant progress in humanoid robots and are well-positioned to capitalize on the strong growth opportunities by developing and manufacturing core structural parts and functional modules for humanoid robots.

We successfully enhanced robot exteriors with our advancements and innovation in materials and process, such as the curved glass display technology and the nano-microcrystalline glass technology. In 2024 and 2025, we delivered structural parts and functional modules for joints, hands and torsos and provided complete device assembly for humanoid robots.

BUSINESS

R&D Team and Expenses

As of December 31, 2024, we had more than 24,000 experienced R&D and technical personnel. In 2022, 2023 and 2024, our R&D expenses amounted to RMB2,105.0 million, RMB2,316.6 million and RMB2,784.8 million, representing 4.5%, 4.3% and 4.0% of our total revenue in the respective periods. Our R&D expenses are expensed rather than capitalized.

OUR CUSTOMERS

Our customers are mainly global brands in the consumer electronics and smart vehicles industries.

During the Track Record Period, we did not engage any distributors, and all our products and services were sold or provided by us to our customers directly. We intend to continue to engage in direct sales only without the use of distributors given the nature of our long-term strategic relationships with our customers.

Our Top Five Customers

In 2022, 2023 and 2024, sales to our five largest customers amounted to RMB38,878.3 million, RMB45,282.2 million and RMB56,707.4 million, accounting for 83.3%, 83.1% and 81.1% of our total revenue in the respective periods. In 2022, 2023 and 2024, sales to our largest customer amounted to RMB33,136.2 million, RMB31,512.3 million and RMB34,566.5 million, accounting for 71.0%, 57.8% and 49.5% of our total revenue in the respective periods. During the Track Record Period, to the best knowledge of our Directors, none of our Directors, their associates or any of our current Shareholders (who, to the knowledge of our Directors, own more than 5% of our share capital) had any interest in our five largest customers in any period during the Track Record Period that are required to be disclosed under the Hong Kong Listing Rules.

BUSINESS

The following tables set forth certain information relating to our five largest customers for the periods indicated.

For the year ended December 31, 2022

Rank	Customer	Transaction amount (in RMB million)	Percentage of revenue	Years of business relationship⁽¹⁾	Background
1	Customer/ Supplier A	33,136.2	71.0%	19	A public American multinational corporation established in 1976, which principally engages in the design, manufacturing and marketing of consumer electronics as well as sales of related services
2	Customer B	1,563.1	3.3%	8	A public American company founded in 2003 that designs and sells smart vehicles, clean energy solutions and related products and services
3	Customer/ Supplier C	1,513.5	3.2%	20	A public multinational corporation established in 1969 and headquartered in South Korea, which principally engages in the design, manufacturing, and marketing of various electronics products
4	Customer D	1,363.5	2.9%	6	A public French automotive supplier founded in 1997 that principally engages in the design and manufacturing of automotive products for global automotive brands, and a supplier of Customer B
5	Customer E	1,302.0	2.9%	18	A private Chinese multinational corporation that designs, develops and sells digital telecommunications equipment, consumer electronics and other related products and services

Note:

- (1) For customers who are also suppliers, the years of business relationships refer to the number of years they first became a customer or supplier, whenever earlier.

BUSINESS

For the year ended December 31, 2023

<u>Rank</u>	<u>Customer</u>	<u>Transaction amount (in RMB million)</u>	<u>Percentage of revenue</u>	<u>Years of business relationship⁽¹⁾</u>	<u>Background</u>
1	Customer/ Supplier A	31,512.3	57.8%	19	A public American multinational corporation established in 1976, which principally engages in the design, manufacturing and marketing of consumer electronics as well as sales of related services
2	Customer/ Supplier F	8,472.7	15.6%	11	A public Chinese technology company founded in 2010 that designs, develops, and sells smartphones, smart hardware and intelligent home products
3	Customer D	1,976.6	3.6%	6	A public French automotive supplier founded in 1997 that principally engages in the design and manufacturing of automotive products for global automotive brands, and a supplier of Customer B
4	Customer B	1,951.2	3.6%	8	A public American company founded in 2003 that designs and sells smart vehicles, clean energy solutions and related products and services
5	Customer E	1,369.4	2.5%	18	A private Chinese multinational corporation that designs, develops and sells digital telecommunications equipment, consumer electronics and other related products and services

Note:

- (1) For customers who are also suppliers, the years of business relationships refer to the number of years they first became a customer or supplier, whenever earlier.

BUSINESS

For the year ended December 31, 2024

Rank	Customer	Transaction amount (in RMB million)	Percentage of revenue	Years of business relationship ⁽¹⁾	Background
1	Customer/ Supplier A	34,566.5	49.5%	19	A public American multinational corporation established in 1976, which principally engages in the design, manufacturing and marketing of consumer electronics as well as sales of related services
2	Customer/ Supplier F	16,328.1	23.4%	11	A public Chinese technology company founded in 2010 that designs, develops, and sells smartphones and smart hardware and intelligent home products
3	Customer B	2,201.1	3.1%	8	A public American company founded in 2003 that designs and sells smart vehicles, clean energy solutions and related products and services
4	Customer E	2,094.8	3.0%	18	A private Chinese multinational corporation that designs, develops and sells digital telecommunications equipment, consumer electronics and other related products and services
5	Customer/ Supplier C	1,516.9	2.2%	20	A public multinational corporation established in 1969 and headquartered in South Korea, which principally engages in the design, manufacturing, and marketing of various electronics products

Note:

- (1) For customers who are also suppliers, the years of business relationships refer to the number of years they first became a customer or supplier, whenever earlier.

We believe that the likelihood of any material adverse change in or termination of our business relationship with our five largest customers in each year during the Track Record Period customers is low, considering that (i) we have partnered with all of these customers for long periods of time and have established mutually beneficial relationships with them; and (ii) we are involved in the very beginning of their product development process to develop the end products together, which enables us to gain a unique and deep understanding of their demands and preferences, giving us competitive advantages as compared to our competitors. For risks associated with our key customers, see “Risk Factors — We generate the majority of our revenue from a limited number of key customers.”

BUSINESS

Major Terms with Our Key Customers

We generally enter into framework agreements with our key customers that cover the design, manufacturing and sales of products. The terms of these agreements vary depending on the specific product or project and the result of our negotiation with each customer, but these agreements generally contain the following terms:

Duration	:	Generally ranges between one year to three years. Some of these framework agreements do not have fixed terms. These agreements are typically automatically renewed.
Pricing	:	Pricing of the products is generally specified in purchase orders.
Transfer of risks	:	Risks are transferred to our customers when the products are accepted by them.
Payment and credit terms	:	We generally deliver products to our customers before payment and grant our customers credit periods ranging between 30 days to 60 days after delivery of products.
Minimum purchase requirements	:	Our framework agreements with our customers usually do not contain minimum purchase requirements.
Logistics	:	We are generally responsible for delivering products to locations specified by our customers.
Returns/exchanges	:	Our customers will inspect the products upon delivery and are generally entitled to return or exchange products that do not meet their requirements in terms of quality or specifications. We generally do not otherwise accept product returns or exchanges once the products have been accepted by our customers.
Confidentiality	:	These framework agreements usually have strict confidentiality provisions that restrict us from disclosing confidential information of our customer.
Termination	:	These framework agreements can be terminated with mutual agreement of parties and under certain circumstances such as force majeure or bankruptcy of a party.

BUSINESS

Customer Service

We cooperate closely with our customers throughout the product design, development and manufacturing processes and strive to ensure that we provide our customers with satisfactory services and products that meet their expectations. Specifically, we communicate with our customers frequently during the product design process since we usually conduct the research and development activities together with our customers, and we also regularly collect customer feedback during our cooperation to ensure that they are satisfied with our products and services.

RAW MATERIALS AND SUPPLY CHAIN

Raw Materials

The main raw materials used in our structural parts are glass, metal, sapphire and ceramics. For our functional module lamination and complete device assembly, we also use electronic and optical components and structural parts produced by other suppliers.

We source raw materials globally for our customers. If our customers designate suppliers for certain raw materials, we source such raw materials based on their designations. In addition, we produce certain of these raw materials ourselves. For details, see “— Research and Development — Innovative R&D.” Apart from these key raw materials, we also need ancillary packaging materials such as cardboard boxes and shrink wraps for the packaging of our products.

Our raw material prices fluctuate due to a variety of factors, including supply and demand dynamics, our ability to negotiate prices with suppliers and others. We usually work with multiple suppliers to reduce risks associated with product supply. During the Track Record Period, we did not experience any significant shortage of raw material supplies, and the raw materials provided by our suppliers did not have any significant quality issues.

Our Suppliers

Our suppliers are mainly suppliers of raw materials and equipment. We have established and maintain stable and long-term relationships with these major suppliers.

BUSINESS

Selection and Management of Suppliers

We have established rigorous processes for the selection, evaluation and management of our suppliers to ensure suppliers meet our quality and performance standards. We consider a number of factors during our supplier selection and qualification process, including each supplier’s financial condition, industry reputation, technical certifications and the price and quality of the products or raw materials they offer. We assess each potential supplier’s qualifications and credentials carefully, and we also conduct on-site visits to potential suppliers’ business premises before we decide to engage the suppliers.

We regularly evaluate the performance of our suppliers, focusing on criteria such as delivery capability, price and quality of the products supplied by them and their compliance with our policies and requirements (including policies on environmental matters, occupational safety and corporate social responsibilities).

Certain of our customers require us to purchase certain key raw materials and components used in products manufactured for the customer from designated suppliers or to purchase such key raw materials and components from such customer after it has first purchased them from the upstream supplier, in order to exert control over the quality of the raw materials and components. In these cases, the customer will select the suppliers of the raw materials and components according to its standards and be responsible for negotiating the supply terms with the suppliers. For details, also see “— Raw Materials and Supply Chain — Overlapping Customers and Suppliers.”

Terms of Contract with Our Suppliers

We enter into procurement framework agreements with certain of our suppliers. The terms of the agreements vary depending on the result of our negotiation with each supplier, but these agreements typically include the following terms:

Duration	:	Our procurement agreements with our main suppliers usually do not have a fixed term.
Pricing	:	Price is determined by us and our suppliers mutually and adjusted every month based on the prevailing market conditions.
Payment and credit terms	:	Payment terms are usually set out in specific purchase orders rather than the framework agreement. We will make payments once all the payment conditions have been satisfied.
Minimum purchase requirements	:	Our procurement agreements with our main suppliers usually do not contain minimum purchase requirements.
Returns/exchanges	:	We can exchange or return the raw materials or components that do not meet our quality standards.

BUSINESS

Liability/warranty	:	Our suppliers usually provide us a 24-month warranty for raw materials or components supplied by them.
Logistics	:	Our suppliers are responsible for arranging for the logistics of delivering the raw materials or components to us.
Termination/renewal	:	The agreement can be terminated by either party upon the occurrence of a list of events, including the un-rectified non-performance of the other party of its obligations under the agreement and insolvency or other conditions that will affect the financial condition of the other party. After the agreement is terminated, unless the termination is due to reasons caused by us or force majeure events, our suppliers shall continue supplying raw materials or components to us until we find a new supplier, otherwise our supplier is liable for any losses we will incur as a result of shortage of supplies.

Top Five Suppliers

In 2022, 2023 and 2024, purchases from our five largest suppliers amounted to RMB9,033.5 million, RMB17,224.6 million and RMB26,064.7 million, accounting for 23.7%, 37.4% and 43.6% of our total cost of sales in the respective periods. In 2022, 2023 and 2024, purchases from our largest supplier amounted to RMB6,198.4 million, RMB7,665.7 million and RMB14,372.7 million, accounting for 16.2%, 16.7% and 24.1% of our total cost of sales in the respective periods. During the Track Record Period, to the best knowledge of our Directors, none of our Directors, their associates or any of our current Shareholders (who, to the knowledge of our Directors, own more than 5% of our share capital) had any interest in our five largest suppliers in any period during the Track Record Period that are required to be disclosed under the Hong Kong Listing Rules.

BUSINESS

The tables below set forth certain information of our top five suppliers during the Track Record Period.

For the year ended December 31, 2022

<u>Rank</u>	<u>Supplier</u>	<u>Transaction amount (in RMB million)</u>	<u>Percentage of total cost of sales</u>	<u>Years of business relationship⁽¹⁾</u>	<u>Background</u>
1	Customer/ Supplier A	6,198.4	16.2%	19	A public American multinational corporation established in 1976, which principally engages in the design, manufacturing and marketing of consumer electronics as well as sales of related services
2	Supplier B	927.2	2.4%	14	A public South Korean multinational corporation that manufactures and sells electronics, chemicals, household appliances and telecommunications products
3	Supplier D	696.1	1.8%	7	A public Japanese company established in 1972 that provides manufacturing automation products and services such as CNC machines
4	Customer/ Supplier C	611.1	1.6%	20	A public multinational corporation established in 1969 and headquartered in South Korea, which principally engages in the design, manufacturing, and marketing of various electronics products
5	Supplier E	600.7	1.7%	18	A public American multinational company founded in 1851 that specialized in specialty glass, ceramics and other related materials and technologies

Note:

- (1) For customers who are also suppliers, the years of business relationships refer to the number of years they first became a customer or supplier, whenever earlier.

BUSINESS

For the year ended December 31, 2023

<u>Rank</u>	<u>Supplier</u>	<u>Transaction amount (in RMB million)</u>	<u>Percentage of total cost of sales</u>	<u>Years of business relationship⁽¹⁾</u>	<u>Background</u>
1	Customer/ Supplier A	7,665.7	16.7%	19	A public American multinational corporation established in 1976, which principally engages in the design, manufacturing and marketing of consumer electronics as well as sales of related services
2	Customer/ Supplier F	7,177.1	15.6%	11	A public Chinese technology company founded in 2010 that designs, develops, and sells smartphones and smart hardware and intelligent home products
3	Supplier B	1,074.2	2.3%	14	A public South Korean multinational corporation that manufactures and sells electronics, chemicals, household appliances and telecommunications products
4	Customer/ Supplier C	668.1	1.5%	20	A public multinational corporation established in 1969 and headquartered in South Korea, which principally engages in the design, manufacturing, and marketing of various electronics products
5	Supplier G	639.5	1.3%	6	A public Chinese company established in 1975 that provides structural parts, components and functional modules of electronics products

Note:

- (1) For customers who are also suppliers, the years of business relationships refer to the number of years they first became a customer or supplier, whenever earlier.

BUSINESS

For the year ended December 31, 2024

Rank	Supplier	Transaction amount (in RMB million)	Percentage of total cost of sales	Years of business relationship ⁽¹⁾	Background
1	Customer/ Supplier F	14,372.7	24.1%	11	A public Chinese technology company founded in 2010 that designs, develops, and sells smartphones and smart hardware and intelligent home products
2	Customer/ Supplier A	8,659.8	14.5%	19	A public American multinational corporation established in 1976, which principally engages in the design, manufacturing and marketing of consumer electronics as well as sales of related services
3	Supplier B	1,585.7	2.7%	14	A public South Korean multinational corporation that manufactures and sells electronics, chemicals, household appliances and telecommunications products
4	Supplier E	723.8	1.2%	18	A public American multinational company founded in 1851 that specialized in specialty glass, ceramics and other related materials and technologies
5	Customer/ Supplier C	722.7	1.1%	20	A public multinational corporation established in 1969 and headquartered in South Korea, which principally engages in the design, manufacturing, and marketing of various electronics products

Note:

- (1) For customers who are also suppliers, the years of business relationships refer to the number of years they first became a customer or supplier, whenever earlier.

Overlapping Customers and Suppliers

During the Track Record Period, certain of our top five customers were also our suppliers, and certain of our top five suppliers were also our customers, details of which are explained below.

Buy-and-sell model

Customer/Supplier A, our top customer in each of 2022, 2023 and 2024, was also one of our five largest suppliers in the same years. This is because Customer/Supplier A requires its suppliers, including us, to purchase raw materials and components used in products manufactured for it from Customer/Supplier A itself in order to exert overall control of the procurement process and to better control the cost and quality of raw materials. This is commonly referred to in the industry as the buy-and-sell model. Our sales to and purchases from Customer/Supplier A were conducted in the ordinary course of business and on commercial terms negotiated on an arm’s length basis.

BUSINESS

Customer/Supplier F, one of our top five customers in 2023 and 2024, was also one of our five largest suppliers in the same years due to similar reasons. Our sales to and purchases from Customer/Supplier F were conducted in the ordinary course of business and on commercial terms negotiated on an arm’s length basis.

Supplier B, one of our top five suppliers in 2022, 2023 and 2024, was also one of our five largest customers in 2024 for similar reasons. In 2024, our sales to Supplier B amounted to RMB830.8 million, accounting for 1.2% of our total revenue in the same year. Our sales to and purchases from Supplier B were conducted in the ordinary course of business and on commercial terms negotiated on an arm’s length basis.

Conglomerate customers or suppliers

Customer/Supplier C, one of our top five suppliers in 2022, 2023 and 2024, was also our customer in the same years. This is because Customer/Supplier C is a multinational conglomerate in the electronics industry and has very diverse product offerings and business needs. Our sales to Customer/Supplier C in 2022, 2023 and 2024 were not related to or conditional upon our purchases from it. In 2022, 2023 and 2024, we mostly sold structural parts, primarily cover glass for smartphones, to Customer/Supplier C, while our purchases from Customer/Supplier C in the same years were mostly camera modules. Our sales to Customer/Supplier C and purchases from it are negotiated in separate processes and conducted in the ordinary course of business and on commercial terms negotiated on an arm’s length basis.

Supplier B, one of our top five suppliers in 2022, 2023 and 2024, was also our customer in 2022 and 2023 for similar reasons. Other than a small portion of our business with Supplier B under the buy-and-sell model, our purchases from Supplier B in 2022 and 2023 were not related to or conditional upon our sales to it. In 2022 and 2023, we mostly purchased LCD display for cars from Supplier B, while our revenue from Supplier B were primarily processing fees for glasses. In 2022 and 2023, our sales to Supplier B amounted to RMB198.8 million and RMB248.9 million, accounting for 0.4% and 0.5% of our total revenue in the respective periods. Our purchases from Supplier B and sales to it are negotiated in separate processes and conducted in the ordinary course of business and on commercial terms negotiated on an arm’s length basis.

Customer E, one of our top five customers in 2022, 2023 and 2024, was also our supplier in 2023 and 2024 for similar reasons. Our sales to Customer E in 2023 and 2024 were not related to or conditional upon our purchases from it. In 2023 and 2024, our purchases from Customer E represented an insignificant percentage of our total cost of sales in the respective periods. Our sales to Customer E and purchases from it are negotiated in separate processes and conducted in the ordinary course of business and on commercial terms negotiated on an arm’s length basis.

BUSINESS

Supplier E, one of our top five suppliers in 2022 and 2024, was also our customer in 2024. Supplier E is one of our main suppliers for glass. In 2024, Supplier E purchased certain of our smartphones and computers products. This is because certain customers of Supplier E require that Supplier E uses our structural parts and modules in the products they provide to these customers. In 2024, our purchases from Supplier G were mainly glass. Our purchases from Supplier E in 2024 were not related to or conditional upon our sales to it. Our sales to Supplier E were insignificant in 2024. Our sales to Supplier E and purchases from it are negotiated in separate processes and conducted in the ordinary course of business and on commercial terms negotiated on an arm’s length basis.

Supplier G, one of our top five suppliers in 2023, was also our customer in 2023. Supplier G is a company engaged in the production and sales of structural parts, components and functional modules of electronics. In 2023, Supplier G purchased certain of our smartphones and computers products as well as intelligent head-mounted displays and smart wearables products. This is because certain customers of Supplier G require that Supplier G uses our structural parts and modules in the products they provide to these customers. In 2023, our purchases from Supplier G were mainly materials used in our production such as metal screws, dustproof net and glue. Our purchases from Supplier G in 2023 were not related to or conditional upon our sales to it. Our sales to Supplier G were insignificant in 2023. Our sales to Supplier G and purchases from it are negotiated in separate processes and conducted in the ordinary course of business and on commercial terms negotiated on an arm’s length basis.

During the Track Record Period, the raw materials we purchased from the overlapping customers or suppliers mentioned above were not resold back to them, nor vice versa.

PRODUCTION AND MANUFACTURING

We produce all our products ourselves in our nine production centers to ensure that we consistently deliver high-quality products on time to meet our customers’ demands.

We have integrated smart manufacturing into various aspects of our production, significantly improving our production efficiency and product yields. For example, we have been investing in the design and manufacturing of intelligent and automated production machines. We were the first in the industry to successfully develop a fully automated printing line and baking line. We have also been investing in the research and development of high-precision, cost-effective and highly versatile industrial robots and high-end intelligent manufacturing equipment such as automated guided vehicles (“AGV”) that are tailored to our production line layouts. AGVs are now utilized in our production centers on a large scale and have significantly increased our production efficiency. For more details on the technology and equipment used in our production, see “— Production and Manufacturing — Technology.”

Our production centers in Hunan, China are strategically located close to each other to minimize the transportation of products among our production centers. Similarly, our production centers overseas are located close to our customers or their other suppliers to minimize logistics expenses.

BUSINESS

In addition, the layout and design of our production centers are carefully and strategically planned to increase production efficiency. For example, the buildings for our factories are typically relatively long to allow us to fit the equipment and machinery for the entire production process (from loading of raw materials to packaging of the finished products) into one building without physical redirection of the production flow, which reduces transportation of products and materials within our factories.

We have established a standardized process for setting up new production centers, and layout and design of our production centers are standardized. This way, we can set up new production centres relatively quickly to address emerging customer needs, and our new production centers can ramp up quickly to achieve our desired production efficiency and product yield.

Production Process

Glass products

The chart below illustrates the production process of our glass products:



- *Precision cutting.* Glass is cut into shapes that matches the device’s design, and CNC machines are used to carve precise holes and bevel edges for smooth integration into the device chassis.
- *Thermoforming.* For three-dimensional glass (for example, glass with curved edges), blanks are heated and pressed into molds to achieve the desired curvature. Glass is then cooled to relieve internal stresses and prevent cracking.
- *Chemical strengthening.* Glass is submerged in a molten potassium nitrate bath where smaller sodium ions in the glass are replaced with larger potassium ions, creating compressive stress on the surface to boost scratch resistance and durability.
- *Surface finishing.* Edges and surfaces are polished to a smooth finish, and anti-reflective, anti-fingerprint or anti-glare coatings are applied via vacuum deposition or spray processes.
- *Quality inspection.* Various testes are conducted to check for bubbles, cracks or distortions, hardness, thickness and durability.

BUSINESS

Metal products

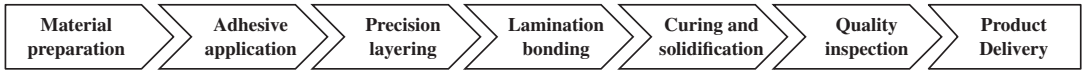
The chart below illustrates the production process of our metal products:



- *Material preparation.* Raw material is cast into blocks or sheets and cut into pre-shaped pieces for further processing.
- *CNC machining.* CNC machines carve pre-shaped pieces into precise shapes and create screw holes, cutouts and cavities according to the product design.
- *Heat treatment and strengthening.* The product is heated and cooled to enhance hardness and structural integrity, and metal surfaces are treated to reduce stress and improve fatigue resistance.
- *Surface finishing.* An electrolytic process adds a protective oxide layer to the product, improving scratch resistance and enabling color customization.
- *Quality inspection.* The product goes through various checks, such as dimensional checks, stress tests and defect detections to ensure product quality.

Functional modules

The chart below illustrates the production process of our functional modules:



- *Material preparation.* Thin films, glass, sensors, adhesives and protective coatings are cut to the desired sizes, and surface layers are cleaned in dust-free environments to remove contaminants that could cause defects.
- *Adhesive application.* Adhesive is applied between layers.
- *Precision layering.* Layers are aligned with micron-level accuracy, and pressure or vacuum holds layers in place before lamination.
- *Lamination bonding.* Heat, pressure or UV light activates the adhesive to bond layers permanently, and air bubbles are removed in critical modules such as camera modules.
- *Curing and solidification.* Adhesive is fully cured under controlled conditions to achieve maximum strength, and excess adhesive or film is removed to ensure clean edges and precise dimensions.

BUSINESS

- *Quality inspection.* Automated systems check for bubbles, delamination or misalignment. Modules are tested for performance. Real-world stress is simulated to test the module’s durability.

Technology

Technology is the core of our competitiveness in production. We are one of the earliest companies to develop and implement automated equipment in production processes, which significantly increases efficiency, precision and consistency in production. We have been continuously upgrading our production centers and progressively rolling out new technologies and equipment. We regularly assess each step within our production processes to determine if there are measures that can enhance cost efficiency or product yield. For details, also see “— Research and Development” and “— Production and Manufacturing — Equipment and machinery.”

Process automation

Leveraging technological upgrades in our production centers, we have significantly improved our production efficiency. Several steps along our production processes for our structural parts and modules have been fully automated, achieving both decreased labor costs and higher and more consistent product quality. In addition, we implemented several digitalization measures in our production centers. For example, our production lines have full product tracing capabilities where we can track each structural part’s full production processes, including the time when this structural part started undergoing a specific production process, which machine was used for a specific process, which quality control measures were undertaken after each process and the data for each quality check procedure. All these data are stored in our systems and, if a certain product has quality issues, we can easily identify the cause of the issue. These digitalization initiatives and the resulting data also help us to analyze each step along the production chain to assess if there are areas for improvement.

Set forth below are photos of our process automation.



BUSINESS

Intelligent warehousing

We have also implemented an intelligent warehousing system that helped to improve our warehousing, logistics and inventory management capabilities. In the traditional warehousing model, employees are responsible for sorting, handling, retrieving and transporting inventories, which has relatively high labor costs and incidents rates. With our intelligent warehousing system, AGVs, which are designed and manufactured by us, are used to sort inventories, load inventories onto storage shelves, record the storage location and amount of inventories and, when needed, retrieve and transport inventories to designated locations, including loading inventories onto machines for processing. This system has greatly decreased the amount of labor required in the process and reduced both the associated labor costs and incidents rates. In addition, our intelligent warehousing system is integrated with our manufacturing execution system and enterprise resource planning system, which enables it to monitor the aging status of inventories in storage and manage inventories accordingly, significantly improving our inventory turnover rates.

Industrial robots

We have been developing industrial robots for our production centers to enhance efficiency, precision and scalability. By leveraging machine learning algorithms, our industrial robots are capable of performing highly complex tasks with optimal accuracy, significantly reducing human error and defection rates while also decreasing labor costs. For example, the four-axis, six-axis and parallel robots, humanoid robots, AOI visual inspection robots and AGV tuggers developed and manufactured by us not only outperform conventional equipment in the market in terms of performance overall efficiency, degree of automation, energy consumption and cost, but also ensures high product quality and consistency.

As a result of our advanced technologies and equipment, during the Track Record Period, the product yields for our products and complete device assembly were well above the industry average.

BUSINESS

Our Production Centers

As of December 31, 2024, we had nine production centers located in China, Vietnam and Mexico for the production of our products. The following table sets forth certain information regarding our production centers as of December 31, 2024.

<u>Production center</u>	<u>Year established</u>	<u>Primary products</u>	<u>Total Gross Floor Area</u>
Liuyang, Hunan, China	2008	Smartphones and computers	Approximately 2,305,700 sq.m.
Langli, Hunan, China	2014	Smartphones and computers, smart vehicles and cockpit, intelligent head-mounted displays and smart wearables	Approximately 880,000 sq.m.
Xingsha, Hunan, China	2011	Smartphones and computers	Approximately 160,000 sq.m.
Huanghua, Hunan, China	2020	Smartphones and computers, smart vehicles and cockpit, intelligent head-mounted displays and smart wearables	Approximately 1,560,000 sq.m.
Xiangtan, Hunan, China	2020	Smartphones and computers (including complete device assembly) and others	Approximately 765,000 sq.m.
Dongguan, Guangdong, China	2010	Smartphones and computers	Approximately 788,361 sq.m.
Taizhou, Jiangsu, China	2021	Smartphones and computers	Approximately 941,533 sq.m.
Bac Giang, Vietnam	2017	Smartphones and computers, smart vehicles and cockpit, intelligent head-mounted displays and smart wearables	Approximately 461,320 sq.m.
Monterrey, Mexico	2022	Smart vehicles and cockpit	Approximately 12,500 sq.m.

BUSINESS

Set forth below are photos of our select production centers.



Liuyang, Hunan, China



Langli, Hunan, China



Xingsha, Hunan, China



Huanghua, Hunan, China



Xiangtan, Hunan, China



Dongguan, Guangdong, China



Taizhou, Jiangsu, China



Bac Gang, Vietnam

BUSINESS

We had a small production center in Mexico for the manufacturing of our smart vehicles and cockpit products as of December 31, 2024, primarily serving one of our key customers in the smart vehicles industry. We are currently in the process of strategically adjusting the operations of this production center in response to a change in our customer’s own production adjustments and also because we are planning to concentrate the production of our smart vehicles and cockpit products in our other production centers to increase our production and operation efficiency and decrease transportation costs. During the Track Record Period, our Mexico production center did not contribute materially to our production capacity.

The following table sets forth the production capacity and utilization rate for our main product categories for the periods indicated.

<u>Product category</u>	<u>Production capacity (units, pieces in million)</u>			<u>Utilization rate (%)</u>		
	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Smartphones and computers						
Structural parts and functional modules	1,223.3	1,065.1	1,315.7	86.2%	82.3%	87.5%
Complete device assembly	<u>12.0</u>	<u>15.9</u>	<u>22.8</u>	<u>85.2%</u>	<u>91.8%</u>	<u>88.7%</u>
Subtotal	<u>1,235.3</u>	<u>1,080.9</u>	<u>1,338.6</u>	<u>86.2%</u>	<u>82.4%</u>	<u>87.6%</u>
Smart vehicles and cockpit	7.5	17.5	15.2	83.5%	71.4%	88.1%
Intelligent head-mounted displays and smart wearables	75.9	76.9	118.3	77.4%	89.3%	94.6%
Other smart devices	<u>4.4</u>	<u>5.1</u>	<u>14.6</u>	<u>93.8%</u>	<u>83.4%</u>	<u>93.8%</u>
Total	<u>1,323.2</u>	<u>1,180.5</u>	<u>1,486.6</u>	<u>85.7%</u>	<u>82.7%</u>	<u>88.2%</u>

Notes:

- (1) Production capacity is calculated based on the following assumptions: (i) all our production lines and equipment operating in their full capacity, (ii) 10 hours a shift, two shifts a day and (iii) 312 working days a year.
- (2) Utilization rate is calculated by dividing the actual number of units produced in the period by the production capacity of the period.

Production Planning

We typically plan our production on a monthly basis based on the forecasted demand of our customers and the anticipated market trends. We continuously review our production plans and utilization rates and update our production plans at least on a weekly basis, or more frequently on a

BUSINESS

daily basis if required, pursuant to the utilization rate of our factories in the preceding week and the rolling forecasts of customer orders and expected utilization rates. We also strategically plan our production in advance to prepare for seasonal increases in customer orders.

Inventory Management

Our inventories mainly include raw materials, work-in-progress, finished goods and goods in transit. Based on our forecasted orders, our inventory management department conducts a daily check and update of our inventory level and plans our procurement accordingly. We also conduct inventory aging analysis periodically to reduce the risk of inventory obsolescence and employ our intelligent warehousing system to track and manage our inventory aging status.

As of December 31, 2022, 2023 and 2024, our inventories amounted to RMB6,685.0 million, RMB6,682.7 million and RMB7,160.6 million, and our inventory turnover days in 2022, 2023 and 2024 are 67.3 days, 55.9 days and 44.3 days.

Equipment and Machinery

The material equipment and machinery used in our production processes include (i) anode line, typically used in electroplating or anodizing processes to coat materials with a protective or decorative layer; (ii) hot bending machine, used to bend glass or other materials by heating them to a pliable state; (iii) pressurized furnace, a furnace that applies pressure and heat, often used in processes like sintering or bonding materials; (iv) six-station screen printing machine, a machine with six stations for screen printing, allowing for efficient multi-color or multi-layer printing on materials; (v) washing machine, used to clean materials or components during the manufacturing process to ensure they are free of contaminants; (vi) oven, used for baking or curing materials, often to harden coatings or adhesives and (vii) coating machine, used to apply thin films or coatings to materials, such as anti-reflective coatings on glass.

In line with our strategy developing vertically-integrated capabilities, we design and manufacture certain of these equipment ourselves, especially the equipment used in our critical production processes such as the hot bending machine and six-station screen printing machine. We identify aspects of the production processes that can be improved and accordingly undertake research and development activities to design and manufacture equipment that can optimize these areas.

We regularly inspect and maintain the material equipment and machinery used in our production processes and replace worn consumable parts and components. Our major production equipment and machinery have an estimated average useful life of 10 years.

Logistics

Our products are usually stored in our own warehouses located in our production centers before they are delivered to our customers. We primarily use third-party logistics service providers for the delivery of finished goods from our production centers and warehouses to locations specified by our customers. We set strict standards for the transportation of our products that these third-party logistics service providers are required to follow, and we evaluate the third-party

BUSINESS

logistics service providers periodically on their performance and compliance with our requirements to ensure smooth delivery of products to customers. We usually enter into agreements with our logistics service providers on a biennial basis. Our logistics service providers bear the risks associated with the transportation of our products.

Quality Control

We believe that product quality is the cornerstone of our business operations and sustainable growth. We are committed to delivering products that meet the highest industry standards and exceed customer expectations. Our comprehensive quality control and quality assurance systems are integrated into every stage of our vertically integrated production process, ensuring the consistent and reliable production and delivery of high-quality products.

We have established ISO 9001:2008-certified quality management system. We conduct regular internal audits and management reviews of our quality control systems to promptly identify and address potential issues, ensuring continuous improvement and refinement of our quality control systems. In 2023 we received a certification for establishing and applying a quality management system for manufacturing glass cover plate, injection plastic parts, stamping metal parts and touchscreens in accordance with IATF 16949. In 2023, we received IECQ Certificate of Conformity for hazardous substance process management under the European Directive 2011/65/EU in electrical and electronic equipment. In 2024, we received a certification for operating our management system in accordance with ISO 9001:2015.

To ensure product quality, we have established a Quality Control department responsible for implementing quality control measures throughout the entire production cycle, including raw material inspection, in-process quality control, and final product inspection.

We have built in various quality control procedures and processes during our production process to ensure that our product quality meets the expectation and requirement after each critical process, and we monitor the product yield for each of our critical production processes.

We have established a testing center at our Huanghua production center, which has been certified by the China National Accreditation Service for Conformity Assessment. This enables us to carry out certain quality checks and product specification tests required by our customers ourselves instead of engaging third-party agencies for these tests.

Product Returns and Warranty

For our structural parts and modules, our customers will conduct quality check and inspection when they receive the products, and if there are products that do not pass their inspection, they will either return or exchange these products with us. We generally do not offer product warranties for our structural parts and modules once the products have been accepted by our customers.

For our complete device assembly, we typically offer a warranty of a certain period. During the warranty period, we are responsible for repairing or exchanging defective products if the defects are caused by issues in our complete device assembly.

BUSINESS

SALES AND MARKETING

We believe that consistently delivering high-quality products on time that meet and exceed our customers’ expectations is the most efficient sales and marketing approach for us. As such, our sales and marketing activities are focused on maintaining and expanding the scope of our strategic relationships with our customers since we aim to become and remain the strategic long-term partner of our customers.

In addition to maintaining and strengthening relationships with our existing customers, our sales team also proactively explore new partnerships with potential customers, especially as we expand our offering of products and services.

INTELLECTUAL PROPERTIES

We have obtained 2,249 patents, 113 registered trademarks, 127 copyrights and three domain names as of December 31, 2024. See “Appendix IV — Statutory and General Information — Further Information about the Business — Intellectual Property.” These intellectual properties cover our production processes as well as the design of our products.

We rely on a combination of intellectual property protection laws and contractual arrangements (including confidentiality provisions) to establish and protect our proprietary technologies, know-how and other intellectual property rights. Our legal department is primarily responsible for protecting our intellectual properties. We proactively manage and expand our intellectual property portfolio and use confidentiality and non-compete agreements to protect our intellectual properties and trade secrets. Despite our efforts, we may be subject to risks associated with alleged infringement of third parties’ intellectual property rights, or infringement of our intellectual property rights by third parties. See “Risk Factors — Our patents and other non-patented intellectual properties are valuable assets, and if we are unable to protect them from infringement, our business prospects may be harmed.”

During the Track Record Period, we did not experience any material infringement of our intellectual property rights. Neither our Group nor any of our intellectual properties was the subject of, or to the best of the Directors’ knowledge, is expected to be subject to, any material disputes or litigation in relation to the infringement of any intellectual property rights during the Track Record Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

We are committed to ESG initiatives by embedding sustainability into our daily operations and long-term strategies. Driven by technological innovation, we leverage our expertise in glass processing to pioneer advanced materials for consumer electronics and smart vehicles, contributing to industry-wide sustainable development. We advocate clean production and invest in new energy infrastructure to reduce emissions and foster long-term industry growth.

BUSINESS

ESG Governance Structure

Our ESG governance is built on our mission and vision, with a focus on innovation and global leadership. We implement a robust three-tier governance framework supported by over 30 ESG-experienced employees. Each year, our board reviews ESG strategies, assesses risks, and sets objectives. Department heads coordinate implementation, while business units execute projects, monitor progress, and report data. We continuously enhance our ESG strategies through collaboration with internal and external experts.

ESG Risk Identification, Assessment, and Response Summary

By integrating the MSCI ESG Key Issues Framework, SASB Materiality Map and industry-specific key issues analysis, we have identified 30 material issues relevant our operations. Aligned with our commitment to sustainable development and fostering a balanced relationship between humanity and the environment, these issues have been assessed from a multi-stakeholder perspective. We have established corresponding measures to address them:

Category	Material Issues	Importance/Relevance to the Group	Group’s Corresponding Measures
Environmental	Environmental Compliance Management	By complying with environmental regulations, companies can reduce risks and attract green investors.	Adhere to international conventions, national laws, and customer requirements. Set and continuously improve environmental management goals and indicators.
	Water Resource Utilization	Efficient water use and protection can drive economic and environmental harmony while showcasing brand responsibility.	Assess water usage, build a management framework, establish systems, identify risks and opportunities, and implement management measures.
	Energy Utilization	Promote energy saving, green production, and highlight brand responsibility.	Improve energy management, implement clean energy plans, set up monitoring platforms, and establish tiered targets.
	Pollutant Emissions	Implement wastewater reuse and water-saving tech to cut water use and discharge. Through waste sorting and recycling, boost resource efficiency and reduce wastage.	Establish a pollutant management system, conduct impact assessments, implement emission cuts, set pollutant discharge targets, and disclose emission details. Strictly manage pollutants at all stages.
	Waste Management	Improving waste management and promoting recycling show the brand’s environmental commitment.	Follow local laws, manage waste via ISO 14001, and advance the zero-landfill project.
	Climate Change Mitigation	As demand for low-carbon products grows, developing and providing them helps the company meet market needs and achieve growth	The company has systematically identified climate risks and explored opportunities related to short-term and long-term physical and transition risks.

BUSINESS

Category	Material Issues	Importance/Relevance to the Group	Group’s Corresponding Measures
	Circular Economy	Implementing reuse measures reduces raw material and waste disposal costs, and improves resource efficiency. Developing a circular economy drives innovation, creating new markets and product lines.	Purchasing efficient machinery and adopting resource-saving technologies also optimizes resource management and emphasizes recycling and reuse.
	Chemical Usage and Emissions	Reduce hazardous chemicals and pollution to show brand commitment to sustainability.	Manage chemical use and emissions from product design to comply with environmental regulations.
Social	Product and Service Safety and Quality	A robust quality management system helps the company handle regulatory changes and reduce compliance risks. High-quality products open new markets and attract safety-conscious customers.	Actively carry out quality management training and learning activities, absorb advanced quality management concepts and methods, and continuously improve and innovate the quality system and management model of products.
	Supply Chain Security and Management	A strong quality management system helps the company handle regulatory changes and reduce compliance risks.	Actively conduct quality training, adopt advanced concepts, and continuously improve the quality system.
	Protection of Employees’ Legal Rights and Interests	Valuing employee rights, providing fair pay and a good work environment boosts satisfaction and loyalty, reducing turnover and improving efficiency.	Offer comprehensive benefits, respect labor rights, and share sustainable development values with employees.
	Employee Training and Development	A good career development mechanism attracts top talent and boosts competitiveness.	A training system with operational, curriculum, and instructor components has been established.
	Occupational Health and Safety	Good working conditions and safety measures improve employee loyalty and efficiency, enhance corporate cohesion, and attract skilled talent.	An occupational health management system is in place with a dedicated team to identify hazards, conduct monitoring and health checks, and prevent risks.
	Employee Compensation and Benefits	Enhance employee pay and benefits to boost corporate cohesion and drive long-term brand development.	Establish a market-oriented pay system, introduce flexible benefits, improve performance evaluation, and implement equity incentives to increase motivation.
	Stakeholder Communication	Effective communication builds trust with stakeholders and boosts cooperation. Proactive communication shapes a positive image and enhances brand value.	Accurately identify stakeholders, establish a multi-dimensional communication platform, conduct annual ESG surveys, and maintain regular communication.
	Diversity and Equal Opportunity	Eliminate discrimination and create a diverse, equal, and inclusive workplace.	Establish anti-discrimination policies, conduct diverse recruitment, launch empowerment programs, and embrace internationalization.

BUSINESS

Category	Material Issues	Importance/Relevance to the Group	Group’s Corresponding Measures
	Social Contribution	Participating in public welfare and charity enhances visibility, strengthens brand image, and attracts socially responsible customers and partners.	Conduct volunteer activities and focus on community building and social giving.
	Rural Revitalization	Engaging in rural revitalization projects enhances social visibility and corporate image.	Actively participate in targeted poverty alleviation and rural revitalization efforts.
	Customer Rights	Protect customer rights, optimize service quality, and build a win-win customer relationship system.	High-quality products and services, customer-centric thinking, and wholehearted service build strong customer trust.
	Data Security and Customer Privacy Protection	High-standard information security services attract customers with high security needs. A robust security and privacy management system enhances trust and competitiveness.	Based on ISO/IEC 27001:2022 and other requirements, the Group has developed a manual to ensure zero loss and leakage, achieving 100% compliance.
	Fair Treatment of Small and Medium-sized Enterprises	Fair treatment of SMEs builds a stable and efficient supply chain.	Maintain integrity with suppliers, make timely payments, protect SME rights, and optimize the business environment.
Governance	Shareholder Rights Protection	Protecting shareholder rights enhances the company’s image and attracts more investments.	The Company establishes a governance structure to ensure all shareholders can fully exercise their rights and enjoy equal status, in line with its Articles of Association.
	Innovation-Driven Development	Technological innovation helps develop core technologies with independent IP, gaining market leadership and enhancing competitiveness and profitability.	The company continuously invests in R&D, establishes research institutes, and focuses on improving product quality and competitiveness.
	Due Diligence	Without a robust due diligence system, failure to identify or control ESG issues can impact sustainable development.	Establish a sustainability compliance framework, assemble a professional team, and enhance employee sustainability awareness.
	Corporate Governance	Standardized operations of the three meetings improve decision-making efficiency and competitiveness, ensuring long-term interests and sustainable development.	The company adheres to relevant laws and regulatory requirements, has a governance structure centered on the “three meetings and one level,” and ensures scientific decision-making and transparent operations through comprehensive rules.

BUSINESS

Category	Material Issues	Importance/Relevance to the Group	Group’s Corresponding Measures
	Anti-Bribery and Anti-Corruption	A robust anti-bribery and anti-corruption mechanism boosts governance transparency and builds shareholder and customer trust. Regular risk assessments help identify and avoid legal and financial risks.	The Group has set up an Internal Inspection Department developed integrity management systems, and opened a dedicated complaint channel.
	Compliance and Risk Control	A sound risk management mechanism offers clear risk information for decision-making. Risk assessment enables efficient resource allocation and focuses on major risks.	Establish a sustainability compliance framework, assemble a professional team, and enhance employee sustainability awareness.
	ESG Governance	A robust ESG governance mechanism boosts market competitiveness and attracts investors and customers. Establishing an ESG governance mechanism achieves sustainable development.	Construct a comprehensive risk management framework and a sound internal control system to manage operational risks.
	Anti-Unfair Competition	A sound management system ensures legal compliance and reduces legal and financial risks.	Strengthen governance by improving structure, establishing systems to prevent unfair competition, and adhering to ethical guidelines and codes of conduct.
	Intellectual Property Rights Protection	Establish an IPR protection system, standardize IPR management, and demonstrate brand awareness.	Prevent infringement through patents and trademarks. A comprehensive IPR management system is in place to promote professional, systematic, and standardized IPR work.

Environmental Indicators and Management

We integrate environmental management into operations, adhering to sustainability and pollution prevention. We comply with regulations, conserve energy, reduce emissions, and maintain a comprehensive system with standardized documentation and regular monitoring.

Emissions

Our key emissions include exhaust gases, solid waste, and industrial wastewater. Key highlights in 2024 include:

- Exhaust Gas Management: Invested RMB24.03 million to upgrade facilities using activated carbon adsorption and low-temperature plasma, reducing VOC emissions by 42.09 metric tons and ensuring compliance with standards.
- Solid Waste Management: Successfully utilized over 189,356.9 tons of waste through our “Zero Landfill” initiative, minimizing landfill waste.

BUSINESS

- Wastewater Management: Liuyang production center received recognition for outstanding water-saving practices, emphasizing our commitment to water efficiency and reduced wastewater discharge.

As of December 31, 2024, the emission data for exhaust gases, wastewater and waste generated by us during the Track Record Period are as follows:

Classification	Unit	2022	2023	2024
Exhaust Gas				
Nox	kg	3,500	9,380.27	5,393.39
Sox	kg	1,262.51	5,384.3	3,485.47
PM	kg	<u>11,946.47</u>	<u>48,767.24</u>	<u>28,716.26</u>
Wastewater				
Total Water Consumption . .	tonnes	34,318,201	32,369,502	36,596,517
Recycled Amount	tonnes	<u>6,686,210</u>	<u>5,599,585</u>	<u>5,524,543</u>
Waste				
Hazardous Waste	kg	8,018,260	7,399,330	10,012,460
Non-hazardous Waste	kg	167,774,510	186,159,280	194,340,220
Recycled Volume of				
Hazardous Waste	kg	627,030	453,430	694,290
Recycled Volume of Non-				
hazardous Waste	kg	<u>159,436,230</u>	<u>163,297,710</u>	<u>188,662,570</u>

Resource Consumption

Our main resource consumptions are energy and water. By December 31, 2024, we have established 12 reclaimed water recycling stations, achieving an annual recycled water volume of over 1,125.9 million tons. Household and kitchen waste are fully collected and utilized for bioenergy and biogas power generation. Over 90% of industrial waste is recycled, further reducing carbon emissions.

In December 2024, *Lens Technology Songshan Lake Park* was listed in the *MIIT 2024 Annual Green Manufacturing List*.

BUSINESS

Details of our resource consumption during the Track Record Period are as follows:

Resource Classification	Unit	2022	2023	2024
Electricity	MWh	4,492,475	4,140,715	4,515,729
Water Resources	tonnes	27,631,991	26,769,917	31,071,974

Aligned with our current business operations and industry practices, we have established the following energy management goals to drive sustainable transformation

- Implement energy-saving retrofit projects across the entire business chain. The average annual energy-saving growth rate will be no less than 3% from 2025 to 2030, with the energy savings in 2030 exceeding 60 million kilowatt-hours.
- By 2030, the proportion of clean energy usage will be increased to 60%. The scale of green electricity procurement will be expanded year by year, with the green electricity consumption ratio breaking through 30% by 2030.

We implemented the “New Product Development Control Procedure” to assess environmental impacts throughout the product lifecycle to minimize resource use, energy consumption, and pollution, ensuring sustainable design and production.

Carbon Management

We integrate sustainability into procurement by prioritizing environmentally friendly materials and suppliers with strong resource conservation practices. In 2024, we executed 45 energy-saving projects, reducing carbon emissions by 2.7 million tons of CO₂.

In recognition of our efforts, we were named an “Outstanding Practice Case for Enterprise Green and Low-Carbon Development in 2024” by the China Enterprise Confederation.

BUSINESS

Details of our carbon emission during the Track Record Period are as follows:

Classification	Unit	2022	2023	2024
Scope 1	Metric tonnes of carbon dioxide equivalent	18,441.858	19,055.210	25,953.347
Scope 2	Metric tonnes of carbon dioxide equivalent	2,628,569.730	2,372,615.850	2,613,215.071
Scope 3	Metric tonnes of carbon dioxide equivalent	4,662.280	4,611.061	5,363.140

To support China’s 2030 “carbon neutrality” goal, we’ve set the following carbon emission targets based on current operations and industry practices to drive sustainable transformation:

- Taking the year 2024 as the baseline, we plan to reduce the carbon emission intensity (tCO₂/ten thousand yuan of output value) of our operations (Scope 1, Scope 2, and Scope 3) by 20% over the next five years.

Identification of climate-related risks and opportunities

We prioritize climate-related governance and have systematically identified both physical and transition risks, assessing their potential impacts:

➤ **Climate Physical Risks**

- a. **Short-term Risks:** Our production facilities in regions like Hunan, Guangdong, and Jiangsu are vulnerable to extreme weather threats such as floods and typhoons, which could disrupt operations, transportation, and warehouse safety, resulting in increased costs.
- b. **Long-term Risks:** Rising global temperatures may impact employee health and productivity, necessitating investments in protective measures and workplace improvements, which could increase labor costs.

➤ **Climate Transition Risks**

- a. **Policy and Compliance Risks:** Stricter environmental regulations require us to enhance emission controls, leading to higher compliance costs and potential impacts on brand reputation.

BUSINESS

- b. Market and Consumer Demand Risks:** The growing demand for sustainable products drives the need for green transformation; failure to adapt could negatively impact market share.

While managing these risks, we actively seek opportunities for sustainable growth:

- **Renewable Energy:** We promote solar and wind energy adoption within our operations and supply chain, reducing carbon emissions and energy costs.
- **Products and Markets:** Increasing consumer awareness of sustainability, creates opportunities for green products, enabling market expansion.
- **Policy Support and Competitive Advantage:** Developing a green supply chain enhances brand recognition, ensures compliance with evolving carbon standards, and supports long-term growth.

Corporate Strategy and Objectives: We integrates climate risks into strategic decisions, assesses climate impacts on the value chain, upgrades facilities, deploys renewable energy and recycling solutions, implements emission reduction plans, promotes low-carbon technologies, and explores green business models.

Social Indicators and Management

As a leading precision manufacturing platform for smart devices, we are committed to corporate social responsibility by fostering positive social impact through occupational safety, employee development, sustainable supply chains, consumer rights protection, and social welfare initiatives.

Employee Employment

We prioritize employee rights and welfare, ensuring a fair and equitable employment system. We strictly comply with the *Labor Law of the People’s Republic of China*, the *Labor Contract Law of the People’s Republic of China* and other relevant labor regulations to ensure full protection of employees’ legal rights. We’ve established a diversified compensation and benefits system with transparent performance evaluations and incentives to enhance well-being. We also promote engagement through community activities and long-term rewards.

In 2024, we were selected as one of the top 100 employers by 58.com and ranked 20th in China’s Top 100 Best Employers by HR Value Network.

BUSINESS

The breakdown of our employee as of year-end 2024 is summarized as follows:

➤ *By Gender*

<u>Year</u>	<u>Male</u>	<u>Female</u>
2024	82,478	53,980

➤ *By Age*

<u>Year</u>	<u>Below 30 Years Old</u>	<u>31–45 Years Old</u>	<u>Above 45 Years Old</u>
2024	46,365	76,296	13,797

➤ *By Geographic Distribution*

<u>Year</u>	<u>Local Employees</u>	<u>Non-Local Employees</u>
2024	79,640	56,818

During the Track Record Period, we strictly enforced the *Management Procedures for Prevention of Involuntary Labor*, ensuring no forced labor or employment of minors while upholding voluntary overtime and resignation rights.

- **Compensation System:** Salaries are based on position, skills, and performance, ensuring fairness and competitiveness. Employees can dispute salary details through official channels. A *Remuneration and Evaluation Committee*, led by an independent director, regularly reviews market salary data to maintain internal fairness and external competitiveness.
- **Employee Benefits:** We provide a modern workplace, team-building activities, and an *Employee Care Center* offering mental health support. Our *Employee Assistance Program* facilitates psychological well-being and professional growth.
- **Employee Feedback Mechanism:** Employees can voice concerns through suggestion boxes, emails, forums, and representative meetings. HR hosts quarterly forums and new hire feedback sessions. In 2024, we conducted 172 psychological knowledge lectures (7,163 participants), 525 home visits (6,972 participants), 4,365 “Project 520” sessions (61,017 participants), and 1,778 employee seminars (30,085 participants).

BUSINESS

Staff Development and Training

The company attaches great importance to the life safety and health of its employees. Occupational health management systems have been established in all company campuses, with dedicated teams in place to identify and assess occupational hazards. Professional personnel are invited to conduct on-site monitoring and health check-ups.

As of today, our career development and vocational skills training during the Track Record Period is as follows:

<u>Classification</u>	<u>Unit (of measure)</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Duration of training	Hours	395,336	395,563	391,424
Number of persons trained	Person-times	<u>1,433,749</u>	<u>1,013,933</u>	<u>1,568,092</u>

Sustainable Supply Chains

We ensure a sustainable supply chain through strict supplier selection, performance evaluation, and dynamic management.

As of December 31, 2024, our suppliers are mainly divided into Mainland China and those from outside Mainland China. The distribution of suppliers during the Track Record Period is as follows:

<u>Regional distribution of suppliers</u>	<u>Unit (of measure)</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Mainland China	Entities	1,346	1,636	1,923
Outside the Mainland (including Hong Kong, Macao, and Taiwan regions)	Entities	<u>193</u>	<u>260</u>	<u>310</u>

Supplier Access Assessment and Introduction Management

We classify suppliers into material, equipment, and engineering categories, conducting strict qualification assessments before onboarding. Suppliers must meet environmental and safety standards, with polluting enterprises required to hold *ISO14001* certification. Those handling hazardous chemicals must provide relevant licenses. All suppliers sign social responsibility and environmental agreements, adhering to *Responsible Business Alliance (RBA)* standards and compliance documents such as REACH and VOC declarations.

BUSINESS

Supply Chain Daily Management

We conduct continuous supplier evaluations, adjusting strategies based on real-time performance data.

- **Supplier Performance Management:** Monthly appraisals cover quality, procurement, technology, and hazardous substances management.
- **Social Responsibility:** Key suppliers undergo annual audits to ensure compliance with labor, environmental, and ethical standards. High-pollution suppliers require prior environmental approval.
- **Trade security:** Vendors must provide trade security certificates or sign customs agreements, with regular compliance checks.
- **Proof of origin:** Suppliers must follow import regulations, label the country of origin, and provide relevant certificates.
- **Integrity Procurement:** Suppliers sign confidentiality and social responsibility agreements; violations lead to suspension. Reporting channels are available for complaints.
- **Conflict-Free Raw Material Management:** We ensure traceability of gold, tantalum, tin, tungsten, and cobalt, requiring conflict-free certification and OECD-compliant due diligence. All suppliers sign a *Conflict Minerals Questionnaire* and submit regular compliance reports.

Product Responsibility

We are committed to delivering high-quality, innovative, and sustainable products, that meet environmental, social, and quality standards. Through our *Innovation Research Institute* and rigorous testing, we continuously enhance product safety and performance. Customer needs are central to our operations. Following the vision “*to lead industry trends through technological innovation and forge a global leading smart manufacturing enterprise,*” we have had no major product recalls over the past three years.

Innovative Design and Research and Development

We integrate both vertical and horizontal supply chain strategies. By advancing *lean production, automation, and new materials*, we enhance efficiency, reduce costs, and strengthen market competitiveness. Our *Innovation Research Institute* on the research and development of brittle materials, applications of new energy and optics, artificial intelligence and others.

- **Accelerating Intelligent Manufacturing:** We’re transforming “Made in China” to “Smart Manufacturing in China” via smart manufacturing factories, industrial IoT, and automation. Lens Xiangtan lead in IoT, smart warehousing, and full automation, earning high customer recognition.

BUSINESS

Intellectual Property Protection

We adhere to patent, trademark, and copyright laws, establishing a structured *Intellectual Property Management System* to safeguard innovation. As of December 31, 2024, we hold 2,249 valid patents, including 495 invention patents, 1,619 utility model patents, and 135 design patents, alongside 127 software copyrights.

High Standards of Quality Assurance

We ensure all products meet international quality standards, with accredited *Testing and Metrology Centers* certified under ISO/IEC 17025:2017 and CNAS standards. We hold four national laboratory accreditations, reinforcing our commitment to excellence in quality and environmental sustainability.

Community and Public Goods

Over the years, we have continuously conducted various volunteer service activities, actively participated in community building, and also focus on giving back to society through various initiatives. In 2024, we donated RMB5 million in funds and RMB1 million worth of supplies to the Yueyang disaster area through the Hunan Charity Federation. These contributions were primarily allocated to support flood prevention, disaster relief, and post-disaster reconstruction efforts in Yueyang.

Privacy and Data Security

We prioritize data security and privacy protection, strictly adhering to the *Network Security Law*, *Personal Information Protection Law*, *Data Security Law*, and *ISO 27001* standards.

➤ **Data Security Protection**

- a. **Information Security Practices:** We conduct regular security drills, disaster recovery tests, and penetration testing to identify and resolve vulnerabilities. Annual *ISO 27001* internal and external audits ensure compliance and continuous improvement in data security management.
- b. **Information Security Incident Plan and Summary:** Our *Information Security Incident Management Specification* outlines response mechanisms for security threats, supported by predefined workflows and preventive measures to minimize risks.
- c. **Information Security Education and Training:** New employees undergo mandatory online and offline security training on data protection and confidentiality. Passing an examination is required before starting work, reinforcing compliance with security protocols.

BUSINESS

Anti-Corruption

We maintain a zero-tolerance policy against bribery and corruption, overseen by the *Internal Inspection Department*, which ensures compliance with anti-corruption regulations.

- a. **Internal Employees:** Employees must sign the *Ten Provisions on Integrity and Self-Discipline of Management Personnel*, undergo annual anti-corruption training, and adhere to a “one-vote veto” policy in promotions.
- b. **Suppliers:** Suppliers must comply with the *Confidentiality Agreement on Honesty and Integrity* and the *Code of Business Conduct*. First-time suppliers undergo audits, and violations result in blacklisting or disqualification.
- c. **Complaint Handling:** We have opened a special complaint channel for employees, customers or suppliers to report irregularities and violations of the law.

DATA PRIVACY AND CYBERSECURITY

In recent years, data privacy and cybersecurity have emerged as critical governance priorities for companies worldwide. In particular, the PRC legislative and government authorities regularly introduce new cybersecurity, data security and privacy laws and regulations. Consequently, our practices regarding the collection, process and transfer of various types of data may come under increased administrative scrutiny. See “Risk Factors — Risk Relating to Our Business Operations — Our operations rely on complex information technology systems and networks, and our business and reputation may be impacted by information technology system failures, network disruptions or cybersecurity breaches.”

We collect and store business data, management data and transaction data generated during or in connection with our business operations, including data related to our business and transactions with our customers, suppliers and other relevant parties. We generally do not collect or process individual customers’ personal information since our customers are brand companies rather than individuals.

We have established a comprehensive data compliance system that consists of organizational structure and internal policies. Specifically, we have established our Group Data Security Handbook pursuant to the requirements under ISO27001 and have set up data security operational platforms covering multiple areas of our business operations, from terminals, network, application, computers to data security. Our platforms and procedures ensure that we have a comprehensive set of protocols covering the prevention of data breaches, immediate action and response in case of data incidents and post-incident assessment and analysis. Our data security policies have been certified under ISO27001 and ISO20000. In addition, we conduct annual trial runs of data breach incidents to test our data protection mechanism and provide various data security trainings to our employees (including trainings during their on-boarding process) to ensure that our employees are well aware of our data security policies and their responsibilities in terms of data protection. We require our employees to pass our data security tests before they can commence working for us.

BUSINESS

Our legal and information technology departments are responsible for developing and implementing our policies and procedures relating to cybersecurity and data security.

INFORMATION TECHNOLOGY

Our information technology systems are essential to our business operations. We have developed or employ various information technology systems covering all material aspects of our operations, including sales, supply chain management, inventory management, production and quality control. Our information technology department is responsible for developing and maintaining information technology systems to support our business operations and growth.

Our key information technology systems are set forth below:

- Our Customer Relationship Management system manages customers’ information and sales processes. It helps to track potential customers and sales opportunities in order to enhance efficiency, reduce human errors and increase customer satisfaction.
- Our Enterprise Resource Planning system provides a unified platform that enables cross-departmental collaboration and enhances overall operational efficiency. It delivers real-time business data to help management in decision-making.
- Our Supplier Relationship Management system optimizes supply chain processes by predicting demand, managing inventories, reducing costs and enhancing the flexibility of the supply chain. It helps to ensure timely supply of raw materials and products.
- Our Manufacturing Execution system ensures efficient production while maintaining our quality standards. Used for planning and controlling various stages of production processes, it optimizes resource allocation, improves production efficiency, shortens production cycles, and ensures product quality consistency.
- Our Quality Management system monitors and controls product quality to ensure compliance with our and industry standards. By conducting quality inspection and analysis, it detects and resolves quality issues early on and minimizes product defects.
- Our Warehouse Management system optimizes inbound and outbound logistics and inventory management. By reducing storage costs, improving order processing speed and enhancing warehouse space utilization, it improves warehouse efficiency, reduces errors and ensures our inventory data accuracy.

COMPETITION

We operate in a highly competitive market, and we mainly compete with other providers in the global precision manufacturing industry. Our ability to maintain and grow our market share depends on us competing effectively against our competitors. The competitive landscape is shaped by multiple factors, including the growth of our customers and their respective industries, advancements in technology, emergence of new materials or technology, production capacity, regulatory changes and general economic conditions. Despite high barriers to entry, new market participants may emerge, introducing innovative or cost-effective products that challenge existing

BUSINESS

players. If we are unable to keep pace with such advancements or fail to differentiate our products in terms of quality or cost, we risk losing market share to our competitors. See “Industry Overview” for details relating to our competitive landscape.

INSURANCE

We maintain insurance policies to cover product liability and employer liability. In addition, we have purchased a number of property, equipment and transportation related insurance policies covering our facilities, machinery, equipment, inventories and other tangible assets. We review our insurance policies from time to time to assess the adequacy and breadth of coverage. We believe that our existing insurance coverage is adequate for our business operations and is in line with industry standards. Nevertheless, we may be exposed to claims and liabilities which exceed our insurance coverage. See “Risk Factors — Risks Relating to our Business Operations — Our insurance coverage may not cover all losses” for details.

During the Track Record Period, we had not made, and were not the subject of, any insurance claims which are material to our business or financial condition.

PROPERTIES

As of December 31, 2024, we operated our business through owned and leased properties in 20 locations in countries including China, Vietnam and Mexico. We primarily use our owned and leased properties as our production centers and office premises.

As of December 31, 2024, we had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Rule 5.01A of the Hong Kong Listing Rules to include any valuation report in this Document. Pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this Document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

Owned Properties

As of December 31, 2024, we owned properties in 12 locations with a gross floor area of over six million square meters in China, Vietnam and the United States. We mainly use these properties as our production centers and office premises, of which, we are currently applying for property ownership certificates for four properties with an aggregate gross floor area of approximately 110 thousand square meters. With respect such properties, based on interviews with the relevant regulatory authority, and considering that these properties are either not used as production facilities or not in actual use, we could find alternative properties to use if needed, our PRC Legal Advisor is of the view that such circumstance would not have any material adverse impact on our business operation.

BUSINESS

Leased Properties

As of December 31, 2024, we leased properties in eight locations with a gross floor area of over 100 thousand square meters in mainland China, Hong Kong, Japan, Mexico, Vietnam and Singapore, mainly as our employee dormitories, production centers and office premises. According to applicable PRC laws and regulations, the lessor and the lessee to a lease agreement are required to file the lease agreement with relevant government authorities within a prescribed time period. As of the Latest Practicable Date, with respect to 15 leased properties in mainland China with relatively large gross floor area, we had not filed the lease agreements. As advised by our PRC Legal Advisor, the absence of registrations will not affect the validity of the lease agreements, nor materially and adversely affect our operations.

EMPLOYEES

As of December 31, 2024, we had 136,458 full-time employees, with approximately 96% of our employees located in China. The following table sets forth a breakdown of our full-time employees by function as of December 31, 2024.

Function	As of December 31, 2024	
	Number	%
Production	98,853	72.4%
R&D and technical personnel	24,545	18.0%
Administrative	11,820	8.7%
Sales and marketing	899	0.7%
Finance	341	0.2%
Total	136,458	100.0%

We provide our employees with certain benefits including social insurance coverage and retirement benefits. We enter into individual employment contracts with our employees to cover matters such as wages, employee benefits, confidentiality and grounds for termination. Our employees’ compensation is determined with reference to their job positions, technical skills, job performance and competition.

We have various employee training programs that aim to enhance our employees’ technical skills and innovation capability. Our employee training system is centred around three pillars, namely our operational system, our class system and our instructor system. Our operational system governs the design and implementation of our training policies; our class system decides our training content, and our instructor system makes sure that we have the right instructors who can properly train and inspire our employees.

BUSINESS

None of our employees are represented by a union or collective bargaining agreements. We believe that we have good employment relationships with our employees. During the Track Record Period, we did not experience any strikes, work stoppages, labor disputes or actions which had a material adverse effect on our business and operations.

RISK MANAGEMENT AND INTERNAL CONTROL

Our future operating performance may be affected by risks relating to our business. Some of these risks are specific to us while others relate to economic conditions and the general industry in which we operate. See “Risk Factors” for a discussion of these risks.

The Board of Directors and our senior management are responsible for establishing and maintaining adequate risk management and internal control systems. Risk management is the process designed to identify potential events that may affect us and to manage risks to be within our risk appetite. Internal control is the process designed to provide reasonable assurance regarding achievement of objectives related to effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

Risk Management and Internal Control Policies

We have implemented or will adopt upon [REDACTED] a number of policies and measures to manage our risks and set up proper internal controls. These policies cover areas such as (i) the duties and roles of the Directors, the Board and our senior management; (ii) social and environmental matters, including policies on diversity; (iii) financial reporting; (iv) whistleblowing; (v) prevention of market misconduct and (vi) compliance with the Hong Kong Listing Rules.

Under our risk management and internal control policies, the Board oversees risk management and internal control systems on an ongoing basis and reviews the effectiveness of these systems.

In February 2025, we engaged an independent consulting firm to perform a review over our internal control. The key areas of inspection include financial reporting and disclosure, research and development management, management policies over sales, supply chain controls, trade receivables and payables management, product safety control, inventory management, intangible assets management, human resource and remuneration management, capital management, tax management, insurance management, contract control and information system control.

LICENSES, PERMITS AND APPROVALS

We are required to obtain or maintain various licenses, permits and approvals in order to operate our business. We believe we have all material licenses, permits and approvals necessary in order to operate our business. We continually monitor our compliance with these requirements in order to ensure that we have all such approvals, licenses and permits as are necessary to operate our business.

We had not experienced any material difficulties in renewing our material licenses, permits or approvals during the Track Record Period and do not expect there to be any material difficulties in renewing them upon their expiry.

BUSINESS

LEGAL PROCEEDINGS

We may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business. As of the Latest Practicable Date, there were no litigation, arbitration or administrative proceedings pending or threatened against us or any of our Directors which could have a material and adverse effect on our financial condition or results of operations.

During the Track Record Period and up to the Latest Practicable Date, there were no material breaches or violations of laws or regulations applicable to us which are expected to have a material adverse effect on our business, financial condition or results of operations.

FINANCIAL INFORMATION

You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountants’ Report in Appendix I to this Document. Our consolidated financial information has been prepared in accordance with the IFRS Accounting Standards.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this Document, including but not limited to the sections headed “Risk Factors” and “Business.”

For the purpose of this section, unless the context otherwise requires, references to 2022, 2023 and 2024 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are an industry-leading integrated one-stop precision manufacturing solution provider. We are focused on technological innovation and empowered by smart manufacturing. In terms of revenue in 2024, we are a global leading player in precision structural parts and modules integrated solutions for both consumer electronics and smart vehicles interaction systems.

We currently offer a comprehensive suite of precision manufacturing solutions in consumer electronics, smart vehicles and other smart devices, including various structural parts, functional modules and others, such as complete device assembly.

Our structural parts and functional modules are specifically designed and manufactured pursuant to the customizations and needs of our customers for use in (i) smartphones and computers, (ii) smart vehicles and cockpits, (iii) intelligent head-mounted displays and smart wearables and (iv) other smart devices which include smart retail devices. Our customers during the Track Record Period were mainly global brand companies in the consumer electronics and smart vehicles industries.

We achieved strong growth of both our revenue and our profit for the year during the Track Record Period. In 2022, 2023 and 2024, our revenue amounted to RMB46,698.5 million, RMB54,490.7 million and RMB69,896.8 million, representing a year-on-year growth of 16.7% in 2023 and 28.3% in 2024. In 2022, 2023 and 2024, our profit for the year amounted to RMB2,519.8 million, RMB3,041.8 million and RMB3,676.9 million, representing a year-on-year growth of 20.7% in 2023 and 20.9% in 2024.

FINANCIAL INFORMATION

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial condition are affected by a number of general factors influencing the overall global precision manufacturing industry. These factors include macroeconomic trends, industry development and competitive landscape in the market. Any adverse development can have a negative impact on our results of operations.

In addition to these general factors, our results of operations are affected by the following specific factors:

Maintaining and Growing Our Relationship with Our Existing Customers

Our results of operations have been and are expected to be affected by our ability to maintain and grow our relationship with our existing customers, which is in turn affected by many factors, including the global consumers’ demand for consumer electronics and smart vehicles and our product and service offerings.

We generate our revenue primarily from providing structural parts, functional modules and complete device assembly to global brand companies in the consumer electronics and smart vehicles industries. Unfavorable changes in global economic conditions and consumer spending could negatively affect demand for consumer electronics and smart vehicles, which in turn will negatively affect our customers’ demand for our products and services and materially and adversely affect our results of operations.

In addition, consumer electronics and smart vehicles industries are characterized by intense competition and constant price reduction pressures in recent years. As a result, our customers face ongoing pressure to launch new products at competitive prices, which in turn requires us to (i) advance our technologies and production techniques to develop, together with our customers, end products with innovative features and specifications and (ii) optimize our production efficiency to lower our production costs. Our ability to achieve technological innovation and to enhance our production efficiency and manage our production costs will affect our customers’ demand for our products and services as well as our profit margins.

Furthermore, our ability to grow our relationship with our existing customers is affected by our ability to (i) advance our research and development to produce new products that meet our customers’ evolving requirements and (ii) cross-sell additional products and services to our customers, which in turn depend on the growth or upgrade of our production techniques, products and services through technological innovation.

Further Penetration into New End Markets

Our ability to continue to grow our business will depend on our capability to enter or further penetrate into new end markets. We have been continuously growing our portfolio of products and services to capture emerging opportunities from new end markets or application scenarios. For example, we expanded into the smart vehicles industry in 2018, and in 2022, 2023 and 2024, smart vehicles and cockpits related revenue accounted for 7.7%, 9.2% and 8.5% of our total revenue in

FINANCIAL INFORMATION

the respective periods. We also successfully entered the smart retail industry with our smart retail devices in 2024, and we have recently expanded into the humanoid robots industry, having delivered the first batch of humanoid robots in January 2025.

Even though we currently only generate an immaterial portion of our revenue from new end markets such as humanoid robots, we expect that our revenue from these new end markets will grow in the future due to the anticipated development of these markets. Our ability to successfully capitalize on such development and acquire new customers in these markets, which depends on our research and development capabilities in these new end markets and the demand of brand companies in these markets, will affect our business and financial condition.

Product Mix and Pricing

Our revenue and profitability are affected by the mix of our products and solutions. In line with our strategy of offering vertically integrated solutions to our customers, we have been expanding our product and solution offerings along the precision manufacturing industry value chain. Our product offerings have expanded from cover glass for mobile phones to structural parts for various consumer electronics and smart vehicles, as well as functional modules and complete device assembly. Our wide range of products and solutions have highly different selling price and margin profile. For example, our gross margin for complete device assembly was (1.6%), 2.6% and 1.3% in 2022, 2023 and 2024, significantly lower than our overall gross margin. Even within the same category of products, we offer an extensive range of different products with varying prices and margin profiles. In particular, part of our complete device assembly business was performed under the buy-sell model, under which we buy all the raw materials and components and sold the complete device, instead of charging a processing fee. As such, complete devices sold under the buy-sell model are associated with much higher selling prices but lower gross profit margin. Our profitability is also affected by our ability to price our products and solutions to achieve our intended profit margins. If we are unable to manage our portfolio of products and solutions or to price our products and solutions to achieve our desired profitability, our business and financial condition will be adversely affected.

Ability to Control Cost of Sales

Our cost of sales mainly includes costs of raw materials and components used in the production of our products, such as glass, metals and the electronic components used in our functional modules, as well as labor costs, depreciations costs, power costs and transportation costs associated with the production of our products.

Our ability to control our cost of sales is crucial in maintaining our desired profitability. While we are able to source our raw materials and components through a variety of sources (other than the raw materials and components specifically designated by our key customers, for which our key customers are responsible for negotiating the supply terms), if the availability of, or access to, or the cost of purchasing certain raw materials or components that we need to manufacture our products is adversely affected (for example, due to a decrease in the number of suppliers of such materials or a reduction in the overall availability of such materials, whether due to a lack of supply or increased demand from our competitors or fluctuations in market prices), we may have to pay

FINANCIAL INFORMATION

more for these materials. Our ability to maintain a high product yield rate also impacts our raw materials cost. Increased raw material or components costs will reduce our profit margins if we are unable to recover these additional costs through higher selling prices or increased production efficiencies.

In addition, while a large part of our production equipment and facilities has been automated, labor costs remains a key component of our cost of sales. If we experience any significant increase in labor costs and we are unable to upgrade our production in time to compensate for such increase, our business and financial condition will be affected.

Foreign Exchange Fluctuations

Our reporting currency is the RMB. The functional currency of the majority of our subsidiaries is the RMB. Some of our sales, purchases, trade receivables and payables and bank balances are recorded or denominated in foreign currencies. Consequently, foreign currency exchange rates have a significant impact on our consolidated financial information.

Foreign currency transactions are translated into the functional currency using the exchange rates at the end of the previous month. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. In 2022, 2023 and 2024, we recorded foreign exchange gains of RMB231.5 million, RMB59.5 million and RMB193.2 million.

For further details regarding the carrying amounts of our monetary assets and liabilities denominated in foreign currencies and the effect of foreign currency fluctuations on our results of operations, see Note 41 to the Accountants’ Report set out in Appendix I.

Research and Development Efforts and Achievements

Research and development are crucial to our sustained business growth as our competitiveness depends on our ability to develop and implement new technologies and production techniques to address evolving needs of our customers. Therefore, we have been investing and will continue to invest in research and development efforts. In 2022, 2023 and 2024, our research and development expenses amounted to RMB2,105.0 million, RMB2,316.6 million and RMB2,784.8 million, representing 4.5%, 4.3% and 4.0% of our total revenue in the respective periods.

Our research and development achievements affect our business in multiple ways, such as (i) whether we will be successful in maintaining our relationships with our existing customers and acquiring new customers, (ii) whether we can expand our portfolio of products and services and (iii) whether we can manage our production costs by employing more advanced and automated production equipment or by maintaining high product yields. We cannot assure you that our research and development efforts will achieve our intended results, or that we will be able to

FINANCIAL INFORMATION

successfully implement new technologies or technologies resulting from our research and development to achieve our intended benefits. In this case, our business and financial condition will be adversely affected.

BASIS OF PRESENTATION

Our financial information during the Track Record Period has been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the International Accounting Standards Board. Our financial information during the Track Record Period has been prepared under the historical cost convention, except for certain financial assets which have been measured at fair value. See note 1 to Appendix I — Accountants’ Report.

MATERIAL ACCOUNTING POLICIES AND ESTIMATES

Note 4 to Appendix I — Accountants’ Report to this Document sets forth certain material accounting policies, which are important for understanding our financial condition and results of operations.

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions and judgments based on past experiences and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. During the Track Record Period, there was no material deviation between our management’s estimates or assumptions and actual results, and we did not make any material changes to these estimates or assumptions. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

FINANCIAL INFORMATION

RESULTS OF OPERATIONS

	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)					
Revenue						
Contracts with customers . . .	46,603,225	99.8%	54,364,061	99.8%	69,756,758	99.8%
Leases	95,321	0.2%	126,673	0.2%	140,018	0.2%
Total revenue	46,698,546	100%	54,490,734	100%	69,896,776	100%
Cost of sales	(38,151,630)	(81.7%)	(45,998,870)	(84.4%)	(59,713,283)	(85.4%)
Gross profit	8,546,916	18.3%	8,491,864	15.6%	10,183,493	14.6%
Other income	678,576	1.5%	1,017,209	1.9%	567,024	0.8%
Impairment losses under expected credit loss ("ECL") model, net of reversal	43,962	0.1%	1,259	0.0%	(33,859)	0.0%
Other gains and losses	321,012	0.7%	218,657	0.4%	384,380	0.5%
Selling expenses	(708,849)	(1.5%)	(674,057)	(1.2%)	(705,599)	(1.0%)
Administrative expenses	(3,239,490)	(6.9%)	(2,910,299)	(5.3%)	(3,368,955)	(4.8%)
Research and development expenses	(2,104,976)	(4.5%)	(2,316,619)	(4.3%)	(2,784,813)	(4.0%)
Other expenses	(10,032)	0.0%	(6,848)	0.0%	(8,216)	0.0%
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Share of results of investments accounted for using the equity method . .	3,987	0.0%	(57,291)	(0.1%)	3,899	0.0%
Finance costs	(616,216)	(1.3%)	(509,986)	(0.9%)	(388,438)	(0.6%)
Profit before tax	2,914,890	6.2%	3,253,889	6.0%	3,848,916	5.5%
Income tax expense	(395,069)	(0.8%)	(212,062)	(0.4%)	(172,061)	(0.2%)
Profit for the year	2,519,821	5.4%	3,041,827	5.6%	3,676,855	5.3%
Profit for the year attributable to:						
Owners of the Company	2,448,037	5.2%	3,021,342	5.5%	3,623,901	5.2%
Non-controlling interests	71,784	0.2%	20,485	0.0%	52,954	0.1%

FINANCIAL INFORMATION

NON-IFRS MEASURE

To supplement our consolidated financial statements that are presented in accordance with IFRS, we also use adjusted profit/(loss) for the year/period (a non-IFRS measure) and adjusted net margin (a non-IFRS measure), as additional financial measures, which are not required by, or presented in accordance with IFRS. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period by eliminating potential impact of certain items. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated financial statements in the same manner as they help our management. However, our presentation of adjusted profit/(loss) for the year/period (a non-IFRS measure) and adjusted net margin (a non-IFRS measure) may not be comparable to similar item measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as substitute for analysis of, our consolidated financial statements or financial condition as reported under IFRS. We define adjusted profit/(loss) for the year/period (a non-IFRS measure) as profit/(loss) for the year/period adjusted for share-based compensations (a non-cash item). We define adjusted net margin (a non-IFRS measure) as adjusted profit/(loss) for the year/period (a non-IFRS measure) as a percentage of our total revenue.

	2022	2023	2024
	(in thousands, except for percentages)		
Profit for the year/period	2,519,821	3,041,827	3,676,855
Add:			
Share-based compensation	—	54,260	161,375
Adjusted profit/(loss) for the year/ period (a non-IFRS measure)	2,519,821	3,096,087	3,838,230
Adjusted net margin (a non-IFRS measure)	5.4%	5.7%	5.5%

In 2024, we recorded an adjusted profit for the period (a non-IFRS measure) of RMB3,838.2 million and an adjusted net margin (a non-IFRS measure) of 5.5%, as compared with an adjusted profit for the period (a non-IFRS measure) of RMB3,096.1 million and an adjusted net margin (a non-IFRS measure) of 5.7% in 2023, primarily due to growth in our smartphones and computers related revenue.

FINANCIAL INFORMATION

PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we mainly generated revenue from the provision of precision manufacturing solutions for a wide variety of end-uses, including smartphones and computers, smart vehicles and cockpits, intelligent head-mounted displays and smart wearables and other smart devices. These solutions include structural parts, functional modules and complete device assembly.

By product end use

	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
(in thousands, except for percentages)						
Smartphones and computers						
Structural parts and functional modules	37,710,398	80.8%	36,868,430	67.7%	43,234,267	61.9%
Complete device assembly . . .	503,413	1.1%	8,032,202	14.7%	14,519,902	20.8%
Subtotal	38,213,811	81.8%	44,900,632	82.4%	57,754,169	82.6%
Smart vehicles and cockpits . . .	3,583,820	7.7%	4,998,464	9.2%	5,934,795	8.5%
Intelligent head-mounted displays and smart wearables .	3,538,691	7.6%	3,103,753	5.7%	3,488,408	5.0%
Other smart devices	171,817	0.4%	164,872	0.3%	1,408,378	2.0%
Others ¹	1,190,407	2.5%	1,323,013	2.4%	1,311,026	1.9%
Total	<u>46,698,546</u>	<u>100.0%</u>	<u>54,490,734</u>	<u>100.0%</u>	<u>69,896,776</u>	<u>100.0%</u>

Note:

1 Others mainly include revenue generated from sales of scraps and materials, processing fee and leases.

During the Track Record Period, smartphones and computers related revenue accounted for a substantial majority of our total revenue, and we expect this to continue to be a major contributor to our total revenue going forward.

FINANCIAL INFORMATION

By region

	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
	(in (in thousands, except for percentages)					
Offshore						
Special supervision territory . .	28,896,418	61.9%	24,822,418	45.6%	27,496,661	39.3%
Vietnam	4,871,324	10.4%	5,420,199	9.9%	4,882,063	7.0%
Asia (excluding mainland						
China and Vietnam)	2,811,336	6.0%	4,187,813	7.7%	6,079,024	8.7%
North America	1,544,346	3.3%	2,008,840	3.7%	2,036,548	2.9%
Others	143,019	0.3%	367,288	0.7%	484,087	0.7%
	38,266,443	81.9%	36,806,558	67.5%	40,978,383	58.6%
Mainland China (excluding						
special supervision territory) .	8,432,103	18.1%	17,684,176	32.5%	28,918,393	41.4%
Total	46,698,546	100.0%	54,490,734	100.0%	69,896,776	100.0%

Information about our revenue from external customers is presented based on delivery destination or the shipping destination on customs declaration. Our offshore customers are primarily located in Vietnam, South Korea and the United States. Revenue from offshore customers included products first delivered to special supervision territory within China. During the Track Record Period, as a percentage of total revenue, our revenue from mainland China (excluding special supervision territory) increased significantly both in absolute terms and as a percentage of our total revenue, primarily as we expanded our cooperation with a number of customers in mainland China during the Track Record Period.

FINANCIAL INFORMATION

Sales Volume and Average Selling Price

	2022		2023		2024	
	Sales volume	Average selling price ²	Sales volume	Average selling price	Sales volume	Average selling price
	(units'000)	(RMB)	(units'000)	(RMB)	(units'000)	(RMB)
Smartphones and computers						
Structural parts and functional modules	1,042,552	36.2	894,582	41.2	1,157,304	37.4
Complete device assembly	10,214	49.3	14,574	551.1	20,132	721.2
Subtotal	1,177,436	36.3	909,156	49.4	1,177,436	49.1
Smart vehicles and cockpits	6,139	583.8	11,944	418.5	13,087	453.5
Intelligent head-mounted displays and smart wearables	59,029	59.9	67,248	46.2	110,555	31.6
Other smart devices	4,178	41.1	4,188	39.4	13,759	102.4
Others	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Total/Overall²	<u>1,122,113</u>	<u>40.6</u>	<u>992,536</u>	<u>53.6</u>	<u>1,314,837</u>	<u>52.2</u>

Notes:

- (1) Others mainly include revenue generated from sales of scraps and materials, processing fee and leases, which cannot be quantified into units.
- (2) The overall average selling price is calculated by dividing the total revenue, excluding others, by the total sales volume as stated in the table above.

FINANCIAL INFORMATION

Cost of Sales

Our cost of sales consists of raw materials costs, labor costs, manufacturing costs and others, which primarily includes transportation costs, product quality assurance losses and taxes.

	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)					
Raw material costs	21,836,868	57.2%	29,983,732	65.2%	42,652,499	71.4%
Labor costs	8,238,092	21.6%	7,751,054	16.9%	8,512,435	14.3%
Manufacturing costs	7,784,941	20.4%	7,937,924	17.3%	8,102,582	13.6%
Others	291,729	0.8%	326,160	0.6%	445,767	0.7%
Total	38,151,630	100.0%	45,998,870	100.0%	59,713,283	100.0%

Gross Profit and Gross Margin

By product end use

	2022		2023		2024	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
	(in RMB thousands, except for percentages)					
Smartphones and computers						
Structural parts and functional modules	6,554,143	17.4%	6,338,393	17.2%	7,767,219	18.0%
Complete device assembly	(8,222)	(1.6%)	207,245	2.6%	183,251	1.3%
Subtotal	6,545,921	17.1%	6,545,638	14.6%	7,950,470	13.8%
Smart vehicles and cockpits	698,364	19.5%	734,791	14.7%	518,202	8.7%
Intelligent head-mounted displays and smart wearables	559,927	15.8%	433,417	14.0%	636,531	18.2%
Other smart devices	20,290	11.8%	10,781	6.5%	270,069	19.2%
Others	722,415	60.7%	767,236	58.0%	808,221	61.6%
Total/Overall	8,546,916	18.3%	8,491,864	15.6%	10,183,493	14.6%

FINANCIAL INFORMATION

Other Income

Our other income consists of (i) various government grants we received from PRC government authorities, (ii) interest income, (iii) compensation income and (iv) others, which primarily consists of deduction for value-added tax. There were no unfulfilled conditions or contingencies relating to these government subsidies.

	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
(in thousands, except for percentages)						
Government grants	492,534	72.6%	759,006	74.6%	224,841	39.7%
Interest income	147,893	21.8%	218,288	21.5%	254,979	45.0%
Compensation income . . .	17,458	2.6%	20,828	2.0%	32,567	5.7%
Others	20,691	3.0%	19,087	1.9%	54,637	9.6%
Total	678,576	100.0%	1,017,209	100.0%	567,024	100.0%
<i>as % of total revenue</i>		1.5%		1.9%		0.8%

Selling Expenses

Our selling expenses include (i) salaries, compensations and benefits for personnel engaging in the sales function, (ii) sorting costs in screening, selecting and finalizing (such as cleaning) our products after deliveries to our customers, (iii) intermediary service fees, (iv) samples and packaging fees, (v) business entertainment expenses and (vi) others, which mainly includes travel expenses, material consumables, professional service fees and depreciation of fixed assets.

	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
(in thousands, except for percentages)						
Salaries, compensations and benefits	318,106	44.9%	317,534	47.1%	377,481	53.5%
Sorting costs	159,843	22.5%	108,070	16.0%	117,130	16.6%
Intermediary service fees .	79,165	11.2%	81,638	12.1%	56,072	7.9%
Samples and packaging fees	82,097	11.6%	53,864	8.0%	64,950	9.2%
Business entertainment expenses	12,897	1.8%	15,886	2.4%	24,540	3.5%
Others	56,741	8.0%	97,065	14.4%	65,426	9.3%
Total	708,849	100.0%	674,057	100.0%	705,599	100.0%
<i>as % of total revenue</i>		1.5%		1.2%		1.0%

FINANCIAL INFORMATION

Administrative Expenses

Our administrative expenses include (i) salaries, compensations and benefits for personnel engaging in the administrative function, (ii) depreciation of properties and equipment related to administrative function, (iii) recruiting fees, (iv) impairment losses recognized on property, plant and equipment, (v) office expenses, (vi) professional service fees, (vii) amortization of intangible assets, (viii) maintenance costs, (ix) property taxes, (x) environmental protection fees, (xi) disability insurance, (xii) land use taxes, (xiii) stamp duties and (xiv) others, which mainly includes contributions to water conservancy construction fund, entertainment expenses, land value-add tax from intra-Group land transfer and travel expenses.

	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
(in thousands, except for percentages)						
Salaries, compensations and benefits	1,069,497	33.0%	1,128,381	38.8%	1,289,992	38.3%
Depreciation of properties and equipment	649,241	20.0%	597,967	20.5%	576,904	17.1%
Recruiting fees	360,772	11.1%	153,323	5.3%	180,280	5.4%
Impairment losses recognized on property, plant and equipment . . .	273,077	8.4%	73,242	2.5%	226,942	6.7%
Amortization of intangible assets	214,397	6.6%	221,873	7.6%	221,292	6.6%
Property taxes	193,594	6.0%	220,043	7.6%	235,243	7.0%
Maintenance costs	58,840	1.8%	84,262	2.9%	143,067	4.2%
Office expenses	68,052	2.1%	67,793	2.3%	78,936	2.3%
Professional service fees . .	29,265	0.9%	50,253	1.7%	37,944	1.1%
Environmental protection costs	52,807	1.6%	38,261	1.3%	32,261	1.0%
Disability insurance	39,989	1.2%	41,162	1.4%	40,869	1.2%
Land use taxes	32,207	1.0%	32,010	1.1%	33,304	1.0%
Stamp duties	30,333	0.9%	40,212	1.4%	47,499	1.4%
Others	167,419	5.2%	161,517	5.5%	224,422	6.7%
Total	3,239,490	100.0%	2,910,299	100.0%	3,368,955	100.0%
<i>as % of total revenue</i>		6.9%		5.3%		4.8%

FINANCIAL INFORMATION

Research and Development Expenses

Our research and development expenses include (i) salaries, compensations and benefits for personnel engaging in the research and development function, (ii) materials and consumables used in the research and development process, (iii) depreciation of properties and equipment related to research and development function, (iv) power cost and (v) others which primarily includes maintenance costs, professional service fees, inspection fees and sample fees.

	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
(in thousands, except for percentages)						
Salaries, compensations and benefits	910,004	43.2%	1,120,035	48.3%	1,324,724	47.6%
Materials and consumables used	835,935	39.7%	706,468	30.5%	890,282	32.0%
Depreciation of properties and equipment	199,556	9.5%	219,632	9.5%	240,263	8.6%
Power costs	131,988	6.3%	115,948	5.0%	120,443	4.3%
Others	27,492	1.3%	154,535	6.7%	209,101	7.5%
Total	<u>2,104,976</u>	<u>100.0%</u>	<u>2,316,619</u>	<u>100.0%</u>	<u>2,784,813</u>	<u>100.0%</u>
<i>as % of total revenue</i>		4.5%		4.3%		4.0%

Finance Costs

Our finance costs include interest on borrowings, interest on loans from related parties and interest on lease liabilities.

	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
(in thousands, except for percentages)						
Interest on borrowings . . .	569,573	92.4%	471,022	92.4%	382,959	98.6%
Interest on loan from a related party	44,826	7.3%	37,514	7.4%	1,457	0.4%
Interest on lease liabilities	1,817	0.3%	1,450	0.2%	4,022	1.0%
Total	<u>616,216</u>	<u>100.0%</u>	<u>509,986</u>	<u>100.0%</u>	<u>388,438</u>	<u>100.0%</u>
<i>as % of total revenue</i>		1.3%		0.9%		0.6%

FINANCIAL INFORMATION

Other Gains and Losses

Our other gains and losses primarily represent net foreign exchange gains, net gain from changes in fair value of financial assets at FVTPL and loss on disposal of property, plant and equipment.

In 2022, 2023 and 2024, our other gains and losses amounted to RMB321.0 million, RMB218.7 million and RMB384.4 million, representing less than 0.7% of our total revenue in each of the respective periods.

Impairment Losses under Expected Credit Loss Model, Net of Reversal

Our impairment losses under expected credit loss model, net of reversal represents our net impairment losses recognized on trade and bills receivables and other receivables.

In 2022, 2023 and 2024, our impairment losses under expected credit loss model, net of reversal amounted to RMB44.0 million, RMB1.3 million and RMB(33.9) million, representing less than 0.1% of our total revenue in each of the respective periods.

Other Expenses

Our other expenses primarily represent donations to third parties such as donations on education and natural disaster reliefs.

In 2022, 2023 and 2024, our other expenses amounted to RMB10.0 million, RMB6.8 million and RMB8.2 million, representing less than 0.1% of our total revenue in each of the respective periods.

Share of Results of Investments Accounted for Using the Equity Method

Our share of results of investments accounted for using the equity method reflects our investment in associates and the corresponding share of results of these associates.

In 2022, 2023 and 2024, our share of results of investments accounted for using the equity method amounted to RMB4.0 million, RMB(57.3) million and RMB3.9 million, representing less than 0.1% of our total revenue in each of the respective periods.

Income Tax Expense

We are subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which the members of our Group are domiciled and operate. Our income tax expense comprises current tax and deferred tax.

The Company and several of our subsidiaries were accredited as “High New Tech Enterprise” during the Track Record Period and were therefore entitled to a preferential income tax rate of 15% for certain years during the Track Record Period. In addition, several of our subsidiaries were eligible as “Small Low-profit Enterprise” and were subject to preferential tax treatments. For details, see note 11 to Appendix I — Accountants’ Report.

FINANCIAL INFORMATION

As of the Latest Practicable Date and during the Track Record Period, we had fulfilled all our tax obligations and did not have any unresolved tax disputes.

YEAR-ON-YEAR COMPARISON OF RESULTS OF OPERATIONS

2024 Compared to 2023

Revenue

	2023	2024	% change
	(in RMB thousands, except for percentages)		
Revenue			
Smartphones and computers			
Structural parts and functional modules	36,868,430	43,234,267	17.3%
Complete device assembly	8,032,202	14,519,902	80.7%
Subtotal	44,900,632	57,754,169	28.6%
Smart vehicles and cockpits	4,998,464	5,934,795	18.7%
Intelligent head-mounted displays and smart wearables	3,103,753	3,488,408	12.4%
Other smart devices	164,872	1,408,378	754.2%
Others	1,323,013	1,311,026	(0.9%)
Total	<u>54,490,734</u>	<u>69,896,776</u>	<u>28.3%</u>

Our revenue increased by 28.3% from RMB54,490.7 million in 2023 to RMB69,896.8 million in 2024, primarily due to a 28.6% increase in smartphones and computers related revenue from RMB44,900.6 million in 2023 to RMB57,754.2 million in 2024.

Smartphones and computers

Our smartphones and computers related revenue increased by 28.6% from RMB44,900.6 million in 2023 to RMB57,754.2 million in 2024, primarily due to:

- a 80.7% increase in our complete device assembly related revenue from RMB8,032.2 million in 2023 to RMB14,519.9 million in 2024, which was attributable to (i) a 38.1% increase in the sales volume of our complete devices from 14.6 million units in 2023 to 20.1 million units in 2024, which in turn was the result of the ramp up of our complete device assembly business as we increased in our capacity and capability in complete device assembly and deepened cooperation with select key customers to serve the increased demand of their products, and (ii) a 30.9% increase in the average selling price of our complete device, as our customers continued to introduce and upgrade their products and our revenue under the buy-and-sell model in our complete device assembly business increased; and

FINANCIAL INFORMATION

- a 17.3% increase in our structural parts and functional modules related revenue from RMB36,868.4 million in 2023 to RMB43,234.3 million in 2024, which was primarily attributable to a 29.4% increase in sales volume of structural parts and functional modules from 894.6 million units in 2023 to 1,157.3 million units in 2024, as a result of the growth in consumers’ demand, which in turn was driven by the upgrading demand for products with new features or incorporating new technologies such as AI. Such increase in sales volume was partially offset by a decrease in average selling price of structural parts and functional modules from RMB41.2 in 2023 to RMB37.4 in 2024, which in turn was the result of a change in product mix.

Smart vehicles and cockpits

Our smart vehicles and cockpits related revenue increased by 18.7% from RMB4,998.5 million in 2023 to RMB5,934.8 million in 2024, primarily due to (i) a 9.6% increase in sales volume of structural parts and functional modules for smart vehicles and cockpits from 11.9 million units in 2023 to 13.1 million units in 2024, which in turn was the result of the growth in consumers demand for smart vehicles driven by product iterations associated with innovative technologies and features, and (ii) a 8.4% increase in average selling price of structural parts and functional modules for smart vehicles and cockpits from RMB418.5 in 2023 to RMB453.5 in 2024, primarily driven by increased orders for higher-value products such as central control screens and intelligent B-pillars, which was a further validation to our core strengths.

Intelligent head-mounted displays and smart wearables

Our intelligent head-mounted displays and smart wearables related revenue increased by 12.4% from RMB3,103.8 million in 2023 to RMB3,488.4 million in 2024, primarily due to a 64.6% increase in the sales volume of structural parts and functional modules for intelligent head-mounted displays and smart wearables from 67.2 million units in 2023 to 110.6 million units in 2024, which in turn was the result of higher market demand for smart watches our customers offered. Such increase in sales volume was partially offset by a 31.6% decrease in the average selling price of structural parts and functional modules for intelligent head-mounted displays and smart wearables from RMB46.2 in 2023 to RMB31.6 in 2024, primarily due to a change in our customers’ product mix and their higher order volumes for lower-priced structural parts and functional modules in smart watches.

Other smart devices

Our other smart devices related revenue increased significantly from RMB164.9 million in 2023 to RMB1,408.4 million in 2024, primarily due to (i) a 228.5% increase in sales volume of structural parts and functional modules for other smart devices from 4.2 million units in 2023 to 13.8 million units in 2024, which in turn was the result of increased business in smart retail devices as our planning and technological development in advance paid off, and (ii) a 159.9% increase in average selling price of structural parts and functional modules for other smart devices from RMB39.4 to RMB102.4, which in turn was the result of higher unit prices from our smart retail devices.

FINANCIAL INFORMATION

Cost of sales

	<u>2023</u>	<u>2024</u>	<u>% change</u>
	(in RMB thousands, except for percentages)		
Cost of sales			
Raw material costs	29,983,732	42,652,499	42.3%
Labor costs	7,751,054	8,512,435	9.8%
Manufacturing costs	7,937,924	8,102,582	2.1%
Others	<u>326,160</u>	<u>445,767</u>	<u>36.7%</u>
Total	<u>45,998,870</u>	<u>59,713,283</u>	<u>29.8%</u>
<i>as % of total revenue</i>	<i>84.4%</i>	<i>85.4%</i>	

Our cost of sales increased by 29.8% from RMB45,998.9 million in 2023 to RMB59,713.3 million in 2024 primarily due to a 42.3% increase in our raw material costs, which in turn was the result of a 32.5% increase in our sales volume and a change of product mix.

Gross profit and gross margin

	<u>2023</u>		<u>2024</u>	
	<u>Gross profit</u>	<u>Gross margin</u>	<u>Gross profit</u>	<u>Gross margin</u>
	(in RMB thousands, except for percentages)			
Smartphones and computers				
Structural parts and functional modules	6,338,393	17.2%	7,767,219	18.0%
Complete device assembly	207,245	2.6%	183,251	1.3%
Subtotal	6,545,638	14.6%	7,950,470	13.8%
Smart vehicles and cockpits	734,791	14.7%	518,202	8.7%
Intelligent head-mounted displays and smart wearables	433,417	14.0%	636,531	18.2%
Other smart devices	10,781	6.5%	270,069	19.2%
Others	<u>767,236</u>	<u>58.0%</u>	<u>808,221</u>	<u>61.6%</u>
Total/Overall	<u>8,491,864</u>	<u>15.6%</u>	<u>10,183,493</u>	<u>14.6%</u>

Our gross profit increased by 19.9% from RMB8,491.9 million in 2023 to RMB10,183.5 million in 2024, primarily due to an increase in smartphones and computers related gross profit, partially offset by a decrease in smart vehicles and cockpits related gross profit. Our gross margin

FINANCIAL INFORMATION

decreased from 15.6% in 2023 to 14.6% in 2024, primarily due to an increase in revenue contribution from complete device assembly which had a lower gross margin and a decrease in our smart vehicles and cockpits related gross margin.

Smartphones and computers

Our smartphones and computers related gross profit increased by 21.5% from RMB6,545.6 million in 2023 to RMB7,950.5 million in 2024, primarily due to:

- a 22.5% increase in our structural parts and functional modules related gross profit from RMB6,338.4 million in 2023 to RMB7,767.2 million in 2024, which was attributable to an increase in our structural parts and functional modules related revenue. Our structural parts and functional modules related gross margin increased from 17.2% in 2023 to 18.0% in 2024, primarily due to better cost control measures and higher production yield rate; and
- partially offset by a 11.6% decrease in our complete device assembly related gross profit from RMB207.2 million in 2023 to RMB183.3 million in 2024, as we priced more competitively for our customers. Our complete devices assembly related gross margin decreased from 2.6% in 2023 to 1.3% in 2024 primarily due to our competitive pricing and increased sales and revenue contribution under the buy-and-sell model. See “Business — Raw Materials and Supply Chain — Buy-and-sell model” for more details.

Despite the growth in gross margin for our structural parts and functional modules from 2023 to 2024, the increase in revenue contribution and the decrease in gross margin from complete device assembly resulted in a decrease in our smartphones and computers related gross margin from 14.6% in 2023 to 13.8% in 2024.

Smart vehicles and cockpits

Our smart vehicles and cockpits related gross profit decreased by 29.5% from RMB734.8 million in 2023 to RMB518.2 million in 2024, primarily due to a decrease in our smart vehicles and cockpits related gross margin. Our smart vehicles and cockpits related gross margin decreased from 14.7% in 2023 to 8.7% in 2024, primarily because (i) we produced an increased portion of structural parts and functional modules for smart vehicles and cockpits in our overseas production facilities that led to higher transportation costs and raw material costs for products produced in those facilities, and (ii) some of our customers imposed stricter testing and inspection requirements, leading to additional testing costs.

Intelligent head-mounted displays and smart wearables

Our intelligent head-mounted displays and smart wearables related gross profit increased by 46.9% from RMB433.4 million in 2023 to RMB636.5 million in 2024, primarily due to an increase in our intelligent head-mounted displays and smart wearables related revenue. Our intelligent head-

FINANCIAL INFORMATION

mounted displays and smart wearables related gross margin increased from 14.0% in 2023 to 18.2% in 2024 mainly due to higher production yield rate, which in turn was the result of our efforts in optimizing our production flow for our smart watches products.

Other smart devices

Our other smart devices related gross profit increased significantly by 2405.1% from RMB10.8 million in 2023 to RMB270.1 million in 2024 and our other smart devices related gross margin increased from 6.5% in 2023 to 19.2% in 2024, primarily due to the increase in our smart retail devices related revenue which carried a higher gross margin.

Other income

	2023	2024	% change
	(in RMB thousands, except for percentages)		
Other income	1,017,209	567,024	44.3%
as % of total revenue	1.9%	0.8%	

Our other income decreased by 44.3% from RMB1,017.2 million in 2023 to RMB567.0 million in 2024, primarily due to a decrease in government grants received as a result of a policy change. For the same reason, our other income as a percentage of our total revenue decreased from 1.9% in 2023 to 0.8%.

Selling expenses

	2023	2024	% change
	(in RMB thousands, except for percentages)		
Selling Expenses	674,057	705,599	4.7%
as % of total revenue	1.2%	1.0%	

Our selling expenses increased by 4.7% from RMB674.1 million in 2023 to RMB705.6 million in 2024, mainly reflecting (i) an increase of RMB59.9 million in salaries, compensation and benefits, and (ii) an increase of RMB9.1 million in sorting costs, which was in line with the expansion of our business. Our selling expenses as a percentage of our total revenue remained relatively stable at 1.2% in 2023 and 1.0% in 2024.

Administrative expenses

	2023	2024	% change
	(in RMB thousands, except for percentages)		
Administrative Expenses	2,910,299	3,368,955	15.8%
as % of total revenue	5.3%	4.8%	

FINANCIAL INFORMATION

Our administrative expenses increased by 15.8% from RMB2,910.3 million in 2023 to RMB3,369.0 million in 2024, mainly reflecting an increase of RMB161.6 million in salaries, compensation and benefits and an increase of RMB153.7 million in impairment losses recognized on property, plant and equipment. Our administrative expenses as a percentage of our total revenue decreased from 5.3% in 2023 to 4.8% in 2024 primarily due to an improved economies of scale.

Research and development expenses

	2023	2024	% change
	(in RMB thousands, except for percentages)		
Research and Development Expenses	2,316,619	2,784,813	20.2%
as % of total revenue	4.3%	4.0%	

Our research and development expenses increased by 20.2% from RMB2,316.6 million in 2023 to RMB2,784.8 million in 2024, primarily due to (i) an increase of RMB204.7 million in salaries, compensation and benefits, which reflects our continuous commitment in research and development, and (ii) an increase of RMB183.8 million in materials and consumables used, reflecting the larger number of research and development projects we undertook in 2024. Our research and development expenses as a percentage of our total revenue remained relatively stable at 4.3% in 2023 and 4.0% in 2024.

Finance costs

	2023	2024	% change
	(in RMB thousands, except for percentages)		
Finance Costs	509,986	388,438	(23.8%)
as % of total revenue	0.9%	0.6%	

Our finance costs decreased by 23.8% from RMB510.0 million in 2023 to RMB388.4 million in 2024, primarily because we repaid part of our long-term bank loans in 2024. Our finance costs as a percentage of our total revenue remained relatively stable at 0.9% in 2023 and 0.6% in 2024.

Other gains and losses

Our other gains and losses increased by 75.8% from RMB218.7 million in 2023 to RMB384.4 million in 2024, primarily due to an increase of RMB133.8 million in net foreign exchange gains as a result of the appreciation of foreign currencies against the RMB in 2024.

Impairment losses under expected credit loss model, net of reversal

Our impairment losses under expected credit loss model, net of reversal shifted from RMB1.3 million in 2023 to loss of RMB33.9 million in 2024, primarily due to an increase in the balance of our trade and bills receivables as of December 31, 2024 as compared to December 31, 2023.

FINANCIAL INFORMATION

Other expenses

Our other expenses increased by 20.6% from RMB6.8 million in 2023 to RMB8.2 million in 2024, primarily due to donations in 2024 to areas affected by flood.

Share of results of investments accounted for using the equity method

Our share of results of investments accounted for using the equity method was a loss of RMB57.3 million in 2023 and a gain of RMB3.9 million in 2024, primarily attributable to the gain related to one of our associates engaged in production and processing of sapphire materials that turned profitable in 2024.

Income tax expense

Our income tax expense decreased by 18.9% from RMB212.1 million in 2023 to RMB172.1 million in 2024 despite a 18.3% increase in our profit before tax, primarily due to the application of tax credits for certain of our subsidiaries which incurred losses in previous years. For the same reason, our effective tax rate decreased from 6.5% in 2023 to 4.5% in 2024.

2023 Compared to 2022

Revenue

	<u>2022</u>	<u>2023</u>	<u>% change</u>
	(in RMB thousands, except for percentages)		
Revenue			
Smartphones and computers			
Structural parts and functional modules	37,710,398	36,868,430	(2.2%)
Complete device assembly	503,413	8,032,202	1,495.6%
Subtotal	38,213,811	44,900,632	17.5%
Smart vehicles and cockpits	3,583,820	4,998,464	39.5%
Intelligent head-mounted displays and smart wearables	3,538,691	3,103,753	(12.3%)
Other smart devices	171,817	164,872	(4.0%)
Others	<u>1,190,407</u>	<u>1,323,013</u>	<u>(11.1%)</u>
Total	<u>46,698,546</u>	<u>54,490,734</u>	<u>16.7%</u>

Our revenue increased by 16.7% from RMB46,698.5 million in 2022 to RMB54,490.7 million in 2023, primarily due to a 17.5% increase in smartphones and computers related revenue from RMB38,213.8 million in 2022 to RMB44,900.6 million in 2023.

FINANCIAL INFORMATION

Smartphones and computers

Our smartphones and computers related revenue increased by 17.5% from RMB38,213.8 million in 2022 to RMB44,900.6 million in 2023, primarily due to:

- a 1,495.6% increase in our complete device assembly related revenue from RMB503.4 million in 2022 to RMB8,032.2 million in 2023, which was attributable to (i) a 42.7% increase in the sales volume of our complete devices from 10.2 million units in 2022 to 14.6 million units in 2023, which in turn was the result of the ramp up of our complete device assembly business as we improved our capacity and capability in complete device assembly to serve the increased demand of our customers’ products, and (ii) a 1,017.8% increase in the average selling price of our complete device from RMB49.3 in 2022 to RMB551.1 in 2023, as an increasing portion of our complete device assembly was performed under the buy-and-sell model; and
- partially offset by a 2.2% decrease in our structural parts and functional modules related revenue from RMB37,710.4 million in 2022 to RMB36,868.4 million in 2023. The 14.2% decrease in the sales volume of structural parts and functional modules from 1,042.6 million units in 2022 to 894.6 million units in 2023 was the result of decreased sales in camera lens protectors on smartphones, which carried a lower unit price, which in turn led to an increase in the average selling price of structural parts and functional modules by 13.8% from RMB36.2 in 2022 to RMB41.2 in 2023.

Smart vehicles and cockpits

Our smart vehicles and cockpits related revenue increased by 39.5% from RMB3,583.8 million in 2022 to RMB4,998.5 million in 2023, primarily due to a 94.6% increase in sales volume of structural parts and functional modules for smart vehicles and cockpits from 6.1 million units in 2022 to 11.9 million units in 2023, which in turn was attributable to (i) increased demand for our customers’ products as the global smart vehicles market continued to grow, and (ii) the fact that we started to offer our customers lowered-price structural parts and functional modules such as battery plates as we deepened our cooperation with our customers. The sale of battery plates for smart vehicles was the primary reason of a 28.3% decrease in the average selling price of structural parts and functional modules for smart vehicles and cockpits from RMB583.8 in 2022 to RMB418.5 in 2023. Excluding the sales of battery plate, our average selling price remained relatively stable.

Intelligent head-mounted displays and smart wearables

Our intelligent head-mounted displays and smart wearables related revenue decreased by 12.3% from RMB3,538.7 million in 2022 to RMB3,103.8 million in 2023, primarily due to a 23.0% decrease in the average selling price of structural parts and functional modules for intelligent head-mounted displays and smart wearables from RMB59.9 in 2022 to RMB46.2 in 2023, which in turn was the result of a change in our product mix. Such decrease was partially offset by a 13.9% increase in the sales volume of structural parts and functional modules for intelligent head-mounted displays and smart wearables from 59.0 million units in 2022 to 67.2 million units in 2023, primarily due to increased sales in VR glasses and structural parts for smart watches.

FINANCIAL INFORMATION

Other smart devices

Our other smart devices related revenue decreased by 4.0% from RMB171.8 million in 2022 to RMB164.9 million in 2023, primarily due to a 4.1% decrease in the average selling price of structural parts and functional modules for other smart devices from RMB41.1 in 2022 to RMB39.4 in 2023.

Cost of sales

	<u>2022</u>	<u>2023</u>	<u>% change</u>
	(in RMB thousands, except for percentages)		
Cost of sales			
Raw material costs	21,836,868	29,983,732	37.3%
Labor costs	8,238,092	7,751,054	(5.9%)
Manufacturing costs	7,784,941	7,937,924	2.0%
Others	<u>291,729</u>	<u>326,160</u>	<u>11.8%</u>
Total	<u>38,151,630</u>	<u>45,998,870</u>	<u>20.6%</u>
 <i>as % of total revenue</i>	 81.7%	 84.4%	

Our cost of sales increased by 20.6% from RMB38,151.6 million in 2022 to RMB45,998.9 million in 2023, in line with our revenue growth.

FINANCIAL INFORMATION

Gross profit and gross margin

	2022		2023	
	Gross profit	Gross margin	Gross profit	Gross margin
	(in RMB thousands, except for percentages)			
Smartphones and computers				
Structural parts and functional modules	6,554,143	17.4%	6,338,393	17.2%
Complete device assembly	(8,222)	(1.6%)	207,245	2.6%
Subtotal	6,545,921	17.1%	6,545,638	14.6%
Smart vehicles and cockpits	698,364	19.5%	734,791	14.7%
Intelligent head-mounted displays and smart wearables	559,927	15.8%	433,417	14.0%
Other smart devices	20,290	11.8%	10,781	6.5%
Others	<u>722,415</u>	<u>60.7%</u>	<u>767,236</u>	<u>58.0%</u>
Total/Overall	<u>8,546,916</u>	<u>18.3%</u>	<u>8,491,864</u>	<u>15.6%</u>

Our gross profit decreased by 0.6% from RMB8,546.9 million in 2022 to RMB8,491.9 million in 2023, primarily due to a decrease in our intelligent head-mounted displays and smart wearables related gross profit, partially offset by an increase in our smart vehicles and cockpits related gross profit. Our gross margin decreased from 18.3% in 2022 to 15.6% in 2023, primarily due to the substantial increase in revenue contribution from the buy-and-sell model which had a lower gross margin compared to our other businesses.

Smartphones and computers

Our smartphones and computers related gross profit slightly decreased from RMB6,545.9 million in 2022 to RMB6,545.6 million in 2023, primarily due to:

- a 3.3% decrease in our structural parts and functional modules related gross profit from RMB6,554.1 million in 2022 to RMB6,338.4 million in 2023, which was attributable to a decrease in our structural parts and functional modules related revenue as the consumer electronics market fluctuated. Our structural parts and functional modules related gross margin remained stable at 17.4% in 2022 and 17.2% in 2023; and
- partially offset by an increase in completed device assembly related gross profit of RMB207.2 million in 2023, primarily due to a higher utilization rate of our production facilities as we ramped up our complete device assembly business, and achieved a gross margin of 2.6% in 2023.

FINANCIAL INFORMATION

However, despite the growth in our complete device assembly related gross margin from 2022 to 2023, the significant increase in revenue contribution from complete device assembly business resulted in a decrease in our smartphones and computers related gross margin from 17.1% in 2022 to 14.6% in 2023.

Smart vehicles and cockpits

Our smart vehicles and cockpit related gross profit increased by 5.2% from RMB698.4 million in 2022 to RMB734.8 million in 2023, primarily due to an increase in our smart vehicles and cockpits related revenue. Our smart vehicles and cockpits related gross margin decreased from 19.5% in 2022 to 14.7% in 2023, primarily due to our increased investment in new production facilities, which resulted in higher equipment depreciation and amortization costs as these production facilities were ramping up in 2023. To a lesser extent, the decrease in gross margin was also attributable to the higher transportation and raw material costs we incurred from our overseas production facilities.

Intelligent head-mounted displays and smart wearables

Our intelligent head-mounted displays and smart wearables related gross profit decreased by 22.6% from RMB559.9 million in 2022 to RMB433.4 million in 2023, primarily due to a decrease in intelligent head-mounted displays and smart wearables related revenue. Our intelligent head-mounted displays and smart wearables related gross margin decreased from 15.8% in 2022 to 14.0% in 2023, primarily because we started to produce intelligent head-mounted displays and smart wearables products at our new production center in addition to our existing relevant production center, which resulted in higher per-unit depreciation and amortization costs.

Other smart devices

Our other smart devices related gross profit decreased by 46.9% from RMB20.3 million in 2022 to RMB10.8 million in 2023, and our other smart devices related gross margin decreased from 11.8% in 2022 to 6.5% in 2023 due to the introduction of certain new products that was loss-making.

Other income

	<u>2022</u>	<u>2023</u>	<u>% change</u>
	(in RMB thousands, except for percentages)		
Other income	678,576	1,017,209	49.9%
as % of total revenue	1.5%	1.9%	

Our other income increased by 49.9% from RMB678.6 million in 2022 to RMB1,017.2 million in 2023, and, as a percentage of our total revenue, our other income increased from 1.5% in 2022 to 1.9% in 2023, primarily due to an increase in government grants as our operations expanded and received more government grants based on our business scale.

FINANCIAL INFORMATION

Selling expenses

	<u>2022</u>	<u>2023</u>	<u>% change</u>
	(in RMB thousands, except for percentages)		
Selling Expenses	708,849	674,057	(4.9%)
<i>as % of total revenue</i>	1.5%	1.2%	

Our selling expenses decreased by 4.9% from RMB708.9 million in 2022 to RMB674.1 million in 2023, primarily due to a decrease in sorting costs as a result of our improvement in production efficiency and product yields, which led to lower sorting costs relating to the sortation at our customers’ sites.

Administrative expenses

	<u>2022</u>	<u>2023</u>	<u>% change</u>
	(in RMB thousands, except for percentages)		
Administrative Expenses	3,239,490	2,910,299	(10.2%)
<i>as % of total revenue</i>	6.9%	5.3%	

Our administrative expenses decreased by 10.2% from RMB3,239.5 million in 2022 to RMB2,910.3 million in 2023, primarily due to (i) a shift in the labor market dynamics and accordingly our revised recruitment policies, (ii) impairment losses recognized on property, plant and equipment recorded in 2022 in connection with certain outdated equipment and machinery that were required to be replaced in that year, and (iii) a decrease in our depreciation of properties and equipment, since we sold certain equipment in 2022 and accordingly recorded lower depreciation and amortization costs in 2023, partially offset by (iv) an increase in salaries, compensations and benefits as we gave continued service bonuses to certain employees. As a result, and because of the increase in our total revenue in 2023, our administrative expenses as a percentage of our total revenue decreased from 6.9% in 2022 to 5.3% in 2023.

Research and development expenses

	<u>2022</u>	<u>2023</u>	<u>% change</u>
	(in RMB thousands, except for percentages)		
Research and Development Expenses	2,104,976	2,316,619	10.1%
<i>as % of total revenue</i>	4.5%	4.3%	

Our research and development expenses increased by 10.1% from RMB2,105.0 million in 2022 to RMB2,316.6 million in 2023, primarily due to increased spending on materials and consumables as we undertook more research and development projects, some of which involved complex production processes or techniques and therefore required increased usage of consumables and materials. Our research and development expenses as a percentage of our total revenue decreased slightly from 4.5% in 2022 to 4.3% in 2023, primarily due to the growth in our revenue.

FINANCIAL INFORMATION

Finance costs

	<u>2022</u>	<u>2023</u>	<u>% change</u>
	(in RMB thousands, except for percentages)		
Finance Costs	616,216	509,986	(17.2%)
as % of total revenue	1.3%	0.9%	

Our finance costs decreased by 17.2% from RMB616.2 million in 2022 to RMB510.0 million in 2023, primarily due to a decrease in interest on borrowings from our early repayment of loans. Our finance costs as a percentage of our total revenue decreased from 1.3% in 2022 to 0.9% in 2023 due to the same reason.

Other gains and losses

Our other gains and losses decreased by 31.9% from RMB321.0 million in 2022 to RMB218.7 million in 2023, primarily due to a decrease in net foreign exchange gains due to fluctuations in foreign currencies, partially offset by a decrease in loss on disposal of property, plant and equipment and impairment losses recognized on property, plant and equipment, due to the disposal of certain assets of one of our non-material subsidiaries.

Impairment losses under expected credit loss model, net of reversal

Our impairment losses under expected credit loss model, net of reversal decreased by 97.1% from RMB44.0 million in 2022 to RMB1.3 million in 2023, primarily because we collected certain receivables in 2023.

Other expenses

Our other expenses decreased by 32% from RMB10.0 million in 2022 to RMB6.8 million in 2023, primarily due to our decreased spending in donations.

Share of results of investments accounted for using the equity method

Our share of results of investments accounted for using the equity method was a gain of RMB4.0 million in 2022 and a loss of RMB57.3 million in 2023. The loss in 2023 primarily reflected disposal of our holdings in some of our associates.

FINANCIAL INFORMATION

Income tax expense

Our income tax expense decreased by 46.3% from RMB395.1 million in 2022 to RMB212.1 million in 2023, primarily because we recognized deferred tax expenses of RMB14.8 million in 2022, as compared to deferred tax gains of RMB275.6 million in 2023, as one of the subsidiaries acquired by us obtained the “High-Tech Enterprise” qualification in 2023, which in turn led to our adjustment in the deferred tax liabilities arising from the difference between the assessed value at the time of acquisition and the book value. Our effective tax rate decreased from 13.6% in 2022 to 6.5% in 2023, mainly due to the same reason.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our operations primarily through a combination of cash generated from operations and borrowings. As of December 31, 2024 and February 28, 2025, we had bank balances and cash of RMB10,936.8 million and RMB9,621.3 million, respectively.

Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of cash generated from operations and net [REDACTED] from the [REDACTED]. As of February 28, 2025, we had bank loan facilities of RMB49,810.8 million, of which RMB35,410.4 million remained unutilized.

Taking into account the net [REDACTED] from the [REDACTED] and cash generated from operations, our Directors believe that we have sufficient working capital to meet our present and future cash requirements for at least the next 12 months from the date of publication of this Document.

FINANCIAL INFORMATION

Net Current Assets/Liabilities

The table below sets forth our current assets and liabilities as of the dates indicated.

	As of December 31,			As of
	2022	2023	2024	February 28,
	RMB'000			2025
				(unaudited)
Current assets				
Inventories	6,685,009	6,682,659	7,160,553	6,334,586
Trade and bills receivables . .	9,022,460	9,308,444	10,865,736	8,710,606
Bills receivables at FVTOCI	3,697	112,288	9,779	30,712
Prepayments and other				
receivables	804,110	1,025,482	1,000,455	1,082,990
Amounts due from related				
parties	32,235	29,754	24,873	8,632
Financial assets at fair value				
through profit or loss				
(“FVTPL”)	355,266	349,665	354,917	1,284,549
Income tax recoverable	22,614	53,391	45,976	92,714
Time deposits	—	—	322,412	322,412
Restricted and security bank				
deposits	3,673	25,474	51,276	51,254
Bank balances and cash	<u>11,682,255</u>	<u>10,493,519</u>	<u>10,936,804</u>	<u>9,621,342</u>
Total current assets	<u>28,611,319</u>	<u>28,080,676</u>	<u>30,772,781</u>	<u>27,539,797</u>
Current liabilities				
Trade and other payables . . .	12,209,236	13,171,801	16,365,834	13,986,223
Financial liabilities at				
FVTPL	—	—	9,620	5,506
Amounts due to related				
parties	21	89	26	26
Income tax payable	88,319	178,764	110,787	10,090
Borrowings	9,848,393	5,669,812	6,518,634	6,328,382
Lease liabilities	13,503	27,726	47,659	35,184
Contract liabilities	<u>7,589</u>	<u>8,119</u>	<u>12,601</u>	<u>11,851</u>
Total current liabilities	<u>22,167,061</u>	<u>19,056,316</u>	<u>23,065,161</u>	<u>20,377,263</u>
Net current assets	<u>6,444,258</u>	<u>9,024,360</u>	<u>7,707,620</u>	<u>7,162,534</u>

FINANCIAL INFORMATION

Comparison between February 28, 2025 and December 31, 2024

Our net current assets decreased from RMB7,707.6 million as of December 31, 2024 to RMB7,162.5 million as of February 28, 2025, primarily due to a decrease in trade and bills receivables and inventories, partially offset by a decrease in trade and other payables and other payables and accruals.

Comparison between December 31, 2024 and December 31, 2023

Our net current assets decreased from RMB9,024.4 million as of December 31, 2023 to RMB7,707.6 million as of December 31, 2024, primarily due to an increase in trade and other payables and borrowings, and a decrease in bills receivables at FVTOCI and income tax recoverable, partially offset by a decrease in income tax payable and an increase in inventories and trade and bills receivables.

Comparison between December 31, 2023 and December 31, 2022

Our net current assets increased from RMB6,444.3 million as of December 31, 2022 to RMB9,024.4 million as of December 31, 2023, primarily due to an increase in trade and bills receivables and prepayments and other receivables, and a decrease in borrowings.

SELECTED BALANCE SHEET ITEMS

Inventories

Our inventories include raw materials, work in progress, finished goods, goods in transit and consumables and others. The table below sets forth the breakdown of our inventories as of the dates indicated.

	As of December 31,		
	2022	2023	2024
	(in RMB thousands)		
Raw materials	1,312,565	958,587	1,151,628
Work in progress	1,646,929	1,836,533	1,938,450
Finished goods	2,701,904	3,150,286	3,286,086
Goods in transit	1,296,412	982,358	1,029,114
Consumables and others	229,714	158,392	206,631
Less: provision	(502,515)	(403,497)	(451,356)
Total	<u>6,685,009</u>	<u>6,682,659</u>	<u>7,160,553</u>

Our inventories remained stable at RMB6,685.0 million as of December 31, 2022 and RMB6,682.7 million as of December 31, 2023. Our inventories increased by 7.2% to RMB7,160.6 million as of December 31, 2024 as our operational scale continued to grow.

FINANCIAL INFORMATION

Turnover days

The table below sets forth the turnover days of our inventories for the periods indicated. Our inventory turnover days for each period equals the average of the beginning and ending balances of inventories for that period divided by cost of sales for that period and multiplied by 360 days in that period.

	<u>2022</u>	<u>2023</u>	<u>2024</u>
Inventory turnover days	<u>67.3</u>	<u>55.9</u>	<u>44.3</u>

Our inventory turnover days decreased from 67.3 days in 2022 to 55.9 days in 2023, and further decreased to 44.3 days in 2024, primarily due to (i) an increase in complete device assembly related revenue under the buy-and-sell model, because we were able to finish the assembly and ship out the devices efficiently, and the buy-and-sell model thus increased our cost of sales without corresponding increase in our inventory, and (ii) shift of our product structures which led to quicker inventory turnover management.

Subsequent utilization

As of February 28, 2025, 76.3% of our total inventories as of December 31, 2024, or RMB5,466.0 million, were utilized or sold.

Trade and Bills Receivables

Our trade and bills receivables primarily arise from sales of our products on credit. We usually grant credit periods ranging between one month to two months to our major customers.

The table below sets forth the breakdown of our trade and bills receivables as of the dates indicated.

	<u>As of December 31,</u>		
	<u>2022</u>	<u>2023</u>	<u>2024</u>
	(in RMB thousands)		
Trade receivables	9,153,534	9,436,891	11,006,529
Bills receivables	1,392	6,167	7,519
Less: allowance for ECL	<u>(132,466)</u>	<u>(134,614)</u>	<u>(148,312)</u>
Total	<u>9,022,460</u>	<u>9,308,444</u>	<u>10,865,736</u>

Our trade and bills receivables increased by 3.2% from RMB9,022.5 million as of December 31, 2022 to RMB9,308.4 million as of December 31, 2023, and further increased by 16.7% to RMB10,865.7 million as of December 31, 2024, in line with our revenue and business growth.

FINANCIAL INFORMATION

Aging analysis

The table below sets forth an aging analysis of our trade receivables as of the dates indicated.

	As of December 31,		
	2022	2023	2024
	(in RMB thousands)		
Not past due	8,673,984	8,995,893	10,610,390
Past due:			
0–90 days	429,868	397,664	363,411
91–180 days	21,054	17,646	9,396
181–365 days	21,423	12,453	4,236
Over one year	7,205	13,235	19,096
Total	9,153,534	9,436,891	11,006,529

Turnover days

The table below sets forth the turnover days of our trade and bills receivables for the periods indicated. Trade and bills receivable turnover days for each period equals the average of the beginning and ending balances of trade and bills receivables for that period divided by revenue for that period and multiplied by 360 days in that period.

	2022	2023	2024
Trade and bills receivable turnover days	73.5	61.4	52.7

Our trade and bills receivable turnover days decreased from 73.5 days in 2022 to 61.4 days in 2023, and further decreased to 52.7 days in 2024, primarily due to our tighter control over our trade and bills receivables and increased our collection efforts.

Subsequent settlement

As of February 28, 2025, 84.3% of our total trade and bills receivables as of December 31, 2024, or RMB9,284.8 million, were settled.

Prepayments and Other Receivables

Our prepayments and other receivables primarily include prepayments for property, plant and equipment, value-added tax recoverable, refundable deposits for land use rights, prepayments for materials and others, refundable deposits for project performance, rental and other deposits, dividend receivable and other receivables.

FINANCIAL INFORMATION

The table below sets forth the breakdown of our prepayments and other receivables as of the dates indicated.

	As of December 31,		
	2022	2023	2024
	(in RMB thousands)		
Prepayments for property, plant and equipment	783,318	673,682	1,020,338
Value-added tax recoverable	389,766	296,627	344,998
Refundable deposits for land use rights	200,000	200,000	200,000
Prepayments for materials and others	60,129	126,382	174,304
Refundable deposits for project performance . .	—	250,000	150,000
Rental and other deposits	46,713	38,444	48,213
Dividend receivable	—	648	—
Other receivables	140,603	151,120	141,181
Less: allowance for ECL	(33,101)	(23,427)	(40,265)
Total	<u>1,587,428</u>	<u>1,713,476</u>	<u>2,038,769</u>

Our prepayments and other receivables increased by 7.9% from RMB1,587.4 million as of December 31, 2022 to RMB1,713.5 million as of December 31, 2023, as a result of an increase in refundable deposits for project performance. Our prepayments and other receivables further increased by 19.0% to RMB2,038.8 million as of December 31, 2024, primarily because of increase in prepayments for property, plant and equipment.

Subsequent settlement

As of February 28, 2025, 22.0% of our total prepayments and other receivables as of December 31, 2024, or RMB456.1 million, were settled.

Trade and Other Payables

Trade and bills payables

Our trade and bills payables primarily include trade payables to our suppliers. Our suppliers usually grant us a credit period of within 120 days to settle our purchases of goods.

The table below sets forth the breakdown of our trade and bills payables as of the dates indicated.

	As of December 31,		
	2022	2023	2024
	(in RMB thousands)		
Trade payables	6,950,751	7,829,164	10,388,566
Bills payables	—	13,012	91,623
Total	<u>6,950,751</u>	<u>7,842,176</u>	<u>10,480,189</u>

FINANCIAL INFORMATION

Our trade and bills payables increased by 12.8% from RMB6,950.8 million as of December 31, 2022 to RMB7,842.2 million as of December 31, 2023, and further increased by 33.6% to RMB10,480.2 million as of December 31, 2024, as a result of increased purchases during the Track Record Period, in line with our business expansion.

Aging analysis

The table below sets forth an aging analysis of our trade payables as of the dates indicated.

	As of December 31,		
	2022	2023	2024
	(in RMB thousands)		
Within 1 year	<u>6,950,751</u>	<u>7,829,164</u>	<u>10,388,566</u>

Turnover days

The table below sets forth the turnover days of our trade and bills payables for the periods indicated. Trade and bills payable turnover days for each period equals the average of the beginning and ending balances of trade and bills payables for that period divided by cost of sales for that period and multiplied by 360 days in that period.

	2022	2023	2024
Trade and bills payable turnover days	<u>66.4</u>	<u>57.9</u>	<u>55.2</u>

Our trade and bills payable turnover days decreased from 66.4 days in 2022 to 57.9 days in 2023, and our trade and bills payable turnover days further decreased to 55.2 days in 2024, mainly as a result of better management in payment schemes with our suppliers.

Subsequent settlement

As of February 28, 2025, 57.5% of our total trade and bills payables as of December 31, 2024, or RMB6,027.3 million, were settled.

FINANCIAL INFORMATION

Other payables and accruals

Our other payables and accruals primarily represent accrued employees’ benefits, other accrued charges, other tax payables and deposits received.

The table below sets forth the breakdown of our other payables and accruals as of the dates indicated.

	As of December 31,		
	2022	2023	2024
	(in RMB thousands)		
Accrued staff cost	1,479,944	1,327,597	1,532,142
Construction payables	3,179,412	3,290,317	3,616,325
Other accrued charges	335,474	305,873	306,028
Other tax payables	140,269	248,432	267,313
Deposits received	90,732	137,415	86,499
Others	<u>32,654</u>	<u>19,991</u>	<u>77,338</u>
Total	<u>5,258,485</u>	<u>5,329,625</u>	<u>5,885,645</u>

Our other payables and accruals decreased slightly by 1.4% from RMB5,258.5 million as of December 31, 2022 to RMB5,329.6 million as of December 31, 2023, as a result of a decrease in accrued employees’ benefits as we ramped up our automation process. Our other payables and accruals increased by 10.4% to RMB5,885.6 million as of December 31, 2024, primarily because of an increase in accrued employees’ benefits as we paid out more bonuses and incentives in sync with our business growth.

FINANCIAL INFORMATION

CASH FLOWS

The table below sets forth our cash flows for the periods indicated.

	<u>2022</u>	<u>2023</u>	<u>2024</u>
	<u>RMB'000</u>		
Operating cash flows before movements in			
working capital	7,471,246	8,341,908	9,154,875
Changes in working capital	1,863,689	1,386,278	2,148,190
Income tax paid	<u>(154,402)</u>	<u>(427,988)</u>	<u>(414,224)</u>
Net cash from operating activities	9,180,533	9,300,198	10,888,841
Net cash used in investing activities	(5,576,695)	(5,367,384)	(6,050,290)
Net cash used in financing activities	<u>(2,416,316)</u>	<u>(5,136,912)</u>	<u>(4,454,405)</u>
Net increase (decrease) in cash and			
cash equivalents	1,187,522	(1,204,098)	384,146
Cash and cash equivalents at beginning of			
the year/period	<u>10,216,339</u>	<u>11,682,255</u>	<u>10,493,519</u>
Effect of foreign exchange rate changes	<u>278,394</u>	<u>15,362</u>	<u>59,139</u>
Cash and cash equivalents at ending of			
the year/period	<u>11,682,255</u>	<u>10,493,519</u>	<u>10,936,804</u>

Operating Activities

In 2024, we had net cash generated from operating activities of RMB10,888.8 million, primarily consisting of our profit for the year of RMB3,676.9 million, adjusted for items mainly including (i) non-cash and non-operating items, primarily comprising depreciation of property, plant and equipment of RMB4,770.8 million, and (ii) changes in working capital, primarily comprising (a) an increase in trade and other payables of RMB3,928.4 million, and (b) an increase in trade and bills receivables of RMB1,511.3 million.

In 2023, we had net cash generated from operating activities of RMB9,300.2 million, primarily consisting of our profit for the year of RMB3,041.8 million, adjusted for items mainly including (i) non-cash and non-operating items, primarily comprising depreciation of property, plant and equipment of RMB4,633.0 million, and (ii) changes in working capital, primarily comprising an increase in trade and other payables of RMB1,455.0 million.

In 2022, we had net cash generated from operating activities of RMB9,180.5 million, primarily consisting of our profit for the year of RMB2,519.8 million, adjusted for items mainly including (i) non-cash and non-operating items, primarily comprising depreciation of property, plant and equipment of RMB4,340.7 million, and (ii) changes in working capital, primarily comprising

FINANCIAL INFORMATION

(a) a decrease in trade and bills receivables of RMB1,450.0 million, (b) a decrease in prepayments and other receivables of RMB485.6 million and (c) a decrease in trade and other payables of RMB217.1 million.

Investing Activities

In 2024, we had net cash used in investing activities of RMB6,050.3 million, primarily consisting of purchase of financial assets/derivatives at FVTPL of RMB1,719.7 million and purchase of property, plant and equipment of RMB6,237.7 million, partially offset by proceeds from disposal of financial assets/derivatives at FVTPL of RMB1,932.0 million.

In 2023, we had net cash used in investing activities of RMB5,367.4 million, primarily consisting of purchase of financial assets/derivatives at FVTPL of RMB1,185.6 million and purchase of property, plant and equipment of RMB5,085.3 million, partially offset by proceeds from disposal of financial assets/derivatives at FVTPL of RMB1,387.0 million.

In 2022, we had net cash used in investing activities of RMB5,576.7 million, primarily consisting of purchase of financial assets/derivatives at FVTPL of RMB7,342.2 million and purchase of property, plant and equipment of RMB6,824.3 million, partially offset by proceeds from disposal of financial assets/derivatives at FVTPL of RMB8,702.3 million.

Financing Activities

In 2024, we had net cash used in financing activities of RMB4,454.4 million, primarily consisting of repayment of borrowings of RMB6,661.4 million and dividends paid to the shareholders of the Company of RMB1,482.2 million, partially offset by new borrowings raised of RMB5,120.2 million.

In 2023, we had net cash used in financing activities of RMB5,136.9 million, primarily consisting of repayment of borrowings of RMB11,236.3 million and dividends paid to the shareholders of the Company of RMB986.2 million, partially offset by new borrowings raised of RMB7,533.7 million.

In 2022, we had net cash used in financing activities of RMB2,416.3 million, primarily consisting of repayment of borrowings of RMB17,978.2 million and interest paid for borrowings of RMB558.7 million, partially offset by new borrowings raised of RMB17,584.2 million.

FINANCIAL INFORMATION

INDEBTEDNESS

The table below sets forth our indebtedness as of the dates indicated.

	As of December 31,			As of
	2022	2023	2024	February 28,
	(in RMB thousands)			2025
				(unaudited)
Current				
Borrowings	9,848,393	5,669,812	6,518,634	6,328,382
Lease liabilities	13,503	27,726	47,659	35,184
Non-current				
Borrowings	9,122,890	9,588,264	7,807,931	7,565,787
Lease liabilities	34,145	20,773	151,529	188,460
Loans from related parties . . .	1,027,632	1,065,146	—	—
Total	20,046,563	16,371,721	14,525,753	14,117,813

Borrowings

As of December 31, 2022, 2023 and 2024 and as of February 28, 2025, we had borrowings of RMB18,971.3 million, RMB15,258.1 million and RMB14,326.6 million, and RMB13,894.2 million, respectively. The table below sets forth the maturity profile of our borrowings as of the dates indicated.

	As of December 31,			As of
	2022	2023	2024	February 28,
	(in RMB thousands)			2025
				(unaudited)
Within one year	9,848,393	5,669,812	6,518,634	6,328,382
Between one to two years	4,451,040	5,903,733	4,640,250	4,468,263
Between two to five years . . .	4,671,850	3,684,531	3,097,525	3,097,525
More than five years	—	—	70,156	—
Total	18,971,283	15,258,076	14,326,565	13,894,169

Loans From Related Parties

As of December 31, 2022, 2023 and 2024 and as of February 28, 2025, we had loans from related parties of RMB1,027.6 million, RMB1,065.1 million, nil, and nil, respectively. These loans were mainly used for supplementing our working capital and optimizing our debt structure by repaying certain loans from financial institutions and were non-trade in nature.

FINANCIAL INFORMATION

Lease Liabilities

Our lease liabilities increased from RMB47.6 million as of December 31, 2022 to RMB48.5 million as of December 31, 2023 and our lease liabilities increased from RMB48.5 million as of December 31, 2023 to RMB199.2 million as of December 31, 2024, both as a result of new leases entered into for new factories and employees’ housing. Our lease liabilities increased from RMB199.2 million as of December 31, 2024 to RMB223.6 million as of February 28, 2025, primarily due to the same foregoing reason.

Contingent Liabilities

As of February 28, 2025, we did not have any contingent liabilities.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital Expenditure

The table below sets forth our capital expenditure for the periods indicated.

	<u>2022</u>	<u>2023</u>	<u>2024</u>
	(in RMB thousands)		
Purchase of property, plant and equipment . . .	6,824,316	5,085,273	6,237,734
Payments for leasehold land	<u>—</u>	<u>277,654</u>	<u>118,320</u>
Total	<u>6,824,316</u>	<u>5,362,927</u>	<u>6,356,054</u>

During the Track Record Period, our capital expenditure was primarily for purchase of property, plant and equipment used in our production and payments for leasehold land.

Capital Commitments

The table below sets forth our capital commitments as of the dates indicated.

	<u>As of December 31,</u>		
	<u>2022</u>	<u>2023</u>	<u>2024</u>
	(in RMB thousands)		
Capital expenditure contracted for but not provided for in the Historical Financial Information — Property, plant and equipment	<u>820,472</u>	<u>1,352,626</u>	<u>2,217,417</u>

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

	For the year ended/as of December 31,		
	2022	2023	2024
Gross margin ¹	18.3%	15.6%	14.6%
Net profit margin ²	5.4%	5.6%	5.3%
Return on assets ³	3.3%	3.9%	4.6%
Return on equity ⁴	5.8%	6.7%	7.7%
Current ratio ⁵	1.3	1.5	1.3
Quick ratio ⁶	1.0	1.1	1.0
Gearing ratio ⁷	42.8%	32.8%	29.3%

Notes:

- (1) Gross margin is calculated as gross profit for the year/period divided by revenue for the corresponding year/period and multiplied by 100%.
- (2) Net profit margin is calculated as net profit for the year/period divided by revenue for the corresponding year/period and multiplied by 100%.
- (3) Return on assets is calculated as net profit for the year divided by the average total assets and multiplied by 100%. Average total assets is the sum of the balance of total assets at the beginning and at the end of the year, divided by two.
- (4) Return on equity is calculated as net profit for the year divided by the average total equity and multiplied by 100%. Average total equity is the sum of the balance of total equity at the beginning and at the end of the year, divided by two.
- (5) Current ratio is calculated as total current assets as at the end of the year/period divided by total current liabilities as at the end of the corresponding year/period.
- (6) Quick ratio is calculated as total current assets less inventories as at the end of the year/period and divided by total current liabilities as at the end of the corresponding year/period.
- (7) Gearing ratio is calculated as the total bank loans as at the end of the year/period divided by total equity as at the end of the corresponding year/period and multiplied by 100%.

DISCLOSURE ABOUT FINANCIAL RISKS

We are exposed to a variety of financial risks including currency risk, interest risk, credit risk and liquidity risk. For details of our risk exposure and sensitivity analysis, see note 41 to Appendix I — Accountants’ Report.

Currency Risk

Currency risk arises when recognized financial assets and liabilities are denominated in a currency that is not the same as an entity’s functional currency. We have certain sales, purchases, bank balances and borrowings denominated in foreign currencies, which exposes us to currency risk. We manage and monitor our exposure to currency risk to ensure appropriate measures are implemented in a timely and effective manner.

FINANCIAL INFORMATION

Interest Risk

We are exposed to fair value interest rate risk in relation to our pledged and restricted bank deposits, fixed-rate bank borrowings and lease liabilities. We are exposed to cash flow interest rate risk in relation to variable-rate bank balances and borrowings.

Credit Risk

Credit risk refers to the risk that our counterparties may default on their contractual obligations resulting in financial losses to us. Our credit risk exposures primarily relate to our trade and bills receivables and bank balances. We do not hold any collateral or other credit enhancements to cover our credit risks associated with our financial assets.

Liquidity Risk

Liquidity risk is the risk that we will encounter difficulty in meeting financial obligations due to shortage of funds. To manage our liquidity risk, we monitor and maintain a level of bank balances and cash deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows.

Capital Management

The primary objectives of our capital management are to safeguard our ability to continue as a going concern and to maximize our return to shareholders through the optimization of our debt and equity balance. Our overall strategy remained unchanged during the Track Record Period.

Our capital structure consists of net debt, which includes borrowings and lease liabilities, net of bank balances and cash and total equity, mainly comprising issued share capital, share premium and retained profits, other reserves and non-controlling interests.

Our management reviews our capital structure on a regular basis. As part of this review, they consider the cost of capital and risks associated with the capital. Based on recommendations of our management, we will balance our overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

RELATED PARTY TRANSACTIONS

Related party transactions are set out in note 42 to Appendix I — Accountants’ Report. Our Directors confirm that these transactions were conducted in the ordinary course of our business, on an arm’s length basis and with normal commercial terms between the relevant parties.

OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period, we did not enter into any off-balance sheet arrangements.

FINANCIAL INFORMATION

DIVIDEND POLICY

In 2022, 2023 and 2024, our Company declared dividends of RMB493.1 million, RMB986.2 million and RMB1,482.2 million, all of which had been paid in full. See Note 15 to the Accountants’ Report included in Appendix I to this Document for details.

We do not have a fixed dividend distribution ratio. PRC laws require that dividends be paid only out of our distributable profits. Distributable profits are our after-tax profits, less appropriations to statutory and other reserves that we are required to make. Pursuant to our Articles of Association, our Board may declare dividends in the future after taking into account our results of operations, financial conditions, cash requirements and availability, and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, applicable PRC laws and approval by our Shareholders.

After the [REDACTED], we may declare and pay dividends mainly by cash or by stock that we consider appropriate. Decisions to declare or to pay any dividends in the future will depend on, among other things, our Company’s profitability, operations and development plans, external financing environment, costs of capital, our Company’s cash flows and other factors that our Directors may consider relevant. Our ability to distribute dividends in the future also depends on whether we can receive dividends from our subsidiaries.

DISTRIBUTABLE RESERVE

As of December 31, 2024, we had retained profits attributable to owners of the Company of RMB20,235.9 million.

DISCLOSURE REQUIRED UNDER RULES 13.13 TO 13.19 OF THE HONG KONG LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Hong Kong Listing Rules.

UNAUDITED [REDACTED] FINANCIAL INFORMATION

Please refer to Appendix II — Unaudited [REDACTED] Financial Information for details.

[REDACTED]

[REDACTED] represent professional fees, [REDACTED] and fees incurred in connection with the [REDACTED] and the [REDACTED]. Our [REDACTED] are estimated to be approximately HK\$[REDACTED] (including [REDACTED]), accounting for [REDACTED] of the gross [REDACTED] of the [REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per H Share, being the mid-point of the [REDACTED] range stated in this Document, and no exercise of the [REDACTED]). Among our [REDACTED], approximately HK\$[REDACTED] is directly attributable to the [REDACTED] of H Shares and will be charged

FINANCIAL INFORMATION

to equity upon completion of the [REDACTED], and approximately HK\$[REDACTED] has been charged to our consolidated statements of profit or loss and other comprehensive income. The [REDACTED] we incurred during the Track Record Period and expect to incur would consist of approximately HK\$[REDACTED] [REDACTED] and fees (including but not limited to [REDACTED] and fees), approximately HK\$[REDACTED] [REDACTED] expenses and fees of the Sole Sponsor, legal advisors and reporting accountant and approximately HK\$[REDACTED] for other [REDACTED] fees and expenses.

The [REDACTED] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

NO MATERIAL ADVERSE CHANGE

Our Directors confirmed that, as of the date of this Document, there has been no material adverse change in our financial position since December 31, 2024, and there has been no event since December 31, 2024 that would materially affect the information as set out in the Accountants’ Report in Appendix I to this Document.

SHARE CAPITAL

BEFORE THE [REDACTED]

As of the Latest Practicable Date, the total issued share capital of our Company was RMB4,982,879,271, comprising 4,982,879,271 A Shares of nominal value RMB1.00 each, all of which are listed on the Shenzhen Stock Exchange.

<u>Description of Shares</u>	<u>Number of Shares</u>	<u>Percentage of issued share capital</u>
A Shares	4,982,879,271	100.00%
Total	<u>4,982,879,271</u>	<u>100.00%</u>

UPON COMPLETION OF THE [REDACTED]

Immediately following completion of the [REDACTED], assuming that the [REDACTED] is not exercised, the entire share capital of our Company would be as follows:

<u>Description of Shares</u>	<u>Number of Shares</u>	<u>Percentage of issued share capital</u>
A Shares	4,982,879,271	[REDACTED]
H Shares [REDACTED] pursuant to the [REDACTED] .	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Total	<u>[REDACTED]</u>	<u>100.00%</u>

Immediately following completion of the [REDACTED], assuming that the [REDACTED] is fully exercised, the entire share capital of our Company would be as follows:

<u>Description of Shares</u>	<u>Number of Shares</u>	<u>Percentage of issued share capital</u>
A Shares	4,982,879,271	[REDACTED]
H Shares [REDACTED] pursuant to the [REDACTED] .	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Total	<u>[REDACTED]</u>	<u>100.0%</u>

SHARE CAPITAL

OUR SHARES

Our H Shares in [REDACTED] upon completion of the [REDACTED] (including H Shares [REDACTED] pursuant to the exercise of the [REDACTED]) and our A Shares are ordinary shares in the share capital of our Company and are considered as one class of Shares. However, apart from qualified domestic institutional investors and persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approval of any competent authority, or (if our H Shares are eligible securities for that purpose) through Shenzhen-Hong Kong Stock Connect pursuant to relevant PRC laws and regulations, our H Shares may not be [REDACTED] by or traded between legal or natural persons of the PRC.

Shenzhen-Hong Kong Stock Connect has established a stock connect mechanism between the PRC and Hong Kong. Our A Shares can be subscribed for and traded by PRC investors, qualified foreign institutional investors or qualified foreign strategic investors and must be traded in RMB. As our A Shares are eligible securities under the Northbound Trading Link, they can also be subscribed for and traded by Hong Kong and other overseas investors pursuant to the rules and limits of Shenzhen-Hong Kong Stock Connect. If our H Shares are eligible securities under the Southbound Trading Link, they can also be subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

RANKING

Our H Shares and our A Shares are regarded as one class of Shares under our Articles of Association and will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this Document. All dividends in respect of our H Shares are to be paid by us in Hong Kong dollars whereas all dividends in respect of our A Shares are to be paid by us in RMB. In addition to cash, dividends may also be distributed in the form of Shares. Holders of our H Shares will receive share dividends in the form of H Shares, and holders of our A Shares will receive share dividends in the form of A Shares.

NO CONVERSION OF OUR A SHARES INTO H SHARES FOR [REDACTED] AND TRADING ON THE HONG KONG STOCK EXCHANGE

Our A Shares and our H Shares are generally neither interchangeable nor fungible, and the market prices of our A Shares and our H Shares may be different after the [REDACTED]. *The Guidelines on Application for “Full Circulation” of Domestic Unlisted Shares of H-share Companies* (《H股公司境內未上市股份申請“全流通”業務指引》) announced by the CSRC are not applicable to companies dual [REDACTED] in the PRC and on the Hong Kong Stock Exchange. As of the Latest Practicable Date, there were no relevant rules or guidelines from the CSRC providing that A Shares holders may convert A Shares held by them into H Shares for [REDACTED] and [REDACTED] on the Hong Kong Stock Exchange.

SHARE CAPITAL

APPROVAL FROM HOLDERS OF A SHARES REGARDING THE [REDACTED]

We have obtained approval from our holders of A Shares to [REDACTED] H Shares and seek the [REDACTED] of H Shares on the Hong Kong Stock Exchange at the general meeting of our Company held on March 28, 2025. Pursuant to such approval, among other things, (i) the number of H Shares to be [REDACTED] under the [REDACTED] shall not exceed [REDACTED] of the total share capital of our Company as enlarged by the H Shares to be [REDACTED] pursuant to the [REDACTED] (before the exercise of the [REDACTED]); and (ii) the number of H Shares to be [REDACTED] pursuant to the exercise of the [REDACTED] shall not exceed [REDACTED] of the total number of H Shares to be initially [REDACTED] pursuant to the [REDACTED].

The [REDACTED] of H Shares and [REDACTED] of H Shares on the Hong Kong Stock Exchange shall be completed within 24 months from the date when the Shareholders’ meeting was held on March 28, 2025.

There is no other approved offering plan for any other Shares except for the [REDACTED].

SHAREHOLDERS’ GENERAL MEETINGS

For details of circumstance under which our Shareholders’ general meeting is required, see “Appendix III — Summary of Articles of Association — Shareholders and General Meetings” of this Document.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, as of the Latest Practicable Date and immediately following the completion of the [REDACTED] (assuming that no other changes are made to the issued share capital of the Company between the Latest Practicable Date and the [REDACTED]), each of the following persons will have an interest or short position (as applicable) in our Shares or underlying Shares which would be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the issued voting shares of our Company:

Name of the substantial Shareholder	Nature of Interest	Description of Shares	Number of Shares directly or indirectly held	Approximate percentage of interest in the total issued share capital of our Company as of the Latest Practicable Date ⁽¹⁾	Assuming no exercise of the [REDACTED]	Assuming full exercise of the [REDACTED]
					Approximate percentage of interest in the total issued share capital of our A Shares	Approximate percentage of interest in the total issued share capital of our A Shares
Ms. Chau	Interest held by controlled corporation ⁽²⁾⁽³⁾⁽⁴⁾	A Shares	3,116,352,600	62.54%	62.54% [REDACTED]%	62.54% [REDACTED]%
Mr. Cheng	Interest of spouse ⁽⁵⁾	A Shares	3,347,879	0.07%	0.07% [REDACTED]%	0.07% [REDACTED]%
	Beneficial owner	A Shares	3,347,879	0.07%	0.07% [REDACTED]%	0.07% [REDACTED]%
	Interest of spouse ⁽⁵⁾	A Shares	3,116,352,600	62.54%	62.54% [REDACTED]%	62.54% [REDACTED]%
Lens Technology (HK)	Beneficial owner ⁽²⁾	A Shares	2,804,509,821	56.28%	56.28% [REDACTED]%	56.28% [REDACTED]%
Changsha Qunxin	Beneficial owner ⁽³⁾	A Shares	288,025,612	5.78%	5.78% [REDACTED]%	5.78% [REDACTED]%

Notes:

- (1) The calculation is based on the total number of 4,982,879,271 Shares in issue as of the Latest Practicable Date.
- (2) As of the Latest Practicable Date, Lens Technology (HK) held 2,804,509,821 A Shares. Lens Technology (HK) was directly wholly owned by Ms. Chau. As such, Ms. Chau will be deemed to be interested in the A Shares held by Lens Technology (HK) by virtue of the SFO.
- (3) As of the Latest Practicable Date, Changsha Qunxin held 288,025,612 A Shares. Changsha Qunxin is a limited liability company established in the PRC, which is owned as to 97.9% by Ms. Chau and 2.1% by Mr. Cheng. As such, Ms. Chau is deemed to be interested in the A Shares held by Changsha Qunxin by virtue of the SFO.
- (4) As of the Latest Practicable Date, there were 23,817,167 A Shares repurchased and held in our Company's stock repurchase account as treasury shares. Ms. Chau, directly and indirectly through Lens Technology (HK) and Changsha Qunxin, controls more than one-third of the voting power at the general meetings of our Company and would be taken to have an interest in such repurchased A Shares held by our Company by virtue of the SFO.
- (5) Ms. Chau is the spouse of Mr. Cheng. Therefore, each of Ms. Chau and Mr. Cheng is deemed to be interested in the Shares held by each other under the SFO.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed above and in “Appendix IV — Statutory and General Information” of this Document, our Directors are not aware of any person who will, immediately following the [REDACTED] (and the [REDACTED] of any additional H Shares pursuant to the [REDACTED]), have an interest or short position in the Shares or underlying Shares of our Company which would be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will, directly or indirectly, be interested in 10% or more of the issued voting shares of any other members of our Group.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

As of the Latest Practicable Date, the equity interest of our Company was controlled directly as to approximately 56.28% by Lens Technology (HK), 5.78% by Changsha Qunxin and 0.07% by Mr. Cheng. 100% equity interest of Lens Technology (HK) was directly held by Ms. Chau and Changsha Qunxin was directly held as to 97.90% by Ms. Chau and 2.10% by Mr. Cheng. Ms. Chau and Mr. Cheng are spouses. For a simplified corporate structure chart of our Group before the [REDACTED], see “History, Development and Corporate Structure.”

Accordingly, immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Ms. Chau, Mr. Cheng, Lens Technology (HK) and Changsha Qunxin will control in aggregate approximately [REDACTED]% of the total issued share capital of our Company and be entitled to exercise more than 30% of the voting power at Shareholders’ general meetings of our Company. As such, Ms. Chau, Mr. Cheng, Lens Technology (HK) and Changsha Qunxin will together constitute a group of Controlling Shareholders upon [REDACTED] under the Hong Kong Listing Rules.

CLEAR BUSINESS DELINEATION

Our Business

We are an industry-leading integrated one-stop precision manufacturing solution provider. We are focused on technological innovation and empowered by smart manufacturing. In terms of revenue in 2024, we are a global leading player in precision structural parts and modules integrated solutions for both consumer electronics and smart vehicles interaction systems. We have accumulated strong expertise and capabilities in consumer electronics and smart vehicles, with robust and comprehensive platform-based capabilities that include talent, technology, supply and smart manufacturing.

The Business of Our Controlling Shareholders

Lens Technology (HK) is an investment holding company incorporated under the laws of Hong Kong and Changsha Qunxin is an investment holding company incorporated under the laws of the PRC.

Each of our Controlling Shareholders confirms that, as of the Latest Practicable Date, she/he/it did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business that would require disclosure under Rule 8.10 of the Hong Kong Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

NON-COMPETE UNDERTAKINGS

For the purpose of the listing of our A Shares on the Shenzhen Stock Exchange and in order to avoid any potential competition between our Group and the Controlling Shareholders, the Controlling Shareholders provided a non-competition undertaking in favor of our Company on March 2, 2012 (the “**Non-competition Undertaking**”). Pursuant to the Non-competition Undertaking, each of the Controlling Shareholders has undertaken that:

- (i) the Controlling Shareholders and the companies controlled by them shall not directly or indirectly engage in any business that competes or may compete with the business operated by the Group, nor shall they invest in any other enterprises that compete or may compete with the business operated by the Group;
- (ii) if the Controlling Shareholders and the companies controlled by them expand the scope of their business, they shall not engage in any business that competes with the expanded business of the Group. If competition arises with the expanded business of the Group, the Controlling Shareholders and the companies controlled by them shall avoid such competition by either ceasing the operation of the competing business, incorporating the competing business into the Group’s operations, or transferring the competing business to an unrelated third party; and
- (iii) for so long as the Controlling Shareholders and the companies controlled by them remain as a related party of the Group, if the Controlling Shareholders and the companies controlled by them fail to comply with the relevant undertakings, they shall compensate the Group for all direct and indirect losses and will bear the corresponding legal responsibilities.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and their close associates after the [REDACTED].

Management Independence

Our business is managed and conducted by the Board and senior management of the Company. Upon [REDACTED], the Board will consist of seven Directors comprising three executive Directors and four independent non-executive Directors. For more information, see “Directors, Supervisors and Senior Management.” Our Directors consider that the Board, Supervisors and senior management of our Company are capable of functioning independently of our Controlling Shareholders for the following reasons:

- (i) our daily management and operations are carried out by a senior management team, all of whom have substantial experiences in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interest of the Group;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (ii) each Director is aware of her/his fiduciary duties as a director which require, among other things, that she/he must act for the benefit and in the interest of our Company and the Shareholders as a whole, and not allow any conflict between her/his duties as a Director and her/his personal interests;
- (iii) we have four independent non-executive Directors who individually and collectively possess requisite knowledge and experience, and will be able to provide professional and experienced advice to our Company. In conclusion, the Directors believe that our independent non-executive Directors are able to bring impartial and sound judgment to the decision-making process of the Board and protect the interest of our Company and our Shareholders as a whole;
- (iv) as an A-share listed company, we have formulated and adopted a comprehensive internal control and management system in compliance with the relevant requirements of the rules of the Shenzhen Stock Exchange. Our Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which she/he or any of her/his close associates have a material interest and shall not be counted in the quorum present at the particular Board meeting; and
- (v) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. See “— Corporate Governance Measures” in this section for further information.

Based on the above, our Directors are satisfied that they are able to perform their managerial roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from the Controlling Shareholders after the [REDACTED].

Operational Independence

We have full rights to make business decisions and to carry out our business independently from our Controlling Shareholders. On the basis of the following reasons, our Directors consider that our Company will continue to be operationally independent from our Controlling Shareholders and their respective close associates after the [REDACTED]:

- (i) we have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders;
- (ii) we have independent access to our customers and suppliers;
- (iii) we have our own administrative and corporate governance infrastructure, including our own accounting, legal and human resources departments; and
- (iv) none of our Controlling Shareholders have any interests in any business which competes or is likely to compete with the business of our Group.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Based on the above, our Directors believe that we are able to operate independently from our Controlling Shareholders.

Financial Independence

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the financial management, accounting, reporting and funding functions of our Group. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders.

As of the Latest Practicable Date, we did not have any outstanding loans granted or guaranteed by any of our Controlling Shareholders to us.

Based on the above, our Directors are of the view that we are capable of carrying on our business independently from, and do not place undue reliance on, our Controlling Shareholders after the [REDACTED].

CORPORATE GOVERNANCE MEASURES

Our Company and Directors recognize the importance of protecting the rights and interests of all Shareholders, including the rights and interests of our minority Shareholders.

We have adopted, among others, the following measures to ensure good corporate governance standards and to avoid potential conflicts of interest between our Group and our Controlling Shareholders:

- (i) where a Shareholders’ meeting is to be held for considering proposed transactions in which our Controlling Shareholders have a material interest, the relevant Controlling Shareholders will not vote on the relevant resolutions;
- (ii) our Company has established internal control mechanisms to identify connected transactions and related party transactions. Upon the [REDACTED], if our Company enters into connected transactions or related party transactions with our Controlling Shareholders or any of their associates, our Company will comply with the applicable laws and regulations, including the Hong Kong Listing Rules;
- (iii) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between the Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (iv) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by applicable laws and regulations, including the Hong Kong Listing Rules;
- (v) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company’s expense;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (vi) we have appointed Gram Capital Limited as our Compliance Advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Hong Kong Listing Rules, including various requirements relating to corporate governance; and
- (vii) we have established the Audit Committee, the Nomination Committee, the Remuneration and Appraisal Committee and the Strategy Committee with written terms of reference in compliance with the Hong Kong Listing Rules and the Corporate Governance Code in Appendix C1 to the Hong Kong Listing Rules (where applicable).

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders’ interests after the [REDACTED].

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

OVERVIEW

Our Board consists of seven Directors, comprising three executive Directors and four independent non-executive Directors. Our Directors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office. The independent non-executive Directors shall not hold office for more than six consecutive years pursuant to the relevant PRC laws and regulations.

Our Supervisory Committee consists of three Supervisors including one employee representative Supervisor. Our Supervisors are elected for a term of three years and are eligible for re-election.

DIRECTORS

The following table sets forth the information about the Directors:

Name	Age	Position	Responsibilities	Date of appointment as a Director	Time of joining the Group
Ms. Chau Kwan Fei (周群飛) . .	54	Executive Director, chairman of the Board and general manager	Responsible for the strategy planning and the overall operation and management of the Group	June 18, 2011	December 2006
Mr. Cheng Chun Lung (鄭俊龍)	52	Executive Director and vice chairman of the Board	Responsible for the marketing and procurement of the Group	June 18, 2011	December 2006
Mr. Rao Qiaobing (饒橋兵)	54	Executive Director and deputy general manager	Responsible for the management of production and operation of the Group	July 31, 2021	December 2006
Ms. Wan Wei (萬煒)	52	Independent non-executive Director	Supervising and providing independent judgment to the Board	July 31, 2021	July 2021
Mr. Liu Yue (劉岳)	50	Independent non-executive Director	Supervising and providing independent judgment to the Board	July 31, 2021	July 2021
Mr. Tian Hong (田宏)	63	Independent non-executive Director	Supervising and providing independent judgment to the Board	January 21, 2025	January 2025
Mr. Xie Zhiming (謝誌明)	52	Independent non-executive Director	Supervising and providing independent judgment to the Board	January 21, 2025	January 2025

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Executive Directors

Ms. Chau Kwan Fei (周群飛), aged 54, the co-founder of the Company, has been the chairman of the Board and the general manager of the Company since June 2011, and was redesignated as an executive Director in March 2025 with effect from the [REDACTED]. Ms. Chau is fully responsible for the development strategy planning and overall operation and management of the Company.

Ms. Chau founded the Group in December 2006 and held directorship or general manager positions in various subsidiaries of the Group, including a supervisor of Lens Shenzhen, a director of Lens International, the chairman of the board of Lens Taizhou, the chairman of the board and general manager of Lens Changsha and the chairman of the board of Lens New Energy Company Limited* (藍思新能源有限公司). Ms. Chau has also served as a director of Changsha Intelligent Robot Research Institute Company Limited* (長沙智能機器人研究院有限公司) since March 2016; an executive director of Changsha Qunxin since 2017; a director of Qunxin Investment Company Limited* (群欣投資有限公司) since May 2017; and served as a director of Lens Technology (HK).

Ms. Chau is the spouse of Mr. Cheng, one of our executive Directors.

Mr. Cheng Chun Lung (鄭俊龍), aged 52, the co-founder of the Company, was the vice chairman of the Board and the deputy general manager of the Company from June 2011 to July 2021, has been the vice chairman of the Board since July 2021, and was redesignated as an executive Director in March 2025 with effect from the [REDACTED]. Mr. Cheng is primarily responsible for the marketing and procurement of the Group.

Mr. Cheng founded the Group in December 2006, and held directorship or general manager positions in various subsidiaries of the Group, including an executive director of Lens Shenzhen, and a director of Lens Xiangtan, Lens Changsha, etc. Mr. Cheng served as a director of Lens Technology (HK). He also served as the general manager of Changsha Qunxin from January 2021 to January 2025.

Mr. Cheng is the spouse of Ms. Chau, one of our executive Directors.

Mr. Rao Qiaobing (饒橋兵), aged 54, has been the deputy general manager of the Company since June 2011, a Director and a deputy general manager of the Company since July 2021, and was redesignated as an executive Director in March 2025 with effect from the [REDACTED]. Mr. Rao is primarily responsible for the management of production and operation of the Group.

Mr. Rao joined the Group in December 2006 and held various positions in the Group. Mr. Rao served as an executive director and the factory manager of Huizhou Gaokeda Photonics Company Limited* (惠州市高科達光電有限公司) from 2001 to 2005, the chief engineer and factory manager of Shenzhen Keda Photonics Company Limited* (深圳市科達光電有限公司) from 1997 to 2000, the factory manager of production technology of Aoya Optics Company Limited* (澳亞光學有限公司) from 1994 to 1996; and a technologist of Shenzhen Dechang Electric Machinery Corporation* (深圳市德昌電機公司) from 1992 to 1994.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Ms. Wan Wei (萬煒), aged 52, has been an independent Director since July 2021, and was redesignated as an independent non-executive Director in March 2025 with effect from the [REDACTED]. Ms. Wan is primarily responsible for supervising and providing independent judgment to the Board.

Ms. Wan has served as an associate professor of Business School of Hunan University since December 2019, and a lecturer in the marketing department of Hunan University since June 2004. From July 1994 to July 2001, Ms. Wan served at Hunan Pharmaceutical and Health Products Import and Export Corporation* (湖南省醫藥保健品進出口公司).

Ms. Wan obtained a doctor’s degree in corporate management from Hunan University in December 2013, a master’s degree in international business administration from Sun Yat-sen University in June 2003, and a bachelor’s degree in electromagnetic measurement and instrumentation from Hunan University in July 1994. In April 2013, Ms. Wan was awarded the KAB Entrepreneurship Education (China) Project Lecturer qualification by the All-China Youth Federation (中華全國青年聯合會), the All-China Students Federation (中華全國學生聯合會), and the International Labour Organization.

Mr. Liu Yue (劉岳), aged 50, has been an independent Director since July 2021, and was redesignated as an independent non-executive Director in March 2025 with effect from the [REDACTED]. Mr. Liu is primarily responsible for supervising and providing independent judgement to the Board.

Mr. Liu has been a senior partner of Hunan Jinzhou Law Firm* (湖南金州律師事務所) since March 2013 and has served as an arbitrator of Changsha Arbitration Commission (長沙仲裁委員會), a researcher of Human Resources Research Center of Central South University, an off-campus master tutor of Hunan University, Law School of Changsha University of Science & Technology (長沙理工大學), and Hunan University of Technology and Business (湖南工商大學), and the expert of the Changsha Social Sciences Think Tank (長沙社科智庫). In March 2007, he established Hunan Herun Law Firm* (湖南和潤律師事務所) as a director. He also served as the deputy director of the Publicity Section of Changsha Municipal Justice Bureau and the deputy director as well as the director of Changsha 148 Legal Services Co-ordination and Command Centre (長沙市148法律服務協調指揮中心) from July 2000 to February 2007; and the secretary of Changsha Xinye Industrial Corporation* (長沙新業實業公司) from November 1993 to December 1996.

Mr. Liu was qualified as a PRC lawyer by the Ministry of Justice of the PRC.

Mr. Tian Hong (田宏), aged 63, has been an independent Director since January 2025, and was redesignated as an independent non-executive Director in March 2025 with effect from the [REDACTED]. Mr. Tian is primarily responsible for overseeing and providing independent judgment to the Board.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Tian has served as an independent director of Broadex Technologies Co., Ltd.* (博創科技股份有限公司) (SZSE: 300548.SZ) since May 2023 and the director of the International Center of Science and Innovation in the Guangdong-Hong Kong-Macao Great Bay Area (粵港澳大灣區國家技術創新中心) from October 2022 to July 2024. From February 1996 to September 2022, he served positions such as the general manager of the China HQ of TDK (Tokyo Denki Kagaku Kogyo K.K) (TSE: 6762.T), the president, chairman of the board and CEO of SAE Magnetics (HK) Ltd. (a wholly-owned subsidiary of TDK), and the general manager of TDK’s micro-actuator business department. He served as a senior hardware integration engineer at Conner Peripheral from December 1993 to December 1995 and a research and development engineer at Hoya Electronics in the U.S. from October 1990 to November 1993.

Mr. Tian obtained a doctor’s degree from the Massachusetts Institute of Technology (“MIT”) in the U.S. in September 1990, a master’s degree from MIT in February 1987, and a bachelor’s degree from Tsinghua University in July 1983.

Mr. Xie Zhiming (謝志明), aged 52, has been an independent Director since January 2025, and was redesignated as an independent non-executive Director in March 2025 with effect from the [REDACTED]. Mr. Xie is primarily responsible for overseeing and providing independent judgment to the Board.

Mr. Xie has served as an independent director of Zhuzhou Gofront Equipment Co., Ltd.* (株洲九方裝備股份有限公司) (NEEQ: 874132.NQ). From 2015, he served as a consulting expert on managerial accounting of Hunan Provincial Department of Finance, a consulting expert of the Finance Committee of Hunan Provincial People’s Congress, a project assessment expert of Department of Science and Technology of Hunan Province, and an peer assessment expert of the Zhejiang Provincial Natural Science Foundation of China (浙江省自然科學基金). Since 2003, Mr. Xie has successively served as an associate professor, director of the MBA Centre and a professor at the School of Economics & Management at Changsha University of Science and Technology (長沙理工大學).

Mr. Xie obtained a doctor’s degree and a master’s degree in accounting from Central South University located in Hunan Province, the PRC in June 2012 and December 2004, respectively, and a bachelor’s degree in accounting from Zhejiang Business School* (杭州商學院) (currently known as Zhejiang Gongshang University (浙江工商大學)) in July 1995. Mr. Xie was awarded the professorship in accounting by the Human Resources and Social Security Department of Hunan Province in November 2016 and obtained the qualification of a PRC Certified Public Accountant from the Certified Public Accountant Examination Committee of the MOF in May 2001.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORS

The following table sets forth the information about the Supervisors.

Name	Age	Position	Responsibilities	Date of appointment as a Supervisor	Time of joining the Group
Mr. Tang Jun (唐軍)	46	Chairman of the Supervisory Committee	Responsible for monitoring the performance of the Directors and senior management	August 30, 2019	April 2009
Mr. Chen Xiaqun (陳小群)	43	Shareholder representative Supervisor	Responsible for monitoring the performance of the Directors and senior management	June 18, 2011	December 2006
Ms. Zhou Xinyi (周新益)	54	Employee representative Supervisor	Responsible for monitoring the performance of the Directors and senior management	July 31, 2021	December 2006

Mr. Tang Jun (唐軍), aged 46, is the chairman of our Supervisory Committee. Mr. Tang is primarily responsible for monitoring the performance of the Directors and senior management.

Mr. Tang joined the Group in April 2009. Since 2011, Mr. Tang has been serving as a senior director and deputy general manager of the Group’s Business Management Department, a deputy general manager of the Group’s Commerce Department and a director of Lens Taizhou, a subsidiary of the Company. From 2009 to 2011, Mr. Tang was the finance manager and chief financial officer of Lens Technology (Hunan) Company Limited* (藍思科技(湖南)有限公司), the predecessor of the Company. From 2003 to 2009, Mr. Tang served at Shenzhen Futaihong Precision Industry Company Limited* (深圳富泰宏精密工業有限公司) in Guangdong Province.

Mr. Tang obtained a bachelor’s degree in accounting in July 2003 from Shaanxi University of Science & Technology (陝西科技大學).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Chen Xiaoqun (陳小群), aged 43, is our shareholder representative Supervisor. Mr. Chen is primarily responsible for monitoring the performance of the Directors and senior management.

Mr. Chen joined the Group in December 2006. Mr. Chen has been serving as the director and vice director of the Research and Development Department of the Group since December 2006; and a director of Changsha Lens New Materials Company Limited* (長沙藍思新材料有限公司), a subsidiary of the Company since October 2018. Mr. Chen served as the deputy general manager and chief technology officer of the Company from July 2021 to January 2025, a Supervisor from June 2011 to July 2021, and concurrently a supervisor of Changsha Qunxin from March 2011 to July 2017. Prior to joining the Group, Mr. Chen worked as an assistant engineer in Flextronics Manufacturing (Zhuhai) Company Limited* (偉創力(珠海)有限公司) in Guangdong Province from May 2005 to March 2006, and a technologist in Zhuhai Feitianli Concrete Company Limited* (珠海飛天利商品混凝土有限公司) in Guangdong Province from August 2004 to May 2005.

Mr. Chen obtained a bachelor’s degree in inorganic non-metallic materials engineering from Hunan University of Science and Technology (湖南科技大學) in June 2004.

Ms. Zhou Xinyi (周新益), aged 54, is our employee representative Supervisor. Ms. Zhou Xinyi is primarily responsible for monitoring the performance of the Directors and senior management.

Ms. Zhou Xinyi joined the Group in December 2006 and has held multiple positions, including Director. Since July 2021, Ms. Zhou Xinyi has served as a Supervisor and a supervisor of Lens Wang Technology (Shenzhen) Company Limited* (藍思旺科技(深圳)有限公司) (“**Lens Wang Technology**”), a subsidiary of the Company. She served as the production manager of Lens Wang Technology from 2006 to 2009; and the production manager of Lens Shenzhen from 2003 to 2005.

Ms. Zhou Xinyi obtained a junior college degree in business administration from the Open University of China (國家開放大學) located in Beijing, the PRC in January 2017.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table sets forth the information about the senior management of the Company:

Name	Age	Position	Responsibilities	Date of appointment as senior management	Time of joining the Group
Ms. Chau Kwan Fei (周群飛)	54	Executive Director, chairman of the Board and general manager	Responsible for the strategy planning and the overall operation and management of the Group	June 18, 2011	December 2006
Mr. Rao Qiaobing (饒橋兵)	54	Executive Director and deputy general manager	Responsible for the management of production and operation of the Group	June 18, 2011	December 2006
Mr. Jiang Nan (江南)	50	Deputy general manager, president of China region and Board Secretary	Responsible for the external investment, new business development and public relations management of the Group	April 21, 2023	September 2021
Mr. Liu Shuguang (劉曙光)	51	Deputy general manager and chief financial officer	Responsible for the financial operations of the Group	June 18, 2011	October 2010
Mr. Cai Xinfeng (蔡新鋒)	50	Deputy general manager	Responsible for the industrial engineering and new product introduction of the Group	July 31, 2021	February 2011
Mr. Chen Yunhua (陳運華)	37	Deputy general manager	Responsible for the smart manufacturing planning and implementation of the Group	July 31, 2021	December 2010

For the biographical details of Ms. Chau and Mr. Rao Qiaobing, please refer to “—Directors” above.

Mr. Jiang Nan (江南), aged 50, serves as a deputy general manager, the president of China region, the secretary to the Board and a joint company secretary of the Company. Mr. Jiang is primarily responsible for the Group’s external investments, new business development, and public relations management.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Jiang joined the Group in September 2021. Since September 2021, Mr. Jiang has been the vice chairman of Hunan Lens New Energy Company Limited* (湖南藍思新能源有限公司), a subsidiary of the Company; from March 2021 to September 2021, he served as the president of China region and chief strategy officer of Guangdong Lingyi iTECH Manufacturing Co., Ltd.* (廣東領益智造股份有限公司) (SZSE: 002600.SZ); from February 2019 to March 2021, he served as the senior vice president of public relations department of AAC Technologies Holdings Inc. (HKEX: 2018.HK); from April 2016 to March 2018, he served as the vice president at Jumei International Holding Limited; and from August 1996 to March 2016, he held successive roles including secretary of the General Office of the Ministry of Foreign Trade and Economic Cooperation and director of the Industrial Products Division, Market Division, and Comprehensive Division of the Foreign Trade Department under the Ministry of Commerce.

Mr. Jiang obtained a master’s degree of business administration from the University of International Business and Economics located in Beijing, the PRC in June 2002.

Mr. Liu Shuguang (劉曙光), aged 51, serves as a deputy general manager and chief financial officer of the Company. Mr. Liu is primarily responsible for the Group’s financial operations.

Mr. Liu joined the Group in October 2010. Since April 2023, Mr. Liu has served as a supervisor of Changsha Yongping Investment Consulting Company Limited* (長沙永平投資諮詢有限公司); since December 2020, he has been a director of Lens Taizhou, a subsidiary of the Company; since October 2018, he has been a director of Changsha Lens New Materials Company Limited* (長沙藍思新材料有限公司), a subsidiary of the Company; since 2017, he has been a supervisor of Changsha Qunxin; and from 1997 to 2010, he held successive positions as deputy manager and manager of the finance department at Skyworth Electrical Appliances (Shenzhen) Company Limited* (新創維電器(深圳)有限公司), and assistant director of finance and deputy director of the TV manufacturing division at Skyworth Group Limited (HKEX: 0751.HK), and the deputy director of the finance and operation management department of Skyworth Group Limited.

Mr. Liu obtained a master’s degree of business administration from Hong Kong Baptist University in November 2009 and obtained the qualification of a PRC Public Accountant from the MOF in May 1997.

Mr. Cai Xinfeng (蔡新鋒), aged 50, serves as a deputy general manager of the Company. Mr. Cai is primarily responsible for the IE (industrial engineering), lean production, automation, molds, jigs & fixtures, and NPI (new product introduction) of the Group.

Mr. Cai joined the Group in February 2011. From 2018 to July 2021, Mr. Cai served as the executive deputy general manager of production operations of the Company and the director of Liuyang Industrial Park of the Company; from 2014 to 2017, he served as a deputy general manager of the Research and Development Department of the Company; from 2011 to 2013, he served as the director of the Production Technology Department of the Group; from 2003 to 2011, he served at Shenzhen Futaihong Precision Industry Company Limited* (深圳富泰宏精密工業有限公司); and from 1999 to 2003, he served at Tangde Electronics (China) Co., Ltd.* (唐德電子(中國)有限公司).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Cai graduated from Shaanxi University of Technology (陝西工學院) in plastic forming technology and mold design in July 1999.

In June 2022, Mr. Cai received a caution letter (the “**Caution Letter**”) from CSRC Hunan Bureau for his disposal of A Shares without disclosing his plan of disposal pursuant to relevant PRC securities regulations. As of the Latest Practicable Date, save for the receipt of the Caution Letter, Mr. Cai has not been imposed any further penalties or involved in any other investigation, hearing or proceeding brought or instituted by any securities regulatory authority or stock exchange, relating to the Caution Letter. As advised by our PRC Legal Advisor, the Caution Letter does not constitute a major or severe administrative regulatory measure pursuant to applicable PRC laws and regulations, and would not impair the suitability of Mr. Cai to serve as a senior management of the Company.

Mr. Chen Yunhua (陳運華), aged 37, serves as a deputy general manager of the Company. Mr. Chen is primarily responsible for the smart manufacturing planning and implementation of the Group.

Mr. Chen joined the Group in December 2010. Since March 2019, Mr. Chen has been serving as the general manager of Lens System Integration, a subsidiary of the Company; from January 2011 to August 2024, he served as a director of Lens Changsha, a subsidiary of the Company; and from December 2010 to June 2011, he served as a manager of the Company.

As of the Latest Practicable Date: (i) none of the Directors has any interest in any business that directly or indirectly competes or is likely to compete with the business of the Company in accordance with Rule 8.10(2) of the Hong Kong Listing Rules; (ii) except as disclosed in the section headed “Appendix IV — Statutory and General Information” of this Document, none of the Directors, Supervisors and the chief executive officer has any interest in the Shares which is required to be disclosed pursuant to Part XV of the SFO; (iii) except as disclosed above and that Mr. Chen Xiaoqun, Ms. Zhou Xinyi and Mr. Chen Yunhua are relatives (as defined under the Hong Kong Listing Rules) of Ms. Chau or Mr. Zheng, there is no relationship among any of the Directors, Supervisors and the chief executive officer of the Company and other Directors, Supervisors and chief executive officer; and (iv) except for the above disclosures, there are no other matters in relation to the appointment of Directors or Supervisors that need to be brought to the attention of the Shareholders, and there is no other information in relation to the Directors or Supervisors that is required to be disclosed in accordance with Rule 13.51(2) of the Hong Kong Listing Rules.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARY

Mr. Jiang Nan (江南) has been appointed as the joint company secretary of the Company. For the biographical details of Mr. Jiang Nan, see “— Senior Management” above.

Ms. Yu Wing Sze (余詠詩), aged 41, is one of the joint company secretaries of the Company. She is a manager of the listing services division at TMF Hong Kong Limited, a company providing corporate accounting and corporate secretarial services in Hong Kong. She has over 15 years of experience in company secretarial profession and has been serving as the company secretary of several listed companies in Hong Kong.

Ms. Yu is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) in the United Kingdom.

Ms. Yu received a bachelor’s degree in business administration from the Chinese University of Hong Kong in Hong Kong in December 2005.

BOARD COMMITTEES

The Company has established four Board committees, namely the Audit Committee, the Nomination Committee, the Remuneration and Appraisal Committee and the Strategy Committee in accordance with relevant laws and regulations of the PRC, the Article of Association of the Company and the Hong Kong Listing Rules.

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Hong Kong Listing Rules and the Corporate Governance Code in Appendix C1 to the Hong Kong Listing Rules. The Audit Committee is mainly responsible for reviewing and overseeing the financial reporting procedure and internal control system of the Group, reviewing and approving connected transactions and providing advice and recommendation to the Board. The Audit Committee consists of three members, namely Mr. Xie Zhiming, Ms. Wan Wei and Mr. Liu Yue, with Mr. Xie Zhiming serving as the chairman of the Audit Committee. Mr. Xie Zhiming has the appropriate qualification as required under Rules 3.10(2) and 3.21 of the Hong Kong Listing Rules. The primary duties of the Audit Committee include, but not limited to, the following:

- proposing the appointment or change of external auditors to the Board, overseeing the independence of external auditors and assessing their performance;
- examining the financial information of our Company and reviewing financial reports and statements of our Company;
- proposing change of accounting policies or accounting estimates or corrections of significant accounting errors for reasons other than changes in accounting standards; and
- dealing with other matters that are authorized by the Board.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Hong Kong Listing Rules and the Corporate Governance Code in Appendix C1 to the Hong Kong Listing Rules. The Nomination Committee is mainly responsible for formulating standards and procedures for the election of Directors and members of senior management of our Company, and making recommendations to the Board on appointment of Directors and management of the Board succession. The Nomination Committee consists of three members, namely Ms. Wan Wei, Mr. Liu Yue and Mr. Cheng, with Ms. Wan Wei serving as the chairman of the Nomination Committee. The primary duties of the Nomination Committee include, but not limited to, the following:

- conducting extensive search and providing to the Board suitable candidates for the Directors, chief executive officer and other members of the senior management;
- reviewing the structure, size and composition of the Board at least annually, assisting the Board in maintaining a board skills matrix and making recommendations on any proposed changes to the Board;
- analyzing and developing standards and procedures for the election of the Board members, chief executive officer and members of the senior management, and making recommendations to the Board;
- supporting our Company’s regular evaluation of our Board’s performance;
- making recommendations to the Board on the arrangement of cumulative voting systems; and
- dealing with other matters that are authorized by the Board.

Remuneration and Appraisal Committee

The Company has established the Remuneration and Appraisal Committee with written terms of reference in compliance with Rule 3.25 of the Hong Kong Listing Rules and the Corporate Governance Code in Appendix C1 to the Hong Kong Listing Rules. The Remuneration and Appraisal Committee is mainly responsible for reviewing the appraisal criteria and remuneration packages of the Directors and senior management of our Company and making recommendations to the Board. The Remuneration and Appraisal Committee consists of three members, namely Mr. Xie Zhiming, Mr. Liu Yue and Mr. Cheng, with Mr. Xie Zhiming serving as the chairman of the Remuneration and Appraisal Committee. The primary duties of the Remuneration and Appraisal Committee include, but not limited to, the following:

- making recommendations to the Board on the policy and structure for all Directors’ and senior management’s remuneration, and on the formal and transparent procedure to be established for developing the remuneration policy;
- monitoring the implementation of remuneration system of our Company;

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

- making recommendations to the remuneration packages of our Directors and senior management;
- formulating or amending equity incentive plans and employee stock ownership plans, and determining the conditions for the authorized benefits and exercise of such benefits by the incentive participants; and
- dealing with other matters that are authorized by the Board.

Strategy Committee

The Company has established the Strategy Committee with written terms of reference in place. The Strategy Committee is mainly responsible for analyzing and making recommendations to the Board on the long-term development strategy and major investments of our Company. The Strategy Committee consists of three members, namely Ms. Chau, Mr. Tian Hong and Ms. Wan Wei, with Ms. Chau serving as the chairman of the Strategy Committee. The primary duties of the Strategy Committee include, but not limited to, the following:

- analyzing and making recommendations on the long-term development strategy plans of our Company;
- analyzing and making recommendations on major investment and financing proposals; and
- analyzing and making recommendations on other major issues that would affect the development of our Company.

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Hong Kong Listing Rules

Each of our Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, either directly or indirectly, with our Company’s business which would require disclosure under Rule 8.10 of the Hong Kong Listing Rules.

Rule 3.09D of the Hong Kong Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Hong Kong Listing Rules on March 28, 2025, and (ii) understands all the requirements under the Hong Kong Listing Rules that are applicable to him or her as a director of a listed issuer and the possible consequences of making a false statement or providing false information to the Hong Kong Stock Exchange.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Rule 3.13 of the Hong Kong Listing Rules

Each of the independent non-executive Directors has confirmed (i) his or her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Hong Kong Listing Rules, (ii) he or she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Hong Kong Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his or her independence at the time of his or her appointments.

BOARD DIVERSITY

In order to enhance the effectiveness of the Board and to maintain the high standard of corporate governance, the Company seeks to achieve board diversity by taking into account a number of factors, including but not limited to gender, skills, age, professional experience, cultural and educational background, and length of service, in selecting candidates for the Board members. The ultimate decision of the appointment will be based on the merits of candidates and the contribution they will make to the Board.

Our Board currently consists of two female Directors and five male Directors, with three executive Directors and four independent non-executive Directors, of ages ranging from 50 to 63 with diversified backgrounds and experience. Our Directors have a balanced mix of skill-set and expertise, including overall management and strategic development, law, finance and accounting, as well as industry experience relevant to the Group’s operations and business. They have obtained degrees in various professions including accounting, law and management. This diverse academic background enables the Board to address challenges and opportunities from multiple perspectives, foster innovative solutions and develop comprehensive strategies.

Upon [REDACTED], the Nomination Committee will from time to time (i) discuss and agree on expected goals to ensure board diversity, and (ii) review and, where necessary, update the board diversity policy to ensure that the policy remains effective. The Company will (i) disclose the biographical details of each Director and (ii) report on the implementation of the board diversity policy (including whether we have achieved board diversity) in its annual corporate governance report.

REMUNERATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Directors, Supervisors and senior management members who receive remuneration from the Company are paid in forms of salaries, allowances, contribution to pension schemes, discretionary bonuses and other benefits in kind. The remuneration of the Directors, Supervisors and senior management members is determined with reference to the remuneration paid by relevant companies in the same industry and the achievement of major operating indicators of the Company.

The aggregate amount of remuneration of the Directors for the years ended December 31, 2022 and 2023 and 2024 amounted to RMB9.3 million, RMB9.3 million and RMB9.5 million, respectively.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The aggregate amount of remuneration of the Supervisors for the years ended December 31, 2022 and 2023 and 2024 amounted to RMB2.0 million, RMB2.1 million and RMB3.0 million, respectively.

The aggregate amount of remuneration of the five highest paid individuals (including the Directors) for the years ended December 31, 2022 and 2023 and 2024 amounted to RMB10.5 million, RMB10.5 million and RMB11.0 million, respectively.

Under the arrangement currently in force, the Company estimates that the aggregate fixed remuneration (before tax) payable to the Directors and Supervisors for the year ended December 31, 2025 is approximately RMB12.5 million.

During the Track Record Period, no fees were paid by the Company to any of the Directors (or former Directors), Supervisors or the five highest paid individuals as an inducement to join the Company or as compensation for loss of office. None of the Directors or Supervisors waived their remuneration during the Track Record Period.

2023 RESTRICTIVE SHARE INCENTIVE PLAN

In order to incentivize employees for their contribution to the Group and to attract and retain suitable personnel to the Group, the Company adopted the 2023 Restrictive Share Incentive Plan. For further details, see “Appendix IV — Statutory and General Information — Share Incentive Scheme — 2023 Restrictive Share Incentive Plan.”

COMPLIANCE ADVISOR

The Company has appointed Gram Capital Limited as its Compliance Advisor in compliance with Rule 3A.19 of the Hong Kong Listing Rules. The material terms of the Compliance Advisor’s agreement are as follows:

- (i) Gram Capital Limited shall act as our Compliance Advisor for the purpose of Rule 3A.19 of the Hong Kong Listing Rules for a period commencing on the [REDACTED] and ending on the date on which the Company complies with Rule 13.46 of the Hong Kong Listing Rules in respect of the financial results for the first full financial year commencing after the [REDACTED];
- (ii) the Compliance Advisor will provide the Company with certain services, including proper guidance and advice as to compliance with the requirements under the Hong Kong Listing Rules and applicable laws, regulations and rules;
- (iii) the Compliance Advisor will, as soon as reasonably practicable, inform the Company of any amendment or supplement to the Hong Kong Listing Rules announced by the Hong Kong Stock Exchange from time to time, and of any amendment or supplement to the applicable laws, regulations and rules in Hong Kong applicable to the Company; and
- (iv) the Compliance Advisor will act as one of the key channels of communication of the Company with the Hong Kong Stock Exchange.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

CODE PROVISION C.2.1 OF THE CORPORATE GOVERNANCE CODE

Ms. Chau is the chairman of the Board and the general manager of the Company. In view of Ms. Chau’s experience, personal profile and her roles in the Company as mentioned above, the Board considers it beneficial to the business prospects and operational efficiency of the Company that Ms. Chau, in addition to acting as the chairman of the Board, continues to act as the general manager of the Company after the [REDACTED].

While this will constitute a deviation from Code Provision C.2.1 of the Corporate Governance Code as set out in Appendix C1 to the Hong Kong Listing Rules, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that:

- (i) there is sufficient check and balance in the Board as the decision to be made by the Board requires approval by at least a majority of the Directors and the Board has four independent non-executive Directors out of the seven Directors, which is in compliance with the Hong Kong Listing Rules;
- (ii) Ms. Chau and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that they act for the benefit and in the best interest of the Company and make decisions for the Company accordingly;
- (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company; and
- (iv) the overall strategic and other key business, financial, and operational policies of the Company are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of the Company in order to assess whether separation of the roles of the chairman of the Board and the general manager of the Company is necessary.

Save as disclosed above, the Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix C1 to the Hong Kong Listing Rules.

FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

For a detailed description of our future plans, see “Business — Our Strategies.”

USE OF [REDACTED]

Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the midpoint of the range of the [REDACTED] stated in this Document), we estimate that we will receive net [REDACTED] of approximately HK\$[REDACTED] million from the [REDACTED] after deducting the [REDACTED] and other estimated expenses in connection with the [REDACTED] (assuming the [REDACTED] is not exercised). We intend to use our [REDACTED] for the purposes and in the amounts set forth below.

- Approximately [REDACTED], or HK\$[REDACTED], will be used to expand our product and service portfolio and explore additional application scenarios for our products. This includes relevant production planning and long-term research and development in cutting-edge technologies. We intend to continue to engage in research and development, make innovation in relevant fields and maintain our market-leading position. Specifically, we plan to use the [REDACTED] in the following aspects:
 - Approximately [REDACTED], or HK\$[REDACTED], will be used to support the technical development and capacity enhancement for structural parts for the next-generation foldable screens and related smart devices accessories. We intend to achieve enhanced strength, durability, impact resistance and stain resistance for our structural parts, through innovation in technologies such as UTG and design of precision structural of related metal parts, thereby driving the progression of technical standards and elevating user experience. By increasing our production capacity in China, we aim to ensure robust support for the mass production of middle and high-end foldable smartphones for our customers and improve our market share in foldable screens.
 - Approximately [REDACTED], or HK\$[REDACTED], to develop exterior structural parts and related products with distinct functions on smart vehicles, covering vehicle bodies, in-vehicle systems and domain control areas. This endeavor seeks to refine the technological and functional elements of interior and exterior automotive parts.
 - Approximately [REDACTED], or HK\$[REDACTED], will be used for production capacity support and the research and development of intelligent robots. In particular, we plan to set up relevant laboratories, recruit qualified personnel and build production lines with both self-developed and purchased equipment. This will enhance our capabilities in and production capacity for structural parts such as the joints, dexterous hands, trunk shells and masks of intelligent robots joint modules as well as complete device assembly, enabling us to deliver relevant products and services to our customers on a large scale.

FUTURE PLANS AND USE OF [REDACTED]

- Approximately [REDACTED], or HK\$[REDACTED], will be used to expand our production capacity for augmented, virtual and mixed reality glasses, as well as various intelligent wearable devices, encompassing both production of structural parts and complete device assembly. Leveraging our top-tier smart manufacturing system, we will ramp up the production and delivery of smart glasses. By investing in research and development, we will promote advancements in lightweight materials and energy-saving solutions, accelerating the transition of the industry from testing technologies to bringing them to market.
- Approximately [REDACTED], or HK\$[REDACTED], will be used to expand our global presence, increase our production capacity in globe and enhance our global delivery capabilities to better serve our customers. Specifically, we will set up production lines in Vietnam, Thailand and other regions for our structural parts for smart devices, including smartphones and computers products, as well as smart vehicles and cockpit products. This will enable us to have a more diversified customer base and meet their growing demands, so as to solidify our global leadership position.
- Approximately [REDACTED], or HK\$[REDACTED], will be used to advance our vertical integration in smart manufacturing, including enhancing our capabilities along our vertically integrated industry value chain and promoting the development of “smart manufacturing factories”. Specifically, we plan to use the [REDACTED] in the following aspects:
 - Approximately [REDACTED], or HK\$[REDACTED], will be used to set up complete device assembly lines for consumer electronics, smart wearables and smart retail devices. We will also invest in the research and development as well as manufacturing of advanced smart retail devices to promote technological advancements in payment solutions and digital price tag displays.
 - Approximately [REDACTED], or HK\$[REDACTED], will be used to promote the development of “smart manufacturing factories”. This encompasses research and development as well as manufacturing of automated industrial systems and intelligent machinery, alongside widespread use of industrial robots such as six-axis robots, vision inspection robots for automated optical inspection, autonomous transport robots and advanced multifunctional robots. We will improve conventional manufacturing processes by incorporating industrial internet technologies and unified software solutions for better adaptability, bolstering intelligent factory management, and continuously improving a cutting-edge manufacturing framework that prioritizes efficiency and is powered by data management.
- Approximately [REDACTED], or HK\$[REDACTED], will be used for working capital and other general corporate purposes.

FUTURE PLANS AND USE OF [REDACTED]

In the event that the [REDACTED] is fixed at a higher or lower level compared to the midpoint of the range of the [REDACTED] stated in this Document, the net [REDACTED] from the [REDACTED] will be allocated to the above purposes on a pro rata basis.

To the extent that the net [REDACTED] of the [REDACTED] are not immediately used for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term interest-bearing accounts at licensed commercial banks or other authorized financial institutions (as defined under the Securities and Futures Ordinance or applicable laws and regulations in other jurisdictions). In such event, we will comply with the appropriate disclosure requirements under the Hong Kong Listing Rules.

WAIVERS FROM STRICT COMPLIANCE WITH THE HONG KONG LISTING RULES

In preparation of the [REDACTED], the Company has sought the following waivers from strict compliance with the relevant provisions of the Hong Kong Listing Rules.

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Hong Kong Listing Rules provides that a new applicant for listing on the Hong Kong Stock Exchange must have a sufficient management presence in Hong Kong and, under normal circumstances, at least two of the new applicant’s executive directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Hong Kong Listing Rules further provides that the requirement in Rule 8.12 of the Hong Kong Listing Rules may be waived by having regard to, among other considerations, our arrangements for maintaining regular communication with the Hong Kong Stock Exchange.

The Company’s business operations are primarily located in the PRC and most of the Company’s assets are located in the PRC. Our executive Directors ordinarily reside in the PRC, as the Board believes it would be more effective and efficient for its executive Directors to be based in a location where the Company’s substantial operations are located. As such, the Company does not and, in the foreseeable future, will not be able to comply with the requirements of Rule 8.12 of the Hong Kong Listing Rules for sufficient management presence in Hong Kong.

Accordingly, pursuant to Rule 19A.15 of the Hong Kong Listing Rules, the Company has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rule 8.12 of the Hong Kong Listing Rules, provided that the Company implements the following arrangements:

- (i) the Company has appointed Ms. Chau and Ms. YU Wing Sze as the authorized representatives of the Company (the “**Authorized Representatives**”) for the purpose of Rule 3.05 of the Hong Kong Listing Rules. The Authorized Representatives will serve as the Company’s principal channel of communication with the Hong Kong Stock Exchange. They can be readily contactable by phone and email to deal promptly with enquiries from the Hong Kong Stock Exchange and will also be available to meet with the Hong Kong Stock Exchange to discuss any matters on short notice. The contact details of the Authorized Representatives have been provided to the Hong Kong Stock Exchange;
- (ii) all the Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Hong Kong Stock Exchange within a reasonable period. In addition, each Director has provided her/his contact details, including office phone numbers, mobile phone numbers (if any) and email addresses, to the Authorized Representatives and to the Hong Kong Stock Exchange, so that each of the Authorized Representatives and the Hong Kong Stock Exchange would be able to contact all the Directors (including the independent non-executive Directors) promptly at all times if and when the Hong Kong Stock Exchange wishes to contact the Directors;

WAIVERS FROM STRICT COMPLIANCE WITH THE HONG KONG LISTING RULES

- (iii) the Company has appointed Gram Capital Limited as its Compliance Advisor for the period commencing on the [REDACTED] and ending on the date on which the Company complies with Rule 13.46 of the Hong Kong Listing Rules in respect of the Company’s financial results for the first full financial year commencing after the [REDACTED], or until the agreement is terminated, whichever is earlier. The Company’s Compliance Advisor will act as the Company’s additional and alternative channel of communication with the Hong Kong Stock Exchange, and its representatives will be readily available to answer enquiries from the Hong Kong Stock Exchange; and
- (iv) the Company has appointed designated staff members as the responsible communication officers at our headquarters to oversee regular communication with the Authorized Representatives and the Company’s professional advisors in Hong Kong, including our legal advisors and the Compliance Advisor, keep abreast of any correspondence and/or inquiries from the Hong Kong Stock Exchange and report to the executive Directors, streamlining communication between the Hong Kong Stock Exchange and the Company following the [REDACTED].

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Hong Kong Listing Rules, the company secretary must be an individual who, by virtue of his or her academic or professional qualifications or relevant experiences, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of the company secretary. Pursuant to Note 1 to Rule 3.28 of the Hong Kong Listing Rules, the Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (i) a member of The Hong Kong Chartered Governance Institute;
- (ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and
- (iii) a certified public accountant (as defined in the Professional Accountants Ordinance).

Pursuant to Note 2 to Rule 3.28 of the Hong Kong Listing Rules, in assessing “relevant experience,” the Hong Kong Stock Exchange will consider the individual’s:

- (i) length of employment with the issuer and other issuers and the roles he played;
- (ii) familiarity with the Hong Kong Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Takeovers Code;
- (iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Hong Kong Listing Rules; and
- (iv) professional qualifications in other jurisdictions.

WAIVERS FROM STRICT COMPLIANCE WITH THE HONG KONG LISTING RULES

The Company has appointed Mr. Jiang Nan as one of the joint company secretaries of the Company. Mr. Jiang Nan joined the Group in September 2021. He currently also holds the position of the board secretary to the Company. See “Directors, Supervisors and Senior Management” for further biographical details of Mr. Jiang Nan. Although Mr. Jiang Nan does not possess the qualifications set out in Rule 3.28 of the Hong Kong Listing Rules, the Company believes that it would be in the best interests of the Company and the corporate governance of the Group to have Mr. Jiang Nan as its joint company secretary who is familiar with the Group’s internal operation and management and possesses professional knowledge and experience in handling corporate governance and compliance, legal affairs and public relationship related matters. The Company has also appointed Ms. YU Wing Sze to act as the other joint company secretary to assist Mr. Jiang Nan in discharging the duties of a company secretary of the Company. Ms. YU Wing Sze is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom and is therefore qualified under Rule 3.28 of the Hong Kong Listing Rules to act as a joint company secretary of the Company. See “Directors, Supervisors and Senior Management” for further biographical details of Ms. YU Wing Sze.

Since Mr. Jiang Nan does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Hong Kong Listing Rules, the Company has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Hong Kong Listing Rules for a period of three years since the [REDACTED] on the following conditions: (i) Mr. Jiang Nan must be assisted by Ms. YU Wing Sze who possesses the qualifications or experience as required under Rule 3.28 of the Hong Kong Listing Rules and is appointed as a joint company secretary throughout the waiver period; and (ii) the waiver can be revoked in the event of a material breach of the Hong Kong Listing Rules by the Company.

In support of the waiver application, the Company has adopted, or will adopt the following arrangements:

- (i) in preparation of the application of the [REDACTED], Mr. Jiang Nan has attended training on the respective obligations of the Directors, Supervisors, senior managements and the Company under the relevant Hong Kong laws and the Hong Kong Listing Rules organised by the Hong Kong legal advisors to the Company;
- (ii) Ms. YU Wing Sze will work closely with Mr. Jiang Nan to jointly discharge the duties and responsibilities as the joint company secretaries of the Company and to assist Mr. Jiang Nan in acquiring the relevant experience as required under the Hong Kong Listing Rules for an initial period of three years from the [REDACTED], a period which should be sufficient for Mr. Jiang Nan to acquire the relevant experience as required under the Hong Kong Listing Rules;
- (iii) the Company will ensure that Mr. Jiang Nan continues to have access to the relevant training and support in relation to the Hong Kong Listing Rules and the duties required for a company secretary of an issuer listed on the Hong Kong Stock Exchange. Furthermore, both Mr. Jiang Nan and Ms. YU Wing Sze will seek advice from the

WAIVERS FROM STRICT COMPLIANCE WITH THE HONG KONG LISTING RULES

Company’s Hong Kong legal and other professional advisors as and when required. Mr. Jiang Nan also undertakes to take no less than 15 hours of relevant professional training in each financial year of the Company; and

- (iv) at the end of the three-year period, the qualifications and experience of Mr. Jiang Nan and the need for on-going assistance of Ms. YU Wing Sze will be further evaluated by the Company. The Company will then endeavour to demonstrate to the Hong Kong Stock Exchange’s satisfaction that Mr. Jiang Nan, having had the benefit of the assistance of Ms. YU Wing Sze for the immediately preceding three years, has acquired the relevant experience (within the meaning of Note 2 to Rule 3.28 of the Hong Kong Listing Rules) such that a further waiver from Rules 3.28 and 8.17 of the Hong Kong Listing Rules will not be necessary. The Company understands that the Hong Kong Stock Exchange may revoke the waiver if Ms. YU Wing Sze ceases to provide assistance to Mr. Jiang Nan during the three-year period.

Prior to the expiry of the three-year period, the Company will liaise with the Hong Kong Stock Exchange to enable it to assess whether Mr. Jiang Nan has acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Hong Kong Listing Rules.

[REDACTED]

WAIVERS FROM STRICT COMPLIANCE WITH THE HONG KONG LISTING RULES

[REDACTED]

WAIVERS FROM STRICT COMPLIANCE WITH THE HONG KONG LISTING RULES

[REDACTED]

WAIVERS FROM STRICT COMPLIANCE WITH THE HONG KONG LISTING RULES

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

APPENDIX I**ACCOUNTANTS’ REPORT**

The following is the text of a report set out on pages I-1 to I-[●], received from the Company’s reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.



ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF LENS TECHNOLOGY CO., LTD. 藍思科技股份有限公司 AND CITIC SECURITIES (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Lens Technology Co., Ltd. 藍思科技股份有限公司 (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-[3] to I-[●], which comprises the consolidated statements of financial position of the Group as at 31 December 2022, 2023 and 2024, the statements of financial position of the Company as at 31 December 2022, 2023 and 2024, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended 31 December 2024 (the “Track Record Period”) and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages [I-[3]] to [I-[●]] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the “Document”) in connection with the proposed [REDACTED] of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company (the “Directors”) are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note [2] to the Historical Financial Information, and for such internal control as the Directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

APPENDIX I

ACCOUNTANTS’ REPORT

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note [2] to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

[In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Group’s financial position as at 31 December 2022, 2023 and 2024, of the Company’s financial position as at 31 December 2022, 2023 and 2024, and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note [2] to the Historical Financial Information.]

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[3] have been made.

Dividends

[We refer to Note [15] to the Historical Financial Information which contains information about the dividends declared and paid by the Company in respect of the Track Record Period.]

[Deloitte Touche Tohmatsu]

Certified Public Accountants

Hong Kong

[Date]

APPENDIX I**ACCOUNTANTS’ REPORT**

HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the IFRS Accounting Standards issued by International Accounting Standards Board (the “IASB”) and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“Underlying Financial Statements”).

The Historical Financial Information is presented in Renminbi (“RMB”), which is also the functional currency of the Company, and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2022	2023	2024
	Notes	RMB’000	RMB’000	RMB’000
Revenue	6			
Contracts with customers		46,603,225	54,364,061	69,756,758
Leases		<u>95,321</u>	<u>126,673</u>	<u>140,018</u>
Total revenue		46,698,546	54,490,734	69,896,776
Cost of sales		<u>(38,151,630)</u>	<u>(45,998,870)</u>	<u>(59,713,283)</u>
Gross profit		8,546,916	8,491,864	10,183,493
Other income	7	678,576	1,017,209	567,024
Reversal of impairment losses (impairment losses recognised) under expected credit loss (“ECL”) model, net	8	43,962	1,259	(33,859)
Other gains and losses, net	9	321,012	218,657	384,380
Selling expenses		(708,849)	(674,057)	(705,599)
Administrative expenses		(3,239,490)	(2,910,299)	(3,368,955)
Research and development expenses		(2,104,976)	(2,316,619)	(2,784,813)
Other expenses		(10,032)	(6,848)	(8,216)
Share of results of investments accounted for using the equity method		3,987	(57,291)	3,899
Finance costs	10	<u>(616,216)</u>	<u>(509,986)</u>	<u>(388,438)</u>
Profit before tax		2,914,890	3,253,889	3,848,916
Income tax expense	11	<u>(395,069)</u>	<u>(212,062)</u>	<u>(172,061)</u>
Profit for the year	12	<u>2,519,821</u>	<u>3,041,827</u>	<u>3,676,855</u>
Other comprehensive income (expense):				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising on translation of foreign operations		74,664	9,649	(134,090)
<i>Item that will not be reclassified to profit or loss:</i>				
Fair value gain (loss) on investments in equity instruments measured at fair value through other comprehensive income (“FVTOCI”)		<u>11,589</u>	<u>4,711</u>	<u>(20,454)</u>
Total comprehensive income for the year		<u>2,606,074</u>	<u>3,056,187</u>	<u>3,522,311</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	<i>Note</i>	Year ended 31 December		
		2022	2023	2024
		RMB’000	RMB’000	RMB’000
Profit for the year attributable to:				
— Owners of the Company		2,448,037	3,021,342	3,623,901
— Non-controlling interests		<u>71,784</u>	<u>20,485</u>	<u>52,954</u>
		<u>2,519,821</u>	<u>3,041,827</u>	<u>3,676,855</u>
Total comprehensive income for the year attributable to:				
— Owners of the Company		2,534,290	3,035,702	3,469,357
— Non-controlling interests		<u>71,784</u>	<u>20,485</u>	<u>52,954</u>
		<u>2,606,074</u>	<u>3,056,187</u>	<u>3,522,311</u>
Earnings per share	<i>16</i>			
— Basic (RMB)		0.50	0.61	0.73
— Diluted (RMB)		<u>N/A</u>	<u>0.61</u>	<u>0.73</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP

	<i>Notes</i>	As at 31 December		
		2022	2023	2024
		RMB’000	RMB’000	RMB’000
Non-current assets				
Property, plant and equipment	17	37,294,360	37,089,310	37,809,136
Right-of-use assets	18	3,051,857	3,261,047	3,441,157
Investment properties	19	954,123	1,020,305	900,777
Intangible assets	20	2,184,949	2,017,889	1,822,041
Goodwill	21	2,970,144	2,970,144	2,970,144
Investments accounted for using the equity method	22	479,537	374,957	325,665
Equity instruments at FVTOCI	23	460,021	465,563	445,109
Time deposits	29	304,307	314,648	103,697
Deferred tax assets	24	1,251,837	1,187,208	1,387,226
Prepayments and other receivables	28	783,318	687,994	1,038,314
		<u>49,734,453</u>	<u>49,389,065</u>	<u>50,243,266</u>
Current assets				
Inventories	26	6,685,009	6,682,659	7,160,553
Trade and bills receivables	27	9,022,460	9,308,444	10,865,736
Bills receivables at FVTOCI	30	3,697	112,288	9,779
Prepayments and other receivables	28	804,110	1,025,482	1,000,455
Amounts due from related parties	42	32,235	29,754	24,873
Financial assets at fair value through profit or loss (“FVTPL”)	25	355,266	349,665	354,917
Income tax recoverable		22,614	53,391	45,976
Time deposits	29	—	—	322,412
Restricted bank deposits	29	3,673	25,474	51,276
Bank balances and cash	29	<u>11,682,255</u>	<u>10,493,519</u>	<u>10,936,804</u>
		<u>28,611,319</u>	<u>28,080,676</u>	<u>30,772,781</u>
Current liabilities				
Trade and other payables	31	12,209,236	13,171,801	16,365,834
Financial liabilities at FVTPL	25	—	—	9,620
Amounts due to related parties	42	21	94	26
Income tax payable		88,319	178,764	110,787
Borrowings	32	9,848,393	5,669,812	6,518,634
Lease liabilities	33	13,503	27,726	47,659
Contract liabilities	34	<u>7,589</u>	<u>8,119</u>	<u>12,601</u>
		<u>22,167,061</u>	<u>19,056,316</u>	<u>23,065,161</u>
Net current assets		<u>6,444,258</u>	<u>9,024,360</u>	<u>7,707,620</u>
Total assets less current liabilities		<u><u>56,178,711</u></u>	<u><u>58,413,425</u></u>	<u><u>57,950,886</u></u>

APPENDIX I

ACCOUNTANTS’ REPORT

		As at 31 December		
		2022	2023	2024
		RMB’000	RMB’000	RMB’000
	Notes			
Non-current liabilities				
Loan from a related party	42	1,027,632	1,065,146	—
Borrowings	32	9,122,890	9,588,264	7,807,931
Lease liabilities	33	34,145	20,773	151,529
Provision		1,328	3,592	18,880
Deferred tax liabilities	24	765,678	424,869	385,058
Deferred income	35	845,795	789,154	741,578
		<u>11,797,468</u>	<u>11,891,798</u>	<u>9,104,976</u>
Net assets		<u><u>44,381,243</u></u>	<u><u>46,521,627</u></u>	<u><u>48,845,910</u></u>
Capital and reserves				
Share capital	36	4,973,480	4,983,228	4,982,879
Reserves		<u>39,198,513</u>	<u>41,355,757</u>	<u>43,673,762</u>
Equity attributable to owners of the Company		44,171,993	46,338,985	48,656,641
Non-controlling interests		<u>209,250</u>	<u>182,642</u>	<u>189,269</u>
Total equity		<u><u>44,381,243</u></u>	<u><u>46,521,627</u></u>	<u><u>48,845,910</u></u>

APPENDIX I

ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	As at 31 December		
		2022	2023	2024
		RMB’000	RMB’000	RMB’000
Non-current assets				
Property, plant and equipment	17	9,065,022	8,221,199	8,489,707
Right-of-use assets	18	420,387	402,634	730,497
Investment properties	19	320,034	305,129	329,815
Intangible assets	20	50,586	61,317	52,305
Investments accounted for using the equity method	22	421,370	317,987	284,710
Investments in subsidiaries	44	31,150,285	34,279,477	34,753,669
Amounts due from subsidiaries	42	1,312,927	2,061,863	661,692
Equity instruments at FVTOCI	23	439,567	445,109	445,109
Time deposits	29	304,307	314,648	103,697
Deferred tax assets	24	71,200	52,792	101,059
Prepayments and other receivables	28	25,363	52,356	123,749
		<u>43,581,048</u>	<u>46,514,511</u>	<u>46,076,009</u>
Current assets				
Inventories	26	2,217,441	1,381,980	1,023,288
Trade and bills receivables	27	7,392,543	5,375,735	6,767,472
Prepayments and other receivables	28	350,523	530,304	475,558
Amounts due from subsidiaries	42	1,790,731	752,094	498,716
Financial assets at FVTPL	25	87,153	—	100,000
Income tax recoverable		15,339	—	—
Time deposits	29	—	—	322,412
Bank balances and cash	29	3,772,088	3,116,182	5,268,284
		<u>15,625,818</u>	<u>11,156,295</u>	<u>14,455,730</u>
Current liabilities				
Trade and other payables	31	6,093,761	3,000,975	5,374,209
Financial liabilities at FVTPL	25	—	—	3,903
Amounts due to subsidiaries	42	2,717,418	2,735,154	2,318,226
Income tax payable		—	104,286	47,248
Borrowings	32	2,265,819	2,927,639	2,389,631
Lease liabilities	33	8,033	8,304	34,993
Contract liabilities	34	—	—	2,013
		<u>11,085,031</u>	<u>8,776,358</u>	<u>10,170,223</u>
Net current assets		<u>4,540,787</u>	<u>2,379,937</u>	<u>4,285,507</u>
Total assets less current liabilities		<u>48,121,835</u>	<u>48,894,448</u>	<u>50,361,516</u>

APPENDIX I

ACCOUNTANTS’ REPORT

		As at 31 December		
		2022	2023	2024
		RMB’000	RMB’000	RMB’000
	Notes			
Non-current liabilities				
Loans from related parties	42	1,327,632	1,365,146	2,051,240
Borrowings	32	4,695,460	4,178,064	3,888,168
Lease liabilities	33	20,260	11,971	110,707
Deferred tax liabilities	24	43,432	28,862	28,250
Deferred income	35	65,303	58,248	51,193
		<u>6,152,087</u>	<u>5,642,291</u>	<u>6,129,558</u>
Net assets		<u><u>41,969,748</u></u>	<u><u>43,252,157</u></u>	<u><u>44,231,958</u></u>
Capital and reserves				
Share capital	36	4,973,480	4,983,228	4,982,879
Reserves	36	36,996,268	38,268,929	39,249,079
Total equity		<u><u>41,969,748</u></u>	<u><u>43,252,157</u></u>	<u><u>44,231,958</u></u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company								Non-controlling interests	Total	
	Share capital	Share premium	Treasury share	Capital reserve	FVTOCI reserve	Translation reserve	Statutory reserve	Retained profits			
	Subtotal										
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			
							(note)				
At 1 January 2022	4,973,480	20,536,449	—	163,690	143,783	68,614	1,981,141	14,763,698	42,630,855	168,093	42,798,948
Profit for the year	—	—	—	—	—	—	—	2,448,037	2,448,037	71,784	2,519,821
Other comprehensive income for the year	—	—	—	—	11,589	74,664	—	—	86,253	—	86,253
Total comprehensive income for the year	—	—	—	—	11,589	74,664	—	2,448,037	2,534,290	71,784	2,606,074
Transfer to statutory reserve	—	—	—	—	—	—	208,385	(208,385)	—	—	—
Distribution	—	—	—	—	—	—	—	(493,095)	(493,095)	(30,627)	(523,722)
Repurchase of shares (Note 36)	—	—	(499,998)	—	—	—	—	—	(499,998)	—	(499,998)
Transaction costs attributable to repurchase of shares	—	—	(59)	—	—	—	—	—	(59)	—	(59)
At 31 December 2022	4,973,480	20,536,449	(500,057)	163,690	155,372	143,278	2,189,526	16,510,255	44,171,993	209,250	44,381,243
Profit for the year	—	—	—	—	—	—	—	3,021,342	3,021,342	20,485	3,041,827
Other comprehensive income for the year	—	—	—	—	4,711	9,649	—	—	14,360	—	14,360
Total comprehensive income for the year	—	—	—	—	4,711	9,649	—	3,021,342	3,035,702	20,485	3,056,187
Transfer to statutory reserve	—	—	—	—	—	—	214,723	(214,723)	—	—	—
Distribution	—	—	—	—	—	—	—	(986,190)	(986,190)	(47,093)	(1,033,283)
Issue of restricted shares under restricted A-share incentive scheme (the “Restricted A-share Scheme”)	9,748	52,055	—	—	—	—	—	—	61,803	—	61,803
Recognition of equity-settled share-based payments	—	—	—	55,677	—	—	—	—	55,677	—	55,677
At 31 December 2023	4,983,228	20,588,504	(500,057)	219,367	160,083	152,927	2,404,249	18,330,684	46,338,985	182,642	46,521,627
Profit for the year	—	—	—	—	—	—	—	3,623,901	3,623,901	52,954	3,676,855
Other comprehensive expense for the year	—	—	—	—	(20,454)	(134,090)	—	—	(154,544)	—	(154,544)
Total comprehensive (expense) income for the year	—	—	—	—	(20,454)	(134,090)	—	3,623,901	3,469,357	52,954	3,522,311
Transfer to statutory reserve	—	—	—	—	—	—	216,021	(216,021)	—	—	—
Distribution	—	—	—	—	—	—	—	(1,482,163)	(1,482,163)	(46,327)	(1,528,490)
Recognition of equity-settled share-based payments	—	—	—	219,603	—	—	—	—	219,603	—	219,603
Repurchase and cancellation of restricted shares under Restricted A-share Scheme	(349)	(1,805)	—	—	—	—	—	—	(2,154)	—	(2,154)
Exercise of restricted shares under Restricted A-share Scheme	—	26,814	220,038	(133,839)	—	—	—	—	113,013	—	113,013
Derecognition of investment in equity instruments at FVTOCI upon liquidation of the investee	—	—	—	—	20,454	—	—	(20,454)	—	—	—
At 31 December 2024	4,982,879	20,613,513	(280,019)	305,131	160,083	18,837	2,620,270	20,235,947	48,656,641	189,269	48,845,910

Note: It represents the statutory reserve of the Company in the People’s Republic of China (the “PRC”). Pursuant to applicable PRC regulations, PRC entity is required to appropriate 10% of its profit after tax (after offsetting prior year losses) to the statutory reserve until such reserve reaches 50% of its registered capital. Transfers to this reserve must be made before distribution of dividends to shareholders. Upon approval by relevant authorities, the statutory reserve can be utilised to offset the accumulated losses or to increase the paid-up capital of the relevant entity.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
OPERATING ACTIVITIES			
Profit for the year	2,519,821	3,041,827	3,676,855
Adjustments for:			
Taxation	395,069	212,062	172,061
Share of results of investments accounted for using the equity method	(3,987)	57,291	(3,899)
Depreciation of property, plant and equipment	4,340,696	4,632,953	4,770,849
Depreciation of right-of-use assets	96,941	96,477	115,217
Depreciation of investment properties	44,241	52,934	56,260
Amortisation of intangible assets	202,411	208,168	210,244
(Reversal of impairment losses) impairment losses recognised under ECL model, net	(43,962)	(1,259)	33,859
Loss on disposal of property, plant and equipment . .	119,874	37,047	16,776
Loss on disposal of intangible assets	—	257	61
Net gain from changes in fair value of financial assets/liabilities at FVTPL	(208,904)	(195,897)	(207,985)
Release of deferred income	(58,497)	(60,679)	(61,826)
Gain from termination of a lease contract	(43)	—	—
Share-based payment expense	—	54,260	161,375
Finance costs	616,216	509,986	388,438
Interest income	(147,893)	(218,288)	(254,979)
(Reversal of write-down) write-down of inventories .	(442,288)	(99,018)	47,859
Impairment losses on property, plant and equipment	273,077	73,242	226,942
Net foreign exchange gains	(231,526)	(59,455)	(193,232)
Operating cash flows before movements in working capital	7,471,246	8,341,908	9,154,875
Placement of restricted bank deposits	(2,925)	(21,801)	(25,802)
Increase in provision	312	2,264	15,288
(Increase) decrease in inventories	(105,420)	101,368	(525,753)
Decrease (increase) in trade and bills receivables . .	1,449,987	(272,948)	(1,511,293)
Decrease (increase) in bills receivables at FVTOCI .	90,227	(108,591)	102,509
Decrease (increase) in prepayments and other receivables	485,555	18,491	(97,428)
(Decrease) increase in trade and other payables . . .	(217,072)	1,454,980	3,928,419
Increase in deferred income	19,964	4,038	14,250
(Decrease) increase in contract liabilities	(525)	530	4,482
Cash generated from operations	9,191,349	9,520,239	11,059,547
Income tax paid	(154,402)	(427,988)	(414,224)
Interest received	143,586	207,947	243,518
Net cash from operating activities	9,180,533	9,300,198	10,888,841

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
INVESTING ACTIVITIES			
Proceeds from disposal of financial assets/ derivatives at FVTPL	8,702,341	1,387,040	1,932,012
Dividends received from investments accounted for using the equity method	140,349	46,641	39,601
Proceeds from disposal of property, plant and equipment	80,517	36,331	49,223
Repayment from related parties	25,302	2,455	4,850
Proceeds on disposal of investments accounted for using the equity method	2,900	—	14,537
Repayment of deposits for project performance	—	—	100,000
Upfront payments for leasehold land	—	(277,654)	(118,320)
Payments of deposits for project performance	—	(250,000)	—
Purchase of intangible assets	(28,078)	(41,382)	(14,501)
Investments accounted for using the equity method	(33,500)	—	(299)
Placement of time deposits	(300,000)	—	(100,000)
Purchase of property, plant and equipment	(6,824,316)	(5,085,273)	(6,237,734)
Purchase of financial assets/derivatives at FVTPL	(7,342,210)	(1,185,542)	(1,719,659)
Net cash used in investing activities	(5,576,695)	(5,367,384)	(6,050,290)
FINANCING ACTIVITIES			
New borrowings raised	17,584,193	7,533,650	5,120,211
Advance from related parties	—	73	—
Proceeds from issue of restricted shares	—	61,803	—
Exercise of restricted shares	—	—	113,013
Transaction costs attributable to repurchase of shares	(59)	—	—
Repayment to related parties	(439)	—	(68)
Repurchase and cancellation of restricted shares	—	—	(2,154)
Interest paid for lease liabilities	(1,817)	(1,450)	(4,022)
Repayment of lease liabilities	(30,309)	(27,359)	(26,558)
Dividends paid to non-controlling shareholders of subsidiaries	(30,627)	(47,093)	(46,327)
Interest paid for loan from a related party	(63,812)	—	(66,603)
Repayment of loan from a related party	(343,400)	—	(1,000,000)
Dividends paid to the shareholders of the Company	(493,095)	(986,190)	(1,482,163)
Payment on repurchase of shares	(499,998)	—	—
Interest paid for borrowings	(558,748)	(434,010)	(398,355)
Repayment of borrowings	(17,978,205)	(11,236,336)	(6,661,379)
Net cash used in financing activities	(2,416,316)	(5,136,912)	(4,454,405)
Net increase (decrease) in cash and cash equivalents	1,187,522	(1,204,098)	384,146
Effect of foreign exchange rate changes	278,394	15,362	59,139
Cash and cash equivalents at the beginning of the year	10,216,339	11,682,255	10,493,519
Cash and cash equivalents at the end of the year	11,682,255	10,493,519	10,936,804

APPENDIX I

ACCOUNTANTS’ REPORT

NOTES TO THE FINANCIAL INFORMATION

1. INFORMATION

The Company was incorporated in the PRC as a joint stock company with limited liability. In March 2015, the Company was listed on the Shenzhen Stock Exchange (stock code: 300433). The Company’s immediate and ultimate holding company is Lens Technology (HK) Co., Ltd. The Company is ultimately controlled by Ms. Chau Kwan Fei and Mr. Cheng Chun Lung (“Mr. Cheng”), spouse of Ms. Chau Kwan Fei, who act in concert with each other. Ms. Chau Kwan Fei is also the [Chair] and an executive director of the Company, and Mr. Cheng is the [Vice-Chair] and an executive director of the Company. Lens Technology (HK) Co., Ltd., Ms. Chau Kwan Fei and Mr. Cheng together are referred to the Controlling Shareholders. The addresses of the registered office and principal place of business of the Company are the same as the registered office in the PRC and the headquarter in the PRC as stated in the section headed [“Corporate Information”] of the Document.

The Group is principally engaged in the businesses of research and development, design, manufacturing and sales of various structural parts, functional modules and others, such as complete device assembly for consumer electronics, smart vehicles and other emerging areas throughout the Track Record Period. Details of the subsidiaries are disclosed in Note [44].

The statutory consolidated financial statements of the Company for the years ended 31 December 2022, 2023 and 2024 prepared in accordance with the relevant accounting principles and financial regulations applicable to the enterprises in the PRC were audited by Pan-China Certified Public Accountants LLP (天健會計師事務所(特殊普通合伙)), certified public accountants registered in the PRC.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards issued by the IASB. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users of the Historical Financial Information. In addition, the Historical Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance.

APPENDIX I

ACCOUNTANTS’ REPORT

3. APPLICATION OF IFRS ACCOUNTING STANDARDS

For the purpose of preparing the Historical Financial Information for the Track Record Period, the Group has consistently applied the IFRS Accounting Standards issued by the IASB, which are effective for the accounting period beginning on 1 January 2024 throughout the Track Record Period.

New and amendments to IFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following new and amendments to IFRS Accounting Standards which have been issued but are not yet effective:

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ³
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity ³
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards — Volume 11 ³
Amendments to IAS 21	Lack of Exchangeability ²
IFRS 18	Presentation and Disclosure in Financial Statements ⁴

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2025.

³ Effective for annual periods beginning on or after 1 January 2026.

⁴ Effective for annual periods beginning on or after 1 January 2027.

IFRS 18 “Presentation and Disclosure in Financial Statements”, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 “Presentation of Financial Statements”. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” and IFRS 7 “Financial Instruments: Disclosures”. Minor amendments to IAS 7 “Statement of Cash Flows” and IAS 33 “Earnings per Share” are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of IFRS 18 on the Group’s future consolidated financial statements.

Except as described above, the Directors anticipate that the application of the amendments to IFRS Accounting Standards will have no material impact on the Group’s financial position and performance in the foreseeable future.

APPENDIX I

ACCOUNTANTS’ REPORT

4. MATERIAL ACCOUNTING POLICY INFORMATION

Basis of consolidation

The Historical Financial Information incorporate the financial statements of the Company and entities controlled by the Group. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its investment with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group’s equity therein, which represent the present ownership interests entitling the non-controlling interest to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating units (“CGU”) (or group of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired.

Investments in subsidiaries

Investments in subsidiaries are stated in the statements of financial position of the Company at cost less any identified impairment loss.

APPENDIX I

ACCOUNTANTS’ REPORT

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in the Historical Financial Information using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statements of financial position at cost and adjusted thereafter to recognise the Group’s share of the profit or loss and other comprehensive income of the associate or joint venture.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Historical Financial Information only to the extent of interests in the associate that are not related to the Group.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Leases

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 “Lease” at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

APPENDIX I

ACCOUNTANTS’ REPORT

The Group as a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases for staff quarters and warehouses that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date and any initial direct cost incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and the lease terms.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statements of financial position. Right-of-use assets that meet the definition of investment property are presented within “investment properties”.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date as the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- a lease contract is modified and the lease modification is not accounted for as a separate lease.

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

APPENDIX I

ACCOUNTANTS’ REPORT

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group’s operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

Borrowing costs, other than those directly attributable to the acquisition, construction or production of qualifying assets, are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income”.

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Employees in the PRC are members of a state-managed employee pension scheme operated by the relevant municipal government in the PRC which undertakes to assume the retirement benefit obligations of all existing and future retired employees. The Group’s obligation is to make the required contributions under the scheme. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

APPENDIX I

ACCOUNTANTS’ REPORT

Share-based payment

Equity-settled share-based payment transactions

Shares/share options granted to employees

Equity-settled share-based payments to employees providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of equity instruments that will eventually vest, with a corresponding increase in equity (capital reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital reserve.

When share options are exercised, the amount previously recognised in capital reserve will be transferred to share premium.

When shares granted are vested, the amount previously recognised in capital reserve will be transferred to share premium.

Taxation

Income tax expense represents the sum of the current and deferred income tax expense.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

APPENDIX I

ACCOUNTANTS’ REPORT

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 “Income Taxes” requirements to lease liabilities and the related assets separately.

The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress). Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Buildings, machinery and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets are functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group’s accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

APPENDIX I

ACCOUNTANTS’ REPORT

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is recognised as an expense in the period in which it is incurred where no internally-generated intangible asset can be recognised.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Impairment on property, plant and equipment, right-of-use assets, investment property and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, investment property and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets, investment property and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

APPENDIX I

ACCOUNTANTS’ REPORT

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated to the assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 “Revenue from Contracts with Customers”. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

APPENDIX I

ACCOUNTANTS’ REPORT

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 “Business Combinations” applies.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and bills receivables at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Bills receivables classified at FVTOCI

Subsequent changes in the carrying amounts for bills receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these bills receivables are recognised in other comprehensive income and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these bills receivables. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these bills receivables had been measured at amortised cost. When these bills receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

APPENDIX I

ACCOUNTANTS’ REPORT

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “other gains and losses” line item.

Impairment of financial assets subject to impairment assessment under IFRS 9 “Financial Instruments”

The Group performs impairment assessment under ECL model on financial assets (including trade and bills receivables, bills receivables at FVTOCI, other receivables, amounts due from related parties, time deposits, restricted bank deposits and bank balances) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group’s historical credit loss experience, and factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and credit-impaired and collectively for the remaining debtors using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at each reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;

APPENDIX I

ACCOUNTANTS’ REPORT

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. Trade receivables of the Group with significant balances and credit-impaired are assessed for ECL individually. The Group

APPENDIX I

ACCOUNTANTS’ REPORT

uses a practical expedient in estimating ECL on trade receivables, which are not assessed individually, using a provision matrix taking into consideration historical credit loss experience and forward-looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Trade receivables of the Group with significant balances and credit-impaired are assessed for ECL individually. Except as those trade receivables, lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for bills receivables that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables, where the corresponding adjustment is recognised through a loss allowance account. For bills receivables are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amounts of these bills receivables. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of bills receivables at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

APPENDIX I

ACCOUNTANTS’ REPORT

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company’s own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

Financial liabilities

Financial liabilities including trade and other payables, amounts due to related parties, loan from a related party and borrowings are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Deferred tax asset

As at 31 December 2022, 2023 and 2024, a deferred tax asset of RMB531,028,000, RMB665,545,000, and RMB824,043,000, respectively, in relation to unused tax losses for certain operating subsidiaries has been recognised in the consolidated statements of financial position. No deferred tax asset has been recognised on the tax losses of RMB3,105,107,000, RMB3,099,773,000, and RMB2,296,299,000, respectively, for certain subsidiaries due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient taxable profits will be available in the future or taxable temporary differences are expected to reverse in the same period as the expected reversal of the deductible temporary differences, which is a key source of estimation uncertainty. The uncertainty would depend on how the ongoing uncertain macroeconomic and geopolitical environment. In cases where the actual future taxable profits generated are less or more than expected, or change in

APPENDIX I

ACCOUNTANTS’ REPORT

facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Net realisable value of inventories

As at 31 December 2022, 2023 and 2024, the carrying amount of the Group’s inventories is RMB6,685,009,000, RMB6,682,659,000, and RMB7,160,553,000, respectively. During the years ended 31 December 2022 and 2023, a reversal of write-down of inventories of RMB442,288,000, RMB99,018,000 was recognised or in profit or loss, respectively. During the year ended 31 December 2024, a write-down of inventories of RMB47,859,000 was recognised or in profit or loss.

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale.

The Group assesses the net realisable value of inventories as well as the amount of write-down of inventory provision at the end of each reporting period, which involves significant judgement on determination of the estimated selling prices, costs to completion and costs necessary to make the sale.

Impairment assessment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGU (or group of CGUs) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU (or a CGUs) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

As at 31 December 2022, 2023 and 2024, the carrying amounts of goodwill was RMB2,970,144,000, RMB2,970,144,000 and RMB2,970,144,000, respectively. Details of the calculation of recoverable amounts are disclosed in Note 21.

Provision of ECL for trade receivables

Trade receivables of the Group with significant balances and credit-impaired are assessed for ECL individually.

In addition, the Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on ageing of debtors as groupings of various debtors taking into consideration the Group’s historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group’s trade receivables are disclosed in Note 41.

APPENDIX I

ACCOUNTANTS’ REPORT

6. REVENUE AND SEGMENT INFORMATION

(i) Revenue

The following is an analysis of the Group’s revenue from major end use products and services:

	Year ended 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Smartphones and computers	38,213,811	44,900,632	57,754,169
Smart vehicles and cockpits	3,583,820	4,998,464	5,934,795
Intelligent head-mounted displays and smart wearables	3,538,691	3,103,753	3,488,408
Others smart devices	171,817	164,872	1,408,378
Scraps and materials	447,868	451,831	426,465
Processing fee	571,446	652,969	635,804
Others	75,772	91,540	108,739
Revenue from contracts with customers	46,603,225	54,364,061	69,756,758
Leases	95,321	126,673	140,018
Total	46,698,546	54,490,734	69,896,776

Geographical information

The Group’s operations are located in the PRC (country of domicile), the United States of America (the “U.S.”), Vietnam, Mexico and Japan.

Information about the Group’s revenue from external customers is presented based on delivery destination or the shipping destination on customs declaration.

	Year ended 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Offshore			
— Special supervision territory (<i>note</i>)	28,896,418	24,822,418	27,496,661
— Vietnam	4,871,324	5,420,199	4,882,063
— Asia (excluding Mainland China and Vietnam)	2,811,336	4,187,813	6,079,024
— North America	1,544,346	2,008,840	2,036,548
— Others	143,019	367,288	484,087
	38,266,443	36,806,558	40,978,383
Mainland China (excluding special supervision territory) (<i>note</i>)	8,432,103	17,684,176	28,918,393
	46,698,546	54,490,734	69,896,776

APPENDIX I

ACCOUNTANTS’ REPORT

Note: [During the years ended 31 December 2022, 2023 and 2024, the amount of Group’s total revenue from Mainland China (country of domicile), represented by domestic and special supervision territory within the PRC (excluding Hong Kong, Macao and Taiwan) is RMB37,328,521,000, RMB42,506,594,000, and RMB56,415,054,000, respectively.]

Timing of revenue from contracts with customers recognition

All revenue from contracts with customers within the scope of IFRS 15 are recognised at a point in time.

(ii) Performance obligations for contracts with customers and revenue recognition policies

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on the receipt of products by customers.

Processing fee is recognised at the point in time when the processing has been completed and the control of the processed product is transferred to customers.

The Group requires an advance payment or grants the customers a credit period from 30 days to 120 days based on the assessed credit worthiness of the customers. A contract liability represents the Group’s obligation to transfer goods or services for which the Group has received consideration from the customer.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The Group applies the practical expedient of not disclosing the transaction price allocated to the remaining performance obligation as the original expected duration of all the contracts from customers of the Group are within one year or less.

(iv) Leases

	Year ended 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
For operating leases:			
Lease payments that are fixed	95,321	126,673	140,018

Operating leases, in which the Group is the lessor, relate to investment property owned by the Group with non-cancellable lease terms of between 5 to 15 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lease contracts do not contain residual value guarantee and/or lessee’s option to purchase the property at the end of lease term. Lease payments are usually adjusted every year to reflect market rentals. None of the leases includes variable lease payments.

(v) Segment information

For the purpose of resource allocation and assessment of segment performance, the executive directors of the Company, being the chief operating decision makers, focus on the overall results and financial position of the Group, therefore no other discrete financial information is provided other than the Group’s results and financial position as a whole. The Group has only one single operating and reportable segment and only entity-wide disclosures are presented.

APPENDIX I

ACCOUNTANTS’ REPORT

Geographical information

The details of the Group’s revenue from external customers by geographical markets of the products presented based on delivery destination or the shipping destination on customs declaration are set out in Note 6(i). Information about the Group’s non-current assets is presented based on the geographical location of the assets.

The Group’s non-current assets (excluding deferred tax assets and financial assets) of RMB41,408,574,000, RMB40,818,377,000 and RMB41,306,399,000 are located in the PRC as at 31 December 2022, 2023 and 2024, respectively. The remaining non-current assets are located in the U.S., Vietnam, Mexico and Japan, with each jurisdiction’s individual non-current assets constituting less than 10% to the Group’s non-current assets.

(vi) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follow:

	Year ended 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Customer A (<i>note i</i>)	33,136,151	31,512,267	34,566,472
Customer B (<i>notes i & ii</i>)	N/A	8,472,733	16,328,058

Notes:

- (i) The customer is a group of companies under the same holding company.
- (ii) The corresponding revenue did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2022.

7. OTHER INCOME

	Year ended 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Government grants			
— related to expense items (<i>note</i>)	434,037	698,327	163,015
— related to assets (<i>Note 35</i>)	58,497	60,679	61,826
	492,534	759,006	224,841
Interest income	147,893	218,288	254,979
Compensation income	17,458	20,828	32,567
Others	20,691	19,087	54,637
	678,576	1,017,209	567,024

Note: The amount mainly represents various subsidies received from the PRC government authorities for the purpose of motivating the business development of the Group. There were no unfulfilled conditions or contingencies relating to these government grants.

APPENDIX I

ACCOUNTANTS’ REPORT

8. REVERSAL OF IMPAIRMENT LOSSES (IMPAIRMENT LOSSES RECOGNISED) UNDER ECL MODEL, NET

	Year ended 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Impairment losses reversed (recognised) on:			
— Trade and bills receivables	53,444	(2,242)	(15,600)
— Other receivables	(9,227)	3,527	(18,228)
— Amounts due from related parties	(255)	(26)	(31)
	<u>43,962</u>	<u>1,259</u>	<u>(33,859)</u>

Details of impairment assessment are set out in Note 41.

9. OTHER GAINS AND LOSSES, NET

	Year ended 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Net foreign exchange gains	231,526	59,455	193,232
Net gain from changes in fair value of financial assets/ liabilities at FVTPL	208,904	195,897	207,985
Loss on disposal of property, plant and equipment and intangible assets	(119,874)	(37,304)	(16,837)
Others	<u>456</u>	<u>609</u>	<u>—</u>
	<u>321,012</u>	<u>218,657</u>	<u>384,380</u>

10. FINANCE COSTS

	Year ended 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Interest on borrowings	569,573	471,022	382,959
Interest on loan from a related party (<i>Note 42</i>)	44,826	37,514	1,457
Interest on lease liabilities	<u>1,817</u>	<u>1,450</u>	<u>4,022</u>
Total borrowing costs	<u>616,216</u>	<u>509,986</u>	<u>388,438</u>

APPENDIX I

ACCOUNTANTS’ REPORT

11. INCOME TAX EXPENSE

	Year ended 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Current tax:			
— PRC Enterprise Income Tax	287,583	388,490	291,434
— Hong Kong	55,864	42,278	9,264
— Vietnam	33,719	48,075	43,011
— U.S	213	299	816
— Other jurisdictions	—	88	215
	<u>377,379</u>	<u>479,230</u>	<u>344,740</u>
Under provision in prior years:			
— PRC Enterprise Income Tax	2,928	8,426	8,922
— Hong Kong	<u>(7)</u>	<u>—</u>	<u>—</u>
	<u>2,921</u>	<u>8,426</u>	<u>8,922</u>
Deferred tax (<i>Note 24</i>)	<u>14,769</u>	<u>(275,594)</u>	<u>(181,601)</u>
	<u><u>395,069</u></u>	<u><u>212,062</u></u>	<u><u>172,061</u></u>

PRC Enterprise Income Tax

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the Group’s PRC subsidiaries is 25%.

The Company and certain of its PRC subsidiaries are accredited as High New Tech Enterprises during the Track Record Period and are subject to preferential tax rate of 15% during the respective accredited period in the Track Record Period.

APPENDIX I

ACCOUNTANTS’ REPORT

Pursuant to relevant laws and regulations in the PRC, several subsidiaries are eligible as a Small Low-profit Enterprise (小型微利企業) and are subject to preferential tax treatments during the Track Record Period.

From 1 January 2022 to 31 December 2022, for Small Low-profit Enterprises, the annual taxable income not exceeding RMB1.0 million was reduced to 12.5% and taxed at a rate of 20%. From 1 January 2023 to 31 December 2024, for Small Low-profit Enterprises, the annual taxable income not exceeding RMB3.0 million was reduced to 25% and taxed at a rate of 20%.

Hong Kong

The Company’s subsidiary domiciled in Hong Kong is subject to a two-tiered income tax rate for taxable income earned in Hong Kong effectively since 1 April 2018. The first 2 million Hong Kong dollars of profits earned by the qualifying group entity are subject to be taxed at an income tax rate of 8.25%, while the remaining profits will be taxed at 16.5%.

Vietnam

The Company’s subsidiary domiciled in Vietnam is subject to a corporate income tax rate of 20%. According to the policies promulgated by the local policy, all eligible enterprises are subsequently entitled to two-year income tax exemptions followed by four years’ 50% reduction of the statutory income tax rates, starting from their first profit making year. The Company’s Vietnam subsidiary is qualified as an eligible enterprise and was entitled to the two years’ exemption from income tax followed by four years of 50% tax reduction with effect from 2020 and entitled to a preferential income tax rate of 10% during the Track Record Period.

U.S.

Pursuant to the applicable U.S. federal and state income tax laws, the U.S. subsidiaries have provided income taxes on their federal and state taxable income at the 21% U.S. federal statutory corporate income tax rate and states statutory corporate tax rates of up to 8.84% throughout the Track Record Period.

Other jurisdictions

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

APPENDIX I

ACCOUNTANTS’ REPORT

The tax charge for the Track Record Period can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Profit before tax	2,914,890	3,253,889	3,848,916
Tax at the preferential tax rate of 15%	437,234	488,083	577,337
Tax effect of expenses not deductible for tax purposes	117,952	12,277	23,074
Effect of different tax rates of the subsidiaries	99,754	102,037	92,298
Tax effect of income not taxable for tax purpose . .	(1,880)	(402)	(54,648)
Utilisation of tax losses previously not recognised .	(27,579)	(60,189)	(134,897)
Tax effect of deductible temporary differences and tax losses not recognised	141,163	39,487	15,185
Decrease in opening deferred tax liabilities resulting from a decrease in applicable tax rate (note i)	—	(89,628)	—
Additional deduction of research and development expenses (note ii)	(312,605)	(279,804)	(351,320)
Additional deduction of acquisition of equipment (note iii)	(56,586)	—	—
Under provision in respect of prior years	2,921	8,426	8,922
Others	(5,305)	(8,225)	(3,890)
	<u>395,069</u>	<u>212,062</u>	<u>172,061</u>

Notes:

- (i) A PRC subsidiary applied High New Tech Enterprises in 2023 and enjoys preferential tax rate of 15% for the years ended 31 December 2023 and 2024.
- (ii) According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that have been effective from 2018 onwards, enterprises engaging in research and development activities are entitled to claim 175% and 200% of their research and development expenditures incurred as tax deductible expenses when determining their assessable profits for the period from 1 January 2022 to 30 September 2022 and for the period from 1 October 2022 to 31 December 2024, respectively.
- (iii) The State Taxation Administration of the PRC announced in September 2022 that enterprises accredited as “High New Tech Enterprises” would be entitled to claim 100% of the purchase price for equipment and appliances newly purchased during the period from 1 October 2022 to 31 December 2022 as tax deductible expenses and 100% additional deduction for the year ended 31 December 2022.

APPENDIX I

ACCOUNTANTS’ REPORT

12. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	Year ended 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Directors’ and supervisors’ emoluments (<i>Note 13</i>)	11,300	11,400	12,520
Other staffs costs (excluding directors’ and supervisors’ emoluments)			
— Salaries and other benefit, including share-based payment expenses	12,183,302	11,039,693	12,590,852
— Retirement benefits scheme contributions	869,038	779,575	871,074
Total staff costs	13,063,640	11,830,668	13,474,446
Capitalised in inventories	(10,766,033)	(9,264,719)	(10,482,249)
	<u>2,297,607</u>	<u>2,565,949</u>	<u>2,992,197</u>
Depreciation of property, plant and equipment	4,340,696	4,632,953	4,770,849
Depreciation of investment properties	44,241	52,934	56,260
Depreciation of right-of-use assets	96,941	96,477	115,217
Amortisation of intangible assets	202,411	208,168	210,244
Total depreciation and amortisation	4,684,289	4,990,532	5,152,570
Capitalised in inventories	(3,564,349)	(3,880,871)	(4,043,350)
	<u>1,119,940</u>	<u>1,109,661</u>	<u>1,109,220</u>
Auditor’s remuneration	2,000	2,400	2,900
Impairment losses recognised on property, plant and equipment, included in administrative expenses	273,077	73,242	226,942
Other expenses			
— Donation	10,032	6,848	8,216
Cost of inventories recognised as an expense	38,272,351	45,698,876	59,385,583
Excluding: (reversal of write-down) write-down of inventories	(442,288)	(99,018)	47,859

APPENDIX I

ACCOUNTANTS’ REPORT

13. DIRECTORS’ AND SUPERVISORS’ EMOLUMENTS

Details of the emoluments paid or payable to the directors and supervisors of the Company during the Track Record Period disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance are as follows:

	Fees	Salaries, bonus and other allowances (note i)	Share-based payment	Retirement benefit scheme contributions	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<i>For the year ended</i>					
<i>31 December 2022</i>					
Executive directors:					
Ms. Chau Kwan Fei	—	4,984	—	16	5,000
Mr. Cheng Chun Lung	—	2,984	—	16	3,000
Mr. Rao Qiaobing	—	892	—	8	900
Independent non-executive directors:					
Mr. Tang Guoping (note ii)	100	—	—	—	100
Ms. Wan Wei	100	—	—	—	100
Mr. Liu Yue	100	—	—	—	100
Mr. Peng Diefeng	100	—	—	—	100
Supervisors:					
Mr. Kuang Hongfeng	—	692	—	8	700
Mr. Tang Jun	—	492	—	8	500
Ms. Zhou Xinyi	—	792	—	8	800
	400	10,836	—	64	11,300

APPENDIX I

ACCOUNTANTS’ REPORT

	Fees	Salaries, bonus and other allowances (note i)	Share-based payment	Retirement benefit scheme contributions	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<i>For the year ended</i>					
<i>31 December 2023</i>					
Executive directors:					
Ms. Chau Kwan Fei	—	4,984	—	16	5,000
Mr. Cheng Chun Lung	—	2,984	—	16	3,000
Mr. Rao Qiaobing	—	780	112	8	900
Independent non-executive directors:					
Mr. Tang Guoping (note ii) .	50	—	—	—	50
Mr. Yang Songbai(note iii) .	50	—	—	—	50
Ms. Wan Wei	100	—	—	—	100
Mr. Liu Yue	100	—	—	—	100
Mr. Peng Diefeng	100	—	—	—	100
Supervisors:					
Mr. Kuang Hongfeng	—	792	—	8	800
Mr. Tang Jun	—	492	—	8	500
Ms. Zhou Xinyi	—	792	—	8	800
	400	10,824	112	64	11,400

APPENDIX I

ACCOUNTANTS’ REPORT

	Fees	Salaries, bonus and other allowances (note i)	Share-based payment	Retirement benefit scheme contributions	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<i>For the year ended</i>					
<i>31 December 2024</i>					
Executive directors:					
Ms. Chau Kwan Fei	—	4,984	—	16	5,000
Mr. Cheng Chun Lung	—	2,984	—	16	3,000
Mr. Rao Qiaobing	—	530	462	8	1,000
Independent non-executive directors:					
Mr. Yang Songbai					
(note iii & iv)	130	—	—	—	130
Ms. Wan Wei	130	—	—	—	130
Mr. Liu Yue	130	—	—	—	130
Mr. Peng Diefeng (note iv) .	130	—	—	—	130
Supervisors:					
Mr. Kuang Hongfeng					
(note iv)	—	992	—	8	1,000
Mr. Tang Jun	—	992	—	8	1,000
Ms. Zhou Xinyi	—	992	—	8	1,000
	<u>520</u>	<u>11,474</u>	<u>462</u>	<u>64</u>	<u>12,520</u>

Notes:

- (i) The discretionary bonus is determined based on the Group’s performance, performance of the relevant individual within the Group and comparable market statistics.
- (ii) Mr. Tang Guoping resigned as an independent non-executive director of the Company on 31 July 2023.
- (iii) Mr. Yang Songbai was appointed as an independent non-executive director of the Company on 18 October 2023.
- (iv) Mr. Yang Songbai and Mr. Peng Diefeng resigned as an independent non-executive director of the Company on 21 January 2025. Mr. Kuang Hongfeng resigned as a supervisor of the Company on 21 January 2025.
- (v) Mr. Tian Hong and Mr. Xie Zhiming were appointed as an independent non-executive director of the Company on 21 January 2025. Mr. Chen Xiaoqun was appointed as a supervisor of the Company on 21 January 2025.

APPENDIX I

ACCOUNTANTS’ REPORT

The executive directors’ emoluments shown above were paid for their services in connection with the management of affairs of the Group and the Company during the Track Record Period.

The independent non-executive directors’ emoluments shown above were for their services as directors of the Company.

The supervisors’ emoluments shown above were for their services as supervisors of the Company.

During the Track Record Period, certain directors were granted restricted shares, in respect of their services to the Group under the Restricted A-share Scheme of the Company. Details of the share-based payment are set out in note 38 to the Historical Financial Information.

During the Track Record Period, there have been no arrangement under which a director or a supervisor waived or agreed to waive any remuneration.

14. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals of the Group included four, five and five directors and supervisors during the years ended 31 December 2022, 2023 and 2024, respectively, details of whose remuneration are set out above. Details of the remuneration for the remaining one, nil and nil highest paid individual during the years ended 31 December 2022, 2023 and 2024, respectively, are as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Salaries and other benefits, including share-based payment expenses	522	—	—
Discretionary bonus	270	—	—
Retirement benefit scheme contributions	8	—	—
	<u>800</u>	<u>—</u>	<u>—</u>

The number of the highest paid employees who are not the directors or supervisors whose remuneration fell within the following band is as follows:

	Year ended 31 December		
	2022	2023	2024
	No. of employees	No. of employees	No. of employees
Nil to Hong Kong dollar (“HK\$”) 1,000,000	<u>1</u>	<u>—</u>	<u>—</u>

No emoluments had been paid by the Group to any of the directors or the supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

APPENDIX I

ACCOUNTANTS’ REPORT

15. DIVIDENDS

Dividends for ordinary shareholders of the Company recognised as distribution during the Track Record Period:

	Year ended 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Dividend for ordinary shareholders of the Company	<u>493,095</u>	<u>986,190</u>	<u>1,482,163</u>

During the year ended 31 December 2022, the Company declared and paid cash dividend of RMB0.10 per ordinary share, in aggregate of RMB493,095,000, to ordinary shareholders of the Company.

During the year ended 31 December 2023, the Company declared and paid cash dividend of RMB0.20 per ordinary share, in aggregate of RMB986,190,000, to ordinary shareholders of the Company.

During the year ended 31 December 2024, the Company declared and paid cash dividend of RMB0.30 per ordinary share, in aggregate of RMB1,482,163,000, to ordinary shareholders of the Company.

[Subsequent to the end of the Track Record Period, a final dividend in respect of the year ended 31 December 2024 of RMB[0.40] per ordinary share, in aggregate of RMB[●], has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting of the Company.]

16. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share, as applicable, attributable to the owners of the Company is based on the following data:

	Year ended 31 December		
	2022	2023	2024
Earnings (RMB’000):			
Profit for the year attributable to owners of the Company	<u>2,448,037</u>	<u>3,021,342</u>	<u>3,623,901</u>
Number of shares (’000):			
Weighted average number of ordinary shares for the purpose of basic earnings per share (<i>note</i>)	4,942,628	4,930,952	4,936,803
Effect of dilutive potential ordinary shares: Restricted A-share Scheme	<u>N/A</u>	<u>2,910</u>	<u>11,783</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>4,942,628</u>	<u>4,933,862</u>	<u>4,948,586</u>

Note: Treasury shares and restricted shares subject to repurchase were excluded in calculating the weighted average number of ordinary shares of the purpose of basic earnings per share.

No diluted earnings per share for the year ended 31 December 2022 were presented as there were no potential dilutive ordinary shares in issue for the year.

APPENDIX I

ACCOUNTANTS’ REPORT

17. PROPERTY, PLANT AND EQUIPMENT

The Group

	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Motor vehicles</u>	<u>Electronic equipment</u>	<u>Office and other equipment</u>	<u>Construction in progress (“CIP”)</u>	<u>Total</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
COST							
At 1 January 2022	15,614,696	32,395,581	561,505	3,159,338	4,685,582	2,320,426	58,737,128
Additions	924	3,625,097	11,262	688,865	433,564	2,592,859	7,352,571
Transfers	2,669,960	516,030	95	24,815	243,733	(3,454,633)	—
Transfers to investment properties (<i>Note 19</i>) . .	(92,892)	—	—	—	—	(224,507)	(317,399)
Disposals	(10,323)	(935,506)	(1,632)	(115,019)	(58,689)	(28,051)	(1,149,220)
Exchange adjustments . .	32,943	13,620	177	495	678	—	47,913
At 31 December 2022 . .	18,215,308	35,614,822	571,407	3,758,494	5,304,868	1,206,094	64,670,993
Additions	18,637	1,993,186	7,364	440,185	238,641	2,004,379	4,702,392
Transfers	1,256,709	370,912	790	200,141	441,253	(2,269,805)	—
Transfers to investment properties (<i>Note 19</i>) . .	(83,330)	—	—	—	—	(39,729)	(123,059)
Disposals	(77)	(716,172)	(2,281)	(33,721)	(57,271)	(8,800)	(818,322)
Exchange adjustments . .	(6,962)	(3,594)	25	(100)	(121)	—	(10,752)
At 31 December 2023 . .	19,400,285	37,259,154	577,305	4,364,999	5,927,370	892,139	68,421,252
Additions	3,220	2,796,601	10,081	544,431	310,920	2,117,094	5,782,347
Transfers	794,269	597,765	21	58,437	162,286	(1,612,778)	—
Transfers from investment properties (<i>Note 19</i>)	125,371	—	—	—	—	—	125,371
Disposals	(10,131)	(791,634)	(10,068)	(64,356)	(33,334)	(10,091)	(919,614)
Exchange adjustments . .	(23,719)	(38,762)	951	(3,951)	(1,937)	—	(67,418)
At 31 December 2024 . .	<u>20,289,295</u>	<u>39,823,124</u>	<u>578,290</u>	<u>4,899,560</u>	<u>6,365,305</u>	<u>1,386,364</u>	<u>73,341,938</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Office and other equipment	CIP	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
DEPRECIATION							
At 1 January 2022	3,244,934	15,042,618	138,760	1,758,735	3,207,505	—	23,392,552
Provided for the year	793,668	2,547,921	29,432	450,130	519,545	—	4,340,696
Transfers to investment properties (<i>Note 19</i>)	(46,969)	—	—	—	—	—	(46,969)
Eliminated on disposals	(2,245)	(675,447)	(1,144)	(78,151)	(46,164)	—	(803,151)
Exchange adjustments	5,039	3,644	110	252	511	—	9,556
At 31 December 2022	3,994,427	16,918,736	167,158	2,130,966	3,681,397	—	26,892,684
Provided for the year	678,645	2,599,214	27,318	557,369	770,407	—	4,632,953
Transfers to investment properties (<i>Note 19</i>)	(3,943)	—	—	—	—	—	(3,943)
Eliminated on disposals	(38)	(528,772)	(2,080)	(29,053)	(47,794)	—	(607,737)
Exchange adjustments	(1,268)	(726)	13	69	(87)	—	(1,999)
At 31 December 2023	4,667,823	18,988,452	192,409	2,659,351	4,403,923	—	30,911,958
Provided for the year	945,502	2,847,027	27,875	447,202	503,243	—	4,770,849
Transfers from investment properties (<i>Note 19</i>)	69,310	—	—	—	—	—	69,310
Eliminated on disposals	(6,673)	(583,359)	(9,120)	(58,309)	(29,046)	—	(686,507)
Exchange adjustments	(5,252)	(6,204)	(6)	(672)	(492)	—	(12,626)
At 31 December 2024	5,670,710	21,245,916	211,158	3,047,572	4,877,628	—	35,052,984
IMPAIRMENT							
At 1 January 2022	—	304,889	15	7,627	2,680	41,339	356,550
Provided for the year	—	244,488	—	8,565	1,008	19,016	273,077
Eliminated on disposals	—	(118,575)	—	(3,034)	(56)	(24,013)	(145,678)
At 31 December 2022	—	430,802	15	13,158	3,632	36,342	483,949
Provided for the year	—	50,536	93	8,076	216	14,321	73,242
Eliminated on disposals	—	(127,301)	(1)	(1,642)	(533)	(7,730)	(137,207)
At 31 December 2023	—	354,037	107	19,592	3,315	42,933	419,984
Provided for the year	—	184,307	101	3,224	5,367	33,943	226,942
Eliminated on disposals	—	(151,506)	(190)	(4,964)	(547)	(9,901)	(167,108)
At 31 December 2024	—	386,838	18	17,852	8,135	66,975	479,818
CARRYING VALUES							
At 31 December 2022	<u>14,220,881</u>	<u>18,265,284</u>	<u>404,234</u>	<u>1,614,370</u>	<u>1,619,839</u>	<u>1,169,752</u>	<u>37,294,360</u>
At 31 December 2023	<u>14,732,462</u>	<u>17,916,665</u>	<u>384,789</u>	<u>1,686,056</u>	<u>1,520,132</u>	<u>849,206</u>	<u>37,089,310</u>
At 31 December 2024	<u>14,618,585</u>	<u>18,190,370</u>	<u>367,114</u>	<u>1,834,136</u>	<u>1,479,542</u>	<u>1,319,389</u>	<u>37,809,136</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Motor vehicles</u>	<u>Electronic equipment</u>	<u>Office and other equipment</u>	<u>CIP</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2022	4,463,926	9,139,090	21,469	1,157,718	1,991,127	29,187	16,802,517
Additions	—	789,584	441	175,021	60,594	163,905	1,189,545
Transfers	54,533	26,974	—	101	93,889	(175,497)	—
Transfers to investment properties (<i>Note 19</i>) .	(204,928)	—	—	—	—	(298)	(205,226)
Disposals	(1,159)	(864,575)	(41)	(62,524)	(47,862)	—	(976,161)
At 31 December 2022 . .	4,312,372	9,091,073	21,869	1,270,316	2,097,748	17,297	16,810,675
Additions	—	332,754	254	51,689	5,857	146,007	536,561
Transfers	11,073	70,581	19	522	23,334	(105,529)	—
Transfers to investment properties (<i>Note 19</i>) .	—	—	—	—	—	(655)	(655)
Disposals	(77)	(312,476)	(677)	(44,869)	(23,856)	—	(381,955)
At 31 December 2023 . .	4,323,368	9,181,932	21,465	1,277,658	2,103,083	57,120	16,964,626
Additions	136,317	747,408	1,546	75,984	60,918	563,057	1,585,230
Transfers	80,305	47,713	—	8,631	74,258	(210,907)	—
Transfers to investment properties (<i>Note 19</i>) .	—	—	—	—	—	(42,439)	(42,439)
Disposals	—	(379,965)	(5,631)	(60,634)	(20,424)	—	(466,654)
At 31 December 2024 . .	<u>4,539,990</u>	<u>9,597,088</u>	<u>17,380</u>	<u>1,301,639</u>	<u>2,217,835</u>	<u>366,831</u>	<u>18,040,763</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Motor vehicles</u>	<u>Electronic equipment</u>	<u>Office and other equipment</u>	<u>CIP</u>	<u>Total</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
DEPRECIATION							
At 1 January 2022	1,141,480	3,698,059	17,426	668,778	1,373,035	—	6,898,778
Provided for the year	228,887	679,712	767	174,561	195,710	—	1,279,637
Transfers to investment properties (<i>Note 19</i>) . . .	(14,482)	—	—	—	—	—	(14,482)
Eliminated on disposals . .	(550)	(416,036)	(4)	(44,516)	(30,264)	—	(491,370)
At 31 December 2022 . . .	1,355,335	3,961,735	18,189	798,823	1,538,481	—	7,672,563
Provided for the year	206,729	706,168	649	138,775	155,454	—	1,207,775
Eliminated on disposals . .	(38)	(164,979)	(586)	(13,596)	(21,358)	—	(200,557)
At 31 December 2023 . . .	1,562,026	4,502,924	18,252	924,002	1,672,577	—	8,679,781
Provided for the year	216,243	739,528	572	88,042	97,893	—	1,142,278
Eliminated on disposals . .	—	(241,190)	(5,044)	(50,459)	(18,093)	—	(314,786)
At 31 December 2024 . . .	1,778,269	5,001,262	13,780	961,585	1,752,377	—	9,507,273
IMPAIRMENT							
At 1 January 2022	—	56,701	—	4,287	134	—	61,122
Provided for the year	—	47,935	—	387	30	—	48,352
Eliminated on disposals . .	—	(34,121)	—	(2,250)	(13)	—	(36,384)
At 31 December 2022 . . .	—	70,515	—	2,424	151	—	73,090
Provided for the year	—	223	—	565	23	—	811
Eliminated on disposals . .	—	(10,251)	—	—	(4)	—	(10,255)
At 31 December 2023 . . .	—	60,487	—	2,989	170	—	63,646
Provided for the year	—	30,952	—	2,773	3,379	—	37,104
Eliminated on disposals . .	—	(55,012)	—	(1,821)	(134)	—	(56,967)
At 31 December 2024 . . .	—	36,427	—	3,941	3,415	—	43,783
CARRYING VALUES							
At 31 December 2022 . . .	<u>2,957,037</u>	<u>5,058,823</u>	<u>3,680</u>	<u>469,069</u>	<u>559,116</u>	<u>17,297</u>	<u>9,065,022</u>
At 31 December 2023 . . .	<u>2,761,342</u>	<u>4,618,521</u>	<u>3,213</u>	<u>350,667</u>	<u>430,336</u>	<u>57,120</u>	<u>8,221,199</u>
At 31 December 2024 . . .	<u>2,761,721</u>	<u>4,559,399</u>	<u>3,600</u>	<u>336,113</u>	<u>462,043</u>	<u>366,831</u>	<u>8,489,707</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Group’s and the Company’s property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Transfers to, or from, investment property are made when, and only when, there is a change in use, evidenced by (i) commencement of owner-occupation, for a transfer from investment property to owner-occupied property; (ii) end of owner-occupation, for a transfer from owner-occupied property to investment property.

The above items of property, plant and equipment except for construction in progress are depreciated on a straight-line basis over the useful lives as follows:

Buildings	20 years
Machinery and equipment	10 years
Motor vehicles	3 to 25 years
Electronic equipment	5 years
Office and other equipment	3 to 10 years

The Group is in the process of obtaining the property ownership certificates of buildings with carrying amounts of RMB3,055,226,000, RMB568,642,000, and RMB207,479,000 as at 31 December 2022, 2023 and 2024, respectively.

Impairment Assessment:

Management of the Group concluded there was indication for impairment when an equipment is not expected to be used in the operations, this is normally when the cost of upgrading or maintaining the equipment outweighed its use. The assessment is performed on individual asset base. Impairment amounted to RMB273,077,000, RMB73,242,000 and RMB226,942,000 are recognised during the years ended 31 December 2022, 2023 and 2024, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

18. RIGHT-OF-USE ASSETS

The Group

	<u>Leasehold lands</u>	<u>Leased properties</u>	<u>Total</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
As at 31 December 2022			
Carrying amounts	<u>3,000,639</u>	<u>51,218</u>	<u>3,051,857</u>
As at 31 December 2023			
Carrying amounts	<u>3,209,458</u>	<u>51,589</u>	<u>3,261,047</u>
As at 31 December 2024			
Carrying amounts	<u>3,252,462</u>	<u>188,695</u>	<u>3,441,157</u>
For the year ended 31 December 2022			
Depreciation charge	<u>67,494</u>	<u>29,447</u>	<u>96,941</u>
For the year ended 31 December 2023			
Depreciation charge	<u>68,638</u>	<u>27,839</u>	<u>96,477</u>
For the year ended 31 December 2024			
Depreciation charge	<u>75,076</u>	<u>40,141</u>	<u>115,217</u>
	Year ended 31 December		
	<u>2022</u>	<u>2023</u>	<u>2024</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
Expense relating to short-term leases	11,725	26,853	80,846
Total cash outflow for leases	43,851	333,316	229,746
Addition to right-of-use assets	<u>25,194</u>	<u>305,864</u>	<u>303,393</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	<u>Leasehold land</u>	<u>Leased properties</u>	<u>Total</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
As at 31 December 2022			
Carrying amounts	<u>387,743</u>	<u>32,644</u>	<u>420,387</u>
As at 31 December 2023			
Carrying amounts	<u>378,279</u>	<u>24,355</u>	<u>402,634</u>
As at 31 December 2024			
Carrying amounts	<u>593,306</u>	<u>137,191</u>	<u>730,497</u>
For the year ended 31 December 2022			
Depreciation charge	<u>9,691</u>	<u>6,685</u>	<u>16,376</u>
For the year ended 31 December 2023			
Depreciation charge	<u>9,464</u>	<u>8,289</u>	<u>17,753</u>
For the year ended 31 December 2024			
Depreciation charge	<u>13,742</u>	<u>18,161</u>	<u>31,903</u>

The Group and the Company lease plant and staff quarters for its operations. Lease terms are negotiated by the Group and the Company on an individual basis and contain a wide range of different terms and conditions. The terms are fixed with various period, from 1 to 10 years. In determining the lease term and assessing the length of the non-cancellable period, the Group and the Company apply the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for staff quarters and warehouses. As at 31 December 2022, 2023 and 2024, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

In addition, the Group and the Company own several office buildings and industrial buildings. The industrial buildings are where its manufacturing facilities are primarily located. The Group and the Company are the registered owners of these property interests, including underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately, for which the Group and the Company have obtained the land use right certificates. The leasehold lands are depreciated on a straight-line basis over the term of the lease from 40 to 50 years.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased properties may not be used as security for borrowing purposes.

APPENDIX I

ACCOUNTANTS’ REPORT

19. INVESTMENT PROPERTIES

The Group

	<u>Buildings</u>	<u>Leasehold</u>	<u>Total</u>
	<u>RMB’000</u>	<u>lands</u>	<u>RMB’000</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
COST			
As at 1 January 2022	645,235	139,482	784,717
Transfers from property, plant and equipment (<i>Note 17</i>) . .	317,399	—	317,399
Transfer from right-of-use assets	<u>—</u>	<u>81,679</u>	<u>81,679</u>
As at 31 December 2022	962,634	221,161	1,183,795
Transfers from property, plant and equipment (<i>Note 17</i>) . .	<u>123,059</u>	<u>—</u>	<u>123,059</u>
As at 31 December 2023	1,085,693	221,161	1,306,854
Transfers to property, plant and equipment (<i>Note 17</i>) . . .	(125,371)	—	(125,371)
Transfer to right-of-use assets	<u>—</u>	<u>(11,085)</u>	<u>(11,085)</u>
As at 31 December 2024	<u>960,322</u>	<u>210,076</u>	<u>1,170,398</u>
DEPRECIATION			
As at 1 January 2022	116,533	16,350	132,883
Charge for the year	38,637	5,604	44,241
Transfers from property, plant and equipment (<i>Note 17</i>) . .	46,969	—	46,969
Transfer from right-of-use assets	<u>—</u>	<u>5,579</u>	<u>5,579</u>
As at 31 December 2022	202,139	27,533	229,672
Charge for the year	48,603	4,331	52,934
Transfers from property, plant and equipment (<i>Note 17</i>) . .	<u>3,943</u>	<u>—</u>	<u>3,943</u>
As at 31 December 2023	254,685	31,864	286,549
Charge for the year	51,619	4,641	56,260
Transfers to property, plant and equipment (<i>Note 17</i>) . . .	(69,310)	—	(69,310)
Transfer to right-of-use assets	<u>—</u>	<u>(3,878)</u>	<u>(3,878)</u>
As at 31 December 2024	<u>236,994</u>	<u>32,627</u>	<u>269,621</u>
CARRYING VALUES			
At 31 December 2022	<u>760,495</u>	<u>193,628</u>	<u>954,123</u>
At 31 December 2023	<u>831,008</u>	<u>189,297</u>	<u>1,020,305</u>
At 31 December 2024	<u>723,328</u>	<u>177,449</u>	<u>900,777</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	<u>Buildings</u>	<u>Leasehold lands</u>	<u>Total</u>
	RMB’000	RMB’000	RMB’000
COST			
As at 1 January 2022	108,956	20,009	128,965
Transfers from property, plant and equipment (<i>Note 17</i>) . .	205,226	—	205,226
Transfer from right-of-use assets	<u>—</u>	<u>33,959</u>	<u>33,959</u>
As at 31 December 2022	314,182	53,968	368,150
Transfers from property, plant and equipment (<i>Note 17</i>) . .	<u>655</u>	<u>—</u>	<u>655</u>
As at 31 December 2023	314,837	53,968	368,805
Transfers from property, plant and equipment (<i>Note 17</i>) . .	<u>42,439</u>	<u>—</u>	<u>42,439</u>
As at 31 December 2024	<u>357,276</u>	<u>53,968</u>	<u>411,244</u>
DEPRECIATION			
As at 1 January 2022	18,950	1,764	20,714
Charge for the year	10,453	853	11,306
Transfers from property, plant and equipment (<i>Note 17</i>) . .	14,482	—	14,482
Transfer from right-of-use assets	<u>—</u>	<u>1,614</u>	<u>1,614</u>
As at 31 December 2022	43,885	4,231	48,116
Charge for the year	<u>14,481</u>	<u>1,079</u>	<u>15,560</u>
As at 31 December 2023	58,366	5,310	63,676
Charge for the year	<u>16,674</u>	<u>1,079</u>	<u>17,753</u>
As at 31 December 2024	<u>75,040</u>	<u>6,389</u>	<u>81,429</u>
CARRYING VALUES			
At 31 December 2022	<u>270,297</u>	<u>49,737</u>	<u>320,034</u>
At 31 December 2023	<u>256,471</u>	<u>48,658</u>	<u>305,129</u>
At 31 December 2024	<u>282,236</u>	<u>47,579</u>	<u>329,815</u>

The above investment properties are depreciated on a straight-line basis on the following bases:

Buildings	20 years
Leasehold lands	40–50 years

The Group leases out office units, a factory and commercial property units under operating leases with rentals payable monthly. The leases typically run for an initial period of 5 to 15 years, with unilateral rights to extend the lease beyond initial period held by lessees only. The lease contracts do not contain residual value guarantee and/or lessee’s option to purchase the property at the end of lease term.

APPENDIX I

ACCOUNTANTS’ REPORT

Details of the Group’s investment properties and information about the fair value hierarchy as at the end of each reporting period are as follows:

	The Group			The Company		
	As at 31 December			As at 31 December		
	2022	2023	2024	2022	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Buildings	1,637,980	1,550,920	1,246,400	275,873	262,527	289,173
Leasehold lands	361,080	362,100	332,690	58,466	58,986	58,637
	<u>1,999,060</u>	<u>1,913,020</u>	<u>1,579,090</u>	<u>334,339</u>	<u>321,513</u>	<u>347,810</u>

The fair value has been arrived at based on a valuation carried out by an independent qualified professional valuer not connected with the Group.

The fair value was determined based on the income approach or the cost approach based on location of the buildings and leasehold lands, whereby the income approach takes into account the projected future earnings of the subject of valuation and then converts the future earnings into value by using an appropriate rate of compensation or capitalisation rate to obtain the value of the subject of valuation; the cost approach takes into account the replacement or reconstruction cost of the subject of valuation at the time of valuation and depreciation, and subtracts depreciation from the replacement cost or reconstruction cost to obtain the value of the subject of valuation. The fair value of the Group’s investment property as at 31 December 2022, 2023 and 2024 is grouped into Level 3 of fair value measurement. There has been no change from the valuation technique used in the Track Record Period.

20. INTANGIBLE ASSETS

The Group

	Software	Proprietary technology	Customer relationships	Others	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
COST					
As at 1 January 2022	134,660	472,030	1,994,430	13,453	2,614,573
Additions	23,043	—	—	5,035	28,078
Disposals	(7,218)	—	—	—	(7,218)
As at 31 December 2022 . .	150,485	472,030	1,994,430	18,488	2,635,433
Additions	25,583	—	—	15,799	41,382
Disposals	—	—	—	(521)	(521)
Exchange adjustments . . .	(19)	—	—	—	(19)
As at 31 December 2023 . .	176,049	472,030	1,994,430	33,766	2,676,275
Additions	14,501	—	—	—	14,501
Disposals	—	—	—	(138)	(138)
Exchange adjustments . . .	(62)	—	—	—	(62)
As at 31 December 2024 . .	<u>190,488</u>	<u>472,030</u>	<u>1,994,430</u>	<u>33,628</u>	<u>2,690,576</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Software	Proprietary technology	Customer relationships	Others	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
AMORTISATION					
As at 1 January 2022	66,866	47,203	132,962	8,260	255,291
Charge for the year	19,370	47,203	132,962	2,876	202,411
Disposals	(7,218)	—	—	—	(7,218)
As at 31 December 2022 . .	79,018	94,406	265,924	11,136	450,484
Charge for the year	12,159	47,203	132,962	15,844	208,168
Disposals	—	—	—	(264)	(264)
Exchange adjustments	(2)	—	—	—	(2)
As at 31 December 2023 . .	91,175	141,609	398,886	26,716	658,386
Charge for the year	25,368	47,203	132,962	4,711	210,244
Disposals	—	—	—	(77)	(77)
Exchange adjustments	(18)	—	—	—	(18)
As at 31 December 2024 . .	116,525	188,812	531,848	31,350	868,535
CARRYING VALUES					
At 31 December 2022	71,467	377,624	1,728,506	7,352	2,184,949
At 31 December 2023	84,874	330,421	1,595,544	7,050	2,017,889
At 31 December 2024	73,963	283,218	1,462,582	2,278	1,822,041

All of the Group’s proprietary technology and customer relationships were purchased as part of a business combination in prior years.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Software	Others	Total
	RMB’000	RMB’000	RMB’000
COST			
As at 1 January 2022	82,093	3,725	85,818
Additions	<u>13,470</u>	<u>—</u>	<u>13,470</u>
As at 31 December 2022	95,563	3,725	99,288
Additions	<u>20,980</u>	<u>—</u>	<u>20,980</u>
As at 31 December 2023	116,543	3,725	120,268
Additions	<u>2,664</u>	<u>—</u>	<u>2,664</u>
As at 31 December 2024	<u>119,207</u>	<u>3,725</u>	<u>122,932</u>
DEPRECIATION			
As at 1 January 2022	37,793	1,781	39,574
Charge for the year	<u>8,169</u>	<u>959</u>	<u>9,128</u>
As at 31 December 2022	45,962	2,740	48,702
Charge for the year	<u>9,264</u>	<u>985</u>	<u>10,249</u>
As at 31 December 2023	55,226	3,725	58,951
Charge for the year	<u>11,676</u>	<u>—</u>	<u>11,676</u>
As at 31 December 2024	<u>66,902</u>	<u>3,725</u>	<u>70,627</u>
CARRYING VALUES			
At 31 December 2022	<u>49,601</u>	<u>985</u>	<u>50,586</u>
At 31 December 2023	<u>61,317</u>	<u>—</u>	<u>61,317</u>
At 31 December 2024	<u>52,305</u>	<u>—</u>	<u>52,305</u>

The above items of intangible assets are amortised on a straight-line basis at the following estimated useful lives:

Software	3–10 years
Proprietary technology	10 years
Customer relationships	15 years
Others	10 years

APPENDIX I

ACCOUNTANTS’ REPORT

21. GOODWILL

	<u>2022</u>	<u>2023</u>	<u>2024</u>
	RMB’000	RMB’000	RMB’000
The Group			
COST AND CARRYING VALUES			
As at 1 January and 31 December	<u>2,970,144</u>	<u>2,970,144</u>	<u>2,970,144</u>

Goodwill acquired in a business combination of Lens Taizhou (as defined in note 42) in the year ended 31 December 2020 is tested for impairment annually. For the purposes of impairment testing, goodwill has been allocated to CGU, comprising the assets and liabilities that generate cash flows together with the related goodwill (the “Taizhou CGU”).

The recoverable amount of Taizhou CGU has been determined based on value in use calculations. The value in use calculation is based on cash flow projections with reference to financial budgets approved by management covering a five-year period, and a pre-tax discount rate of 10.9%, 10.7% and 10.6% at 31 December 2022, 2023 and 2024. Cash flows beyond the five-year period are extrapolated using a steady growth rate of 0%, 0% and 0% at 31 December 2022, 2023 and 2024. Expected cash inflows/outflows, which include estimations of growth rates of business volume, unit price and cost of sales, have been determined based on past performance and management’s expectations of the market development. The discount rate used reflects the cost of capital of Taizhou CGU and the industry specific factors.

The Group engages an independent qualified valuer, [Beijing Zhonglin Assets Appraisal Co., Ltd.] to assess the growth rates and discount rates used in the value in use calculation.

During the year ended 31 December 2022, 2023 and 2024, management of the Group determines that there is no impairment of the Taizhou CGU. The recoverable amount is above the carrying amount of the Taizhou CGU. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the Taizhou CGU to exceed the recoverable amount determined.

22. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>The Group</u>			<u>The Company</u>		
	<u>As at 31 December</u>			<u>As at 31 December</u>		
	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Cost of investment	337,115	337,115	317,100	282,315	282,315	282,300
Share of post-acquisition profit, net of dividends received	<u>142,422</u>	<u>37,842</u>	<u>8,565</u>	<u>139,055</u>	<u>35,672</u>	<u>2,410</u>
	<u>479,537</u>	<u>374,957</u>	<u>325,665</u>	<u>421,370</u>	<u>317,987</u>	<u>284,710</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Details of each of the Group’s investments accounted for using the equity method at the end of each reporting period are as follows:

The Group

Name of entities	Country of incorporation/ principal place of business	Proportion of ownership interest held by the Group			Proportion of voting rights held by the Group			Principal activities
		2022	2023	2024	2022	2023	2024	
		%	%	%	%	%	%	
Dongguan Yutong Precision Technology Co., Ltd. (“Dongguan Yutong”) 東莞市裕同精密科技 有限公司 (note i)	The PRC	40.00	40.00	N/A	40.00	40.00	N/A	Computer, communications and other electronic equipment manufacturing
Dongguan Yuya Technology Co., Ltd. (“Dongguan Yuya”) 東莞市裕雅科技 有限公司	The PRC	40.00	40.00	40.00	40.00	40.00	40.00	Computer, communications and other electronic equipment manufacturing
Hunan Huajiang Education Consulting Co., Ltd. (“Hunan Huajiang”) (湖南華匠教育 諮詢有限公司) (note i)	The PRC	49.00	49.00	N/A	49.00	49.00	N/A	Education
Hunan Juhong Technology Co., Ltd. (“Hunan Juhong”) 湖南鉅宏科技 有限公司	The PRC	40.00	40.00	40.00	40.00	40.00	40.00	Professional and technical services
Ningxia Xinjingsheng Electronic Materials Co., Ltd. (“Ningxia Xinjingsheng”) 寧夏鑫晶盛電子材料 有限公司	The PRC	49.00	49.00	49.00	49.00	49.00	49.00	Computer, communications and other electronic equipment manufacturing
Shenzhen Guoxin Lens No.1 Investment Fund Partnership Enterprise (Limited Partnership) (“Shenzhen Guoxin Lens No.1 Investment”) 深圳市國信藍思壹號 投資基金合夥企業 (有限合夥) (note ii)	The PRC	60.61	60.61	60.61	28.57	28.57	28.57	Investment

APPENDIX I

ACCOUNTANTS’ REPORT

Name of entities	Country of incorporation/ principal place of business	Proportion of ownership interest held by the Group			Proportion of voting rights held by the Group			Principal activities
		2022	2023	2024	2022	2023	2024	
		%	%	%	%	%	%	
Changsha Sinocera New Material Co., Ltd. (“Changsha Sinocera”) 長沙國瓷新材料有限公司	The PRC	49.00	49.00	49.00	49.00	49.00	49.00	Research and-experimental development
Changsha Ruihong Technology Co., Ltd. (“Changsha Ruihong”) 長沙睿鴻科技有限公司)	The PRC	40.00	40.00	40.00	40.00	40.00	40.00	Research and-experimental development
Changsha Intelligent Robot Research Institute Co., Ltd. (“Changsha Intelligent Robot”) 長沙智慧型機器人研究院有限公司	The PRC	20.00	20.00	20.00	20.00	20.00	20.00	Research and-experimental development
Zibo Jincheng New Materials Co., Ltd. (“Zibo Jincheng”) 淄博金成新材料有限公司 .	The PRC	40.00	40.00	40.00	40.00	40.00	40.00	Chemical raw materials and chemical products manufacturing

The Company

Name of entities	Country of incorporation/ principal place of business	Proportion of ownership interest held by the Group			Proportion of voting rights held by the Group			Principal activities
		2022	2023	2024	2022	2023	2024	
		%	%	%	%	%	%	
Hunan Huajiang (note i)	The PRC	49.00	49.00	N/A	49.00	49.00	N/A	Education
Hunan Juhong	The PRC	40.00	40.00	40.00	40.00	40.00	40.00	Professional and technical services
Ningxia Xinjingsheng	The PRC	49.00	49.00	49.00	49.00	49.00	49.00	Computer, communications and other electronic equipment manufacturing
Shenzhen Guoxin Lens No.1 Investment (note ii)	The PRC	60.61	60.61	60.61	28.57	28.57	28.57	Investment
Changsha Ruihong	The PRC	40.00	40.00	40.00	40.00	40.00	40.00	Research and-experimental development

APPENDIX I

ACCOUNTANTS’ REPORT

Name of entities	Country of incorporation/ principal place of business	Proportion of ownership interest held by the Group			Proportion of voting rights held by the Group			Principal activities
		2022	2023	2024	2022	2023	2024	
		%	%	%	%	%	%	
Changsha Intelligent Robot . .	The PRC	20.00	20.00	20.00	20.00	20.00	20.00	Research and-experimental development
Zibo Jincheng	The PRC	40.00	40.00	40.00	40.00	40.00	40.00	Chemical raw materials and chemical products manufacturing

Notes:

- (i) During the year ended 31 December 2024, this company was disposed of or de-registered.
- (ii) The entity is an investment partnership. The Group holds 60.61% of the issued partnership share of the entity. Pursuant to the limited partnership agreement, the Group has the right to appoint two out of seven members of the investment committee and all investment resolutions need to be passed and to be confirmed by six out of seven members of the investment committee. The directors of the Company considered that the Group has significant influence over the entity.

The directors of the Company considered that all investments accounted for using the equity method are not individually material.

Aggregate information of investments accounted for using the equity method that are not individually material

	Year ended 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
The Group’s share of profit (loss) and total comprehensive income (expense) for the year	3,987	(57,291)	3,899
Aggregate carrying amount of the Group’s interests in these investees	479,537	374,957	325,665

23. EQUITY INSTRUMENTS AT FVTOCI

	The Group			The Company		
	2022	2023	2024	2022	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Unlisted equity instruments (<i>note</i>) . . .	460,021	465,563	445,109	439,567	445,109	445,109

Note: These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments as accounted for FVTOCI as they believe that recognising short-term fair value fluctuations in these instruments in profit or loss would not be consistent with the Group’s strategy of holding these instruments for long-term purposes and realising their performance potential in the long run.

APPENDIX I

ACCOUNTANTS’ REPORT

Details of the fair value hierarchy and major assumptions used in valuation for the financial assets are set out in Note 41.

24. DEFERRED TAXATION

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	The Group			The Company		
	As at 31 December			As at 31 December		
	2022	2023	2024	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	1,251,837	1,187,208	1,387,226	71,200	52,792	101,059
Deferred tax liabilities	(765,678)	(424,869)	(385,058)	(43,432)	(28,862)	(28,250)
	<u>486,159</u>	<u>762,339</u>	<u>1,002,168</u>	<u>27,768</u>	<u>23,930</u>	<u>72,809</u>

The Group

	Provision for impairment of assets	Depreciation of fixed assets	Unrealised profit on internal transactions	Deferred income	Tax losses	Share-based payment	Increase in fair value of consolidated assets not under common control	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	236,065	425,914	97,027	94,465	455,195	—	(776,454)	(29,239)	502,973
(Charge) credit to profit or loss . .	(52,259)	(131,418)	22,539	(497)	75,833	—	66,368	4,665	(14,769)
Charge to other comprehensive income	—	—	—	—	—	—	—	(2,045)	(2,045)
At 31 December 2022	183,806	294,496	119,566	93,968	531,028	—	(710,086)	(26,619)	486,159
(Charge) credit to profit or loss . .	(43,419)	(126,945)	(19,149)	(5,413)	134,517	7,069	323,317	5,617	275,594
Charged to other comprehensive income	—	—	—	—	—	—	—	(831)	(831)
Credit to equity for the year	—	—	—	—	—	1,417	—	—	1,417
At 31 December 2023	140,387	167,551	100,417	88,555	665,545	8,486	(386,769)	(21,833)	762,339
Credit (charge) to profit or loss . .	21,477	(32,353)	4,995	(4,093)	158,498	(25,201)	31,536	26,742	181,601
Credit to equity for the year	—	—	—	—	—	58,228	—	—	58,228
At 31 December 2024	<u>161,864</u>	<u>135,198</u>	<u>105,412</u>	<u>84,462</u>	<u>824,043</u>	<u>41,513</u>	<u>(355,233)</u>	<u>4,909</u>	<u>1,002,168</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Provision for impairment of assets	Depreciation of fixed assets	Deferred income	Share- based payment	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	75,061	21,553	10,854	—	(26,162)	81,306
(Charge) credit to profit or loss	(31,956)	(23,841)	(1,059)	—	5,363	(51,493)
Charge to other comprehensive income	—	—	—	—	(2,045)	(2,045)
At 31 December 2022	43,105	(2,288)	9,795	—	(22,844)	27,768
(Charge) credit to profit or loss	(17,236)	6,464	(1,058)	2,949	5,283	(3,598)
Charge to other comprehensive income	—	—	—	—	(831)	(831)
Credit to equity for the year	—	—	—	591	—	591
At 31 December 2023	25,869	4,176	8,737	3,540	(18,392)	23,930
Credit (charge) to profit or loss	18,301	3,369	(1,058)	(12,040)	10,783	19,355
Credit to equity for the year	—	—	—	29,524	—	29,524
At 31 December 2024	44,170	7,545	7,679	21,024	(7,609)	72,809

No deferred tax asset has been recognised on deductible temporary differences of RMB1,024,600,000, RMB1,056,272,000 and RMB963,512,000, as at 31 December 2022, 2023 and 2024, respectively, as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

The Group has unused tax losses of RMB6,072,863,000, RMB7,536,739,000 and RMB7,789,918,000 available for offset against future profits as at 31 December 2022, 2023 and 2024, respectively. Deferred tax asset has been recognised in respect of RMB2,967,756,000, RMB4,436,966,000 and RMB5,493,619,000 of such losses and no deferred tax asset has been recognised on remaining RMB3,105,107,000, RMB3,099,773,000 and RMB2,296,299,000 as at 31 December 2022, 2023 and 2024, respectively, due to the unpredictability of future profit streams. The unrecognised tax losses with expiry dates are disclosed in the following table.

	The Group		
	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
2023	391,269	—	—
2024	551,384	448,333	—
2025	403,385	402,848	237,471
2026	659,402	657,989	494,053
2027	325,384	512,511	456,110
2028	—	80,779	80,345
2029	103,541	103,541	131,003
2031	282,483	282,483	282,483
2032	388,259	444,988	444,988
2033	—	166,301	166,301
2034	—	—	113
Indefinitely	—	—	3,432
	3,105,107	3,099,773	2,296,299

APPENDIX I

ACCOUNTANTS’ REPORT

25. FINANCIAL ASSETS (LIABILITIES) AT FVTPL

	The Group			The Company		
	As at 31 December			As at 31 December		
	2022	2023	2024	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Structured deposits	201,604	301,091	354,917	—	—	100,000
Deliverable forwards	153,662	48,574	(9,620)	87,153	—	(3,903)
	<u>355,266</u>	<u>349,665</u>	<u>345,297</u>	<u>87,153</u>	<u>—</u>	<u>96,097</u>
Analysed for reporting purposes as:						
Financial assets at FVTPL	355,266	349,665	354,917	87,153	—	100,000
Financial liabilities at FVTPL	<u>—</u>	<u>—</u>	<u>(9,620)</u>	<u>—</u>	<u>—</u>	<u>(3,903)</u>

The structured deposits are classified as current as the management expects to realise these financial assets within twelve months after each reporting period.

The Group has the deliverable forwards outstanding as at the end of each reporting period. They are marked to market with the resulting gain or loss taken to profit or loss.

Details of the fair value hierarchy and major assumptions used in valuation for the financial assets are set out in Note [41].

26. INVENTORIES

	The Group			The Company		
	As at 31 December			As at 31 December		
	2022	2023	2024	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	1,312,565	958,587	1,151,628	295,608	164,615	139,249
Work in progress	1,646,929	1,836,533	1,938,450	534,112	344,594	268,301
Finished goods	2,701,904	3,150,286	3,286,086	1,254,426	875,388	729,810
Goods in transit	1,296,412	982,358	1,029,114	307,794	72,348	81,129
Consumables and others	<u>229,714</u>	<u>158,392</u>	<u>206,631</u>	<u>26,695</u>	<u>18,427</u>	<u>23,753</u>
	7,187,524	7,086,156	7,611,909	2,418,635	1,475,372	1,242,242
Less: provision	<u>(502,515)</u>	<u>(403,497)</u>	<u>(451,356)</u>	<u>(201,194)</u>	<u>(93,392)</u>	<u>(218,954)</u>
	<u>6,685,009</u>	<u>6,682,659</u>	<u>7,160,553</u>	<u>2,217,441</u>	<u>1,381,980</u>	<u>1,023,288</u>

APPENDIX I

ACCOUNTANTS’ REPORT

27. TRADE AND BILLS RECEIVABLES

	The Group			The Company		
	As at 31 December			As at 31 December		
	2022	2023	2024	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables (<i>note</i>)	9,153,534	9,436,891	11,006,529	7,394,643	5,377,022	6,768,615
Bills receivables	1,392	6,167	7,519	—	—	—
Less: allowance for ECL	(132,466)	(134,614)	(148,312)	(2,100)	(1,287)	(1,143)
	<u>9,022,460</u>	<u>9,308,444</u>	<u>10,865,736</u>	<u>7,392,543</u>	<u>5,375,735</u>	<u>6,767,472</u>

Note: As at the years ended 31 December 2022, 2023 and 2024, the amount of Company’s total trade receivables from the subsidiaries is RMB7,391,605,000, RMB5,368,278,000, and RMB6,767,472,000, respectively. Details of the trade receivables for goods sold to the subsidiaries of the Company are set out in Note 42.

As at 1 January 2022, the carrying amount of trade and bills receivables net of allowance for ECL from contracts with customers of the Group and the Company amounted to RMB9,723,721,000 and RMB8,766,763,000, respectively.

Ageing of trade receivables is prepared based on the invoice date, which approximated the respective revenue recognition dates, as follows:

	The Group			The Company		
	As at 31 December			As at 31 December		
	2022	2023	2024	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Not past due	8,673,984	8,995,893	10,610,390	7,390,984	5,374,801	6,767,367
Past due:						
0–90 days	429,868	397,664	363,411	4	—	—
91–180 days	21,054	17,646	9,396	7	—	—
181–365 days	21,423	12,453	4,236	1,839	—	—
Over 1 year	7,205	13,235	19,096	1,809	2,221	1,248
	<u>9,153,534</u>	<u>9,436,891</u>	<u>11,006,529</u>	<u>7,394,643</u>	<u>5,377,022</u>	<u>6,768,615</u>

The normal credit term to the customers ranged between 30 days to 120 days.

As at 31 December 2022, 2023 and 2024, included in the Group’s trade receivables balance are debtors with aggregate carrying amount of RMB479,550,000, RMB440,998,000 and RMB396,139,000 which are past due and with aggregate carrying amount of RMB49,682,000, RMB43,334,000 and RMB32,728,000 are past due 90 days or more.

Out of the balances that are past due 90 days or more, RMB46,137,000, RMB39,751,000 and RMB29,404,000 is not considered as in default due to the historical and expected subsequent repayment from the debtors and the remaining trade receivables past due 90 days or more amounting to RMB3,545,000, RMB3,583,000 and RMB3,324,000 has become credit-impaired. The Group does not hold any collateral over these balances.

Details of the impairment assessment of trade and bills receivables are set out in Note 41.

APPENDIX I

ACCOUNTANTS’ REPORT

28. PREPAYMENTS AND OTHER RECEIVABLES

	The Group			The Company		
	As at 31 December			As at 31 December		
	2022	2023	2024	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Value-added tax recoverable	389,766	296,627	344,998	78,329	25,290	51,080
Prepayments for property, plant and equipment	783,318	673,682	1,020,338	25,363	52,356	123,749
Prepayments for materials and others	60,129	126,382	174,304	13,459	14,001	47,974
Refundable deposits for land use rights	200,000	200,000	200,000	200,000	200,000	200,000
Refundable deposits for project performance	—	250,000	150,000	—	250,000	150,000
Rental and other deposits	46,713	38,444	48,213	29,113	20,511	20,491
Dividend receivable	—	648	—	—	648	—
Other receivables	140,603	151,120	141,181	40,604	33,988	36,599
	1,620,529	1,736,903	2,079,034	386,868	596,794	629,893
Less: allowance for ECL	(33,101)	(23,427)	(40,265)	(10,982)	(14,134)	(30,586)
	<u>1,587,428</u>	<u>1,713,476</u>	<u>2,038,769</u>	<u>375,886</u>	<u>582,660</u>	<u>599,307</u>
Analysed for reporting purposes as:						
Current assets	804,110	1,025,482	1,000,455	350,523	530,304	475,558
Non-current assets	783,318	687,994	1,038,314	25,363	52,356	123,749
	<u>1,587,428</u>	<u>1,713,476</u>	<u>2,038,769</u>	<u>375,886</u>	<u>582,660</u>	<u>599,307</u>

Details of impairment assessment of other receivables are set out in Note 41.

29. TIME DEPOSITS/RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

The ranges of interest rates on the time deposits, restricted bank deposits and bank balances are as follows:

	The Group			The Company		
	As at 31 December			As at 31 December		
	2022	2023	2024	2022	2023	2024
	%	%	%	%	%	%
Fixed-rate time deposits	3.40–5.50	3.40–6.00	2.55–3.40	3.40–5.50	3.40–6.00	2.55–3.40
Fixed-rate/variable-rate restricted bank deposits	0.01–4.32	0.01–1.90	0.01–2.10	0.01–2.10	0.01–1.90	0.01–1.35
Variable-rate bank balances	<u>0.00–5.67</u>	<u>0.00–5.50</u>	<u>0.00–5.55</u>	<u>0.00–5.67</u>	<u>0.00–5.50</u>	<u>0.00–5.55</u>

As at 31 December 2022, 2023 and 2024, the Group’s restricted bank deposits amounting to nil, nil and RMB41,500,000, respectively, were frozen due to an ongoing litigation case involving immaterial claims. The remaining restricted bank deposits were required to be retained as collateral to meet warranty obligations.

Details of impairment assessment of time deposits, restricted bank deposits and bank balances are set out in Note 41.

APPENDIX I

ACCOUNTANTS’ REPORT

30. BILLS RECEIVABLES AT FVTOCI

The Group

	As at 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Bills receivables at FVTOCI	3,697	112,288	9,779

As at 1 January 2022, bills receivables at FVTOCI from contracts with customers amounted to RMB93,924,000.

The balance represents bills receivables held by the Group which are issued or guaranteed by reputable PRC banks with high credit ratings. The bills receivables had a maturity of within six months at the end of each reporting period. The bills receivables are measured at FVTOCI since the bills are held within the business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, and the contractual cash flows are solely payments of principal and interest on the principal amount outstanding. The Group believes that the bills receivables do not expose to significant credit risk and will not cause significant losses due to the bank default. The changes in the fair value of the bills receivables are minimal due to its short-term nature.

In addition, the Group has discounted certain bills receivables to banks and endorsed certain bills receivables to its suppliers to settle its payables. The directors of the Company consider the probabilities on default of the discounted or endorsed bills receivables are limited and the Group has derecognised the full carrying amount of these bills receivables and the associated trade and other payables when the bills receivables are endorsed or discounted. Details of the transferred trade and bills receivables are set out in Note [41(d)].

The ageing analysis of the bills receivables at FVTOCI based on the invoice date is as follows:

	As at 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
0–180 days	3,697	112,288	9,779

31. TRADE AND OTHER PAYABLES

	The Group			The Company		
	As at 31 December			As at 31 December		
	2022	2023	2024	2022	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade payables	6,950,751	7,829,164	10,388,566	4,622,145	1,704,298	3,518,279
Bills payables	—	13,012	91,623	—	320,000	—
	6,950,751	7,842,176	10,480,189	4,622,145	2,024,298	3,518,279
Accrued staff cost	1,479,944	1,327,597	1,532,142	614,287	516,362	580,112
Construction payables	3,179,412	3,290,317	3,616,325	642,170	285,212	1,074,250
Other accrued charges	335,474	305,873	306,028	167,366	125,253	127,051
Other tax payables	140,269	248,432	267,313	14,915	21,769	38,697
Deposits received	90,732	137,415	86,499	26,666	21,760	21,735
Others	32,654	19,991	77,338	6,212	6,321	14,085
	12,209,236	13,171,801	16,365,834	6,093,761	3,000,975	5,374,209

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the ageing analysis of trade payables based on the date of goods and services received at the end of each reporting period:

	The Group			The Company		
	As at 31 December			As at 31 December		
	2022	2023	2024	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	<u>6,950,751</u>	<u>7,829,164</u>	<u>10,388,566</u>	<u>4,622,145</u>	<u>1,704,298</u>	<u>3,518,279</u>

The credit period on purchases of goods and services of the Group and Company is within 120 days. All the bills payable with maturity within one year.

32. BORROWINGS

	The Group			The Company		
	As at 31 December			As at 31 December		
	2022	2023	2024	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Unsecured bank loans						
— Variable-rate	13,570,329	10,534,391	10,889,990	5,040,279	5,385,534	5,145,041
— Fixed-rate	<u>5,400,954</u>	<u>4,723,685</u>	<u>3,436,575</u>	<u>1,921,000</u>	<u>1,720,169</u>	<u>1,132,758</u>
	<u>18,971,283</u>	<u>15,258,076</u>	<u>14,326,565</u>	<u>6,961,279</u>	<u>7,105,703</u>	<u>6,277,799</u>

The carrying amounts of the above borrowings are repayable*:

— Within one year	9,848,393	5,669,812	6,518,634	2,265,819	2,927,639	2,389,631
— Within a period of more than one year but not exceeding two years	4,451,040	5,903,733	4,640,250	2,952,589	1,958,464	3,888,168
— Within a period of more than two years but not exceeding five years	4,671,850	3,684,531	3,097,525	1,742,871	2,219,600	—
— Over five years	—	—	70,156	—	—	—
	18,971,283	15,258,076	14,326,565	6,961,279	7,105,703	6,277,799

Less: amounts due within one year

shown under current liabilities	<u>(9,848,393)</u>	<u>(5,669,812)</u>	<u>(6,518,634)</u>	<u>(2,265,819)</u>	<u>(2,927,639)</u>	<u>(2,389,631)</u>
---	--------------------	--------------------	--------------------	--------------------	--------------------	--------------------

Amounts shown under non-current

liabilities	<u>9,122,890</u>	<u>9,588,264</u>	<u>7,807,931</u>	<u>4,695,460</u>	<u>4,178,064</u>	<u>3,888,168</u>
-----------------------	------------------	------------------	------------------	------------------	------------------	------------------

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The Group’s variable-rate bank borrowings carry interest at Loan Prime Rate (“LPR”) adjusted by floating up or down a certain percentage. The interest rate is reset at regular intervals, ranging from 1 to 12 months.

APPENDIX I

ACCOUNTANTS’ REPORT

The range of effective interest rates (which are also equal to contracted interest rates) on the borrowings is as follows:

	The Group			The Company		
	As at 31 December			As at 31 December		
	2022	2023	2024	2022	2023	2024
	%	%	%	%	%	%
Effective interest rate:						
Fixed-rate borrowings	1.48–3.40	1.20–3.35	1.35–2.80	1.50–3.40	1.20–3.35	1.45–2.60
Variable-rate borrowings	<u>2.70–6.12</u>	<u>2.30–3.20</u>	<u>2.20–3.15</u>	<u>2.70–3.69</u>	<u>2.30–3.20</u>	<u>2.30–2.75</u>

The Group’s borrowings that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	The Group			The Company		
	As at 31 December			As at 31 December		
	2022	2023	2024	2022	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
United States Dollars (“US\$”)	<u>3,155,893</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

33. LEASE LIABILITIES

	The Group			The Company		
	As at 31 December			As at 31 December		
	2022	2023	2024	2022	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Lease liabilities payable:						
Within one year	13,503	27,726	47,659	8,033	8,304	34,993
Within a period of more than one year but not more than two years	13,257	13,521	32,142	8,289	8,601	15,509
Within a period of more than two years but not more than five years	20,888	7,252	62,760	11,971	3,370	38,571
Over five years	<u>—</u>	<u>—</u>	<u>56,627</u>	<u>—</u>	<u>—</u>	<u>56,627</u>
	47,648	48,499	199,188	28,293	20,275	145,700
Less: amount due for settlement within 12 months shown under current liabilities	<u>(13,503)</u>	<u>(27,726)</u>	<u>(47,659)</u>	<u>(8,033)</u>	<u>(8,304)</u>	<u>(34,993)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>34,145</u>	<u>20,773</u>	<u>151,529</u>	<u>20,260</u>	<u>11,971</u>	<u>110,707</u>

The weighted average incremental borrowing rates applied to lease liabilities is 2.08%–3.85% per annum during the Track Record Period.

APPENDIX I

ACCOUNTANTS’ REPORT

34. CONTRACT LIABILITIES

	The Group			The Company		
	As at 31 December			As at 31 December		
	2022	2023	2024	2022	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Sales of goods	7,589	8,119	12,601	—	—	2,013

As at 1 January 2022, the Group’s and the Company’s contract liabilities amounted to RMB8,114,000 and nil, respectively.

Revenue recognised during each reporting period with performance obligation satisfied includes the entire amount of contract liability at the beginning of the relevant period.

35. DEFERRED INCOME

	The Group			The Company		
	As at 31 December			As at 31 December		
	2022	2023	2024	2022	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Balance at the beginning	884,328	845,795	789,154	72,358	65,303	58,248
Additions	19,964	4,038	14,250	—	—	—
Released to other income	(58,497)	(60,679)	(61,826)	(7,055)	(7,055)	(7,055)
Balance at the end	845,795	789,154	741,578	65,303	58,248	51,193

Deferred income consists of government grants provided by the relevant PRC government authorities for the purposes of financing the purchase of plant and machinery. The amounts are recognised as income to match with related expenses or on systematic basis over the useful lives of the relevant assets starting from the completion of inspection by the related government authorities.

APPENDIX I

ACCOUNTANTS’ REPORT

36. SHARE CAPITAL

	<u>Number of shares</u>	<u>Share capital RMB’000</u>
Ordinary shares of RMB1 each		
Registered, issued and fully paid		
At 1 January 2022 and 31 December 2022	4,973,479,998	4,973,480
Issue of restricted shares under Restricted A-share Scheme (note)	<u>9,747,983</u>	<u>9,748</u>
At 31 December 2023	4,983,227,981	4,983,228
Repurchase and cancellation of restricted shares under Restricted A-share Scheme (note)	<u>(348,710)</u>	<u>(349)</u>
At 31 December 2024	<u><u>4,982,879,271</u></u>	<u><u>4,982,879</u></u>

Note: On 8 October 2023, the Company issued 9,747,983 restricted shares under Restricted A-share Scheme at the subscription price of RMB6.34 per share. The net amount received by the Company amounted to RMB61,803,000.

For the year ended 31 December 2024, the Company repurchased and cancelled of 348,710 restricted shares under Restricted A-share Scheme with an aggregate consideration of RMB2,154,000 paid.

During the year ended 31 December 2024, 4,694,782 restricted shares under Restricted A-share Scheme were released upon satisfaction of the vesting conditions. As at 31 December 2024, 4,704,491 restricted shares remained outstanding.

Details of Restricted A-share Scheme are set out in Note 38.

During the Track Record Period, the Company repurchased its own ordinary shares through the Shenzhen Stock Exchange as follows:

<u>Month of repurchase</u>	<u>No. of ordinary shares of RMB1 each</u>	<u>Price per share</u>		<u>Aggregated consideration paid RMB’000</u>
		<u>Highest</u>	<u>Lowest</u>	
		RMB	RMB	
January 2022	1,352,200	20.50	20.23	27,557
February 2022	11,365,793	20.50	14.84	172,615
March 2022	3,208,300	20.50	11.79	40,434
April 2022	<u>26,601,600</u>	20.50	9.09	<u>259,392</u>
	<u><u>42,527,893</u></u>			<u><u>499,998</u></u>

During the year ended 31 December 2022, the Company repurchased 42,527,893 of its own ordinary shares through the Shenzhen Stock Exchange with an aggregate consideration of RMB499,998,000 paid.

Pursuant to the Restricted A-share Scheme, the Company transferred 18,710,726 restricted shares previously granted to incentive recipients with a deduction from the treasury shares of RMB220,038,000 during the year ended 31 December 2024.

At 31 December 2022, 2023 and 2024, the Company had outstanding treasury shares of 42,527,893, 42,527,893 and 23,817,167 shares.

None of the Company’s subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the Track Record Period.

APPENDIX I

ACCOUNTANTS’ REPORT

Reserves of the Company

Below table sets out the details of the reserves of the Company:

	Share premium	Treasury share	Capital reserve	FVTOCI reserve	Statutory reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	20,679,513	—	163,190	143,783	1,981,141	12,926,533	35,894,160
Profit for the year	—	—	—	—	—	2,083,671	2,083,671
Fair value change on investments in equity instruments at FVTOCI	—	—	—	11,589	—	—	11,589
Total comprehensive income for the year	—	—	—	11,589	—	2,083,671	2,095,260
Transfer to statutory reserve	—	—	—	—	208,385	(208,385)	—
Distribution	—	—	—	—	—	(493,095)	(493,095)
Repurchase of shares	—	(499,998)	—	—	—	—	(499,998)
Transaction costs attributable to repurchase of shares	—	(59)	—	—	—	—	(59)
At 31 December 2022	20,679,513	(500,057)	163,190	155,372	2,189,526	14,308,724	36,996,268
Profit for the year	—	—	—	—	—	2,147,234	2,147,234
Fair value change on investments in equity instruments at FVTOCI	—	—	—	4,711	—	—	4,711
Total comprehensive income for the year	—	—	—	4,711	—	2,147,234	2,151,945
Transfer to statutory reserve	—	—	—	—	214,723	(214,723)	—
Distribution	—	—	—	—	—	(986,190)	(986,190)
Issue of restricted shares under Restricted A-share Scheme	52,055	—	—	—	—	—	52,055
Recognition of equity- settled share-based payments	—	—	54,851	—	—	—	54,851
At 31 December 2023	20,731,568	(500,057)	218,041	160,083	2,404,249	15,255,045	38,268,929
Profit for the year	—	—	—	—	—	2,160,207	2,160,207
Total comprehensive — income for the year	—	—	—	—	—	2,160,207	2,160,207
Transfer to statutory reserve	—	—	—	—	216,021	(216,021)	—
Distribution	—	—	—	—	—	(1,482,163)	(1,482,163)
Repurchase and cancellation of restricted shares under Restricted A-share Scheme	(1,805)	—	—	—	—	—	(1,805)
Exercise of restricted shares under Restricted A-share Scheme	26,814	220,038	(133,839)	—	—	—	113,013
Recognition of equity- settled share-based payments	—	—	190,898	—	—	—	190,898
At 31 December 2024	20,756,577	(280,019)	275,100	160,083	2,620,270	15,717,068	39,249,079

APPENDIX I

ACCOUNTANTS’ REPORT

37. CAPITAL COMMITMENTS

The Group

	As at 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Capital expenditure contracted for but not provided for in the Historical Financial Information — Property, plant and equipment	820,472	1,352,626	2,217,417

38. SHARE-BASED PAYMENT

On 18 August 2023, the Company has adopted Restricted A-share Scheme, pursuant to which the Company granted restricted shares to eligible participants include, but not limited to the Group’s directors, senior management and other employees.

The Company granted both Type I and Type II restricted shares. Type I restricted shares under the Restricted A-share Scheme are valid for a maximum of 48 months from the date of completion of registration of the grant of restricted shares to the date of release of all restricted shares or cancellation on repurchase; Type II restricted shares under the Restricted A-share Scheme are valid for a maximum of 48 months from the date of grant of restricted shares to the date of full vesting or lapsing.

The particulars of the Type I and Type II restricted shares are as follows:

(a) Type I restricted shares

Type I restricted shares refers to ordinary shares issued to the participants with certain restrictions stipulated under the Restricted A-share Scheme. On the grant date of Type I restricted shares, the participants of Type I restricted shares were entitled to receive newly issued ordinary shares of the Company and were required to pay the purchase price upon accepting the Type I restricted shares.

Type I restricted shares shall be locked up immediately upon grant. The release of the restriction of the restricted shares granted to the participants shall be subject to performance conditions and a lock-up period of 12 months and 24 months after the date of registration. The restricted shares held by the participants shall be unlocked in two tranches in the proportions of 50% and 50% of the total number of the restricted shares granted upon the expiry of each lock-up period. The restriction on the restricted share would only be released upon both the performance condition of the Group and the performance condition of the individuals are met.

If the either of the performance conditions are not met, the Company will automatically repurchase the Type I restricted shares from the employee at purchase price. The total consideration paid by the participants are recognised as liabilities and will only be reversed by portion to other reserve when the shares are vested each year.

On 22 September 2023 (the date of grant), the board of directors approved 10,631,973 Type I restricted shares to 2,754 eligible participants and the grant price was RMB6.34 per share. Except for 282 participants (who were granted a total of 883,990 Type I restricted shares) who voluntarily decided not to participate in the reserved grant, 2,472 participants had accepted and subscribed for a total of 9,747,983 restricted shares granted to them under the Restricted A-share Scheme.

The grant date fair value of the restricted shares was RMB5.80, which was determined based on the difference between the grant date closing price of the Company’s A Share and the subscription price of the restricted shares. The grant date closing price of the Company’s A Shares was RMB12.14.

APPENDIX I

ACCOUNTANTS’ REPORT

Set out below are details of the movements of the outstanding restricted shares of Type I restricted shares throughout the Track Record Period:

	Year ended 31 December		
	2022	2023	2024
Outstanding at the beginning of the year	—	—	9,710,783
Granted during the year	—	9,747,983	—
Lapsed during the year	—	(37,200)	(371,210)
Released during the year	—	—	(4,694,782)
Outstanding at the end of the year	—	9,710,783	4,644,791

(b) Type II restricted shares

Type II restricted shares refers to the ordinary shares that participants could be subscribed upon the satisfaction of both the Group’s performance conditions and individual performance conditions under the Restricted A-share Scheme. Upon the satisfaction of the Group’s and individuals’ performance conditions under the Restricted A-share Scheme, the participants of Type II restricted shares have the right to subscribe ordinary shares which were repurchased by the Company through its dedicated repurchase account.

Type II restricted shares shall be vested over a two-year period, with 50% and 50% of total shares vesting on each anniversary date after the vesting commencement date upon the satisfaction of the Group’s performance conditions and individual performance conditions under the Restricted A-share Scheme. The shares before the participants’ subscription do not give the participants the right to obtain dividends or the right to vote at the shareholders’ meeting.

On 22 September 2023 (the date of grant), the board of directors approved 42,527,893 Type II restricted shares to 2,754 eligible participants and the exercise price was RMB6.34 per share.

Set out below are details of the movements of the outstanding restricted shares of Type II restricted shares throughout the Track Record Period:

	Year ended 31 December		
	2022	2023	2024
Outstanding at the beginning of the year	—	—	38,843,133
Granted during the year	—	42,527,893	—
Exercised during the year	—	—	(18,710,726)
Forfeited during the year	—	(3,684,760)	(1,546,040)
Outstanding at the end of the year	—	38,843,133	18,586,367
Exercisable at the end of the year	—	—	—

In respect of the Type II restricted shares exercised for the year ended 31 December 2024, the weighted average share price at the dates of exercise was RMB16.22.

APPENDIX I

ACCOUNTANTS’ REPORT

The fair value of the equity-settled equity incentive granted on the grant date of RMB5.7 is estimated using the Black-Scholes option pricing model, in combination with the terms and conditions of the equity incentive granted. The following table lists the inputs to the model used:

<u>Type II restricted shares</u>	
Share price	RMB12.14
Exercise price (<i>note</i>)	RMB6.34
Expected volatility	17.78%
Expected life	2 years
Risk-free rate	1.50%
Expected dividend yield	1.63%

Note: The exercise price of Type II restricted shares may be adjusted in case of any allotments of shares, payments of share dividends or other similar changes in the Company’s share capital. The exercise price on the grant date of Type II restricted shares was RMB6.34 per share. Pursuant to resolutions passed on 25 September 2024, the exercise price is adjusted to RMB6.04 due to the payments of share dividends.

For the year ended 31 December 2022, 2023 and 2024, the Group recognised the total expense of nil, RMB54,260,000 and RMB161,375,000, respectively, in relation to Restricted A-share Scheme.

39. RETIREMENT BENEFIT SCHEME

The employees of the Group’s subsidiaries in the PRC are members of a state-managed defined contribution retirement scheme operated by the PRC government. The PRC subsidiary is required to contribute a certain percentage of their payroll to the retirement benefit scheme subject to certain cap as governed by the social fund bureau. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The Group has joined the MPF Scheme which is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and the employees are each required to make contributions to the scheme at the rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. Under the MPF Scheme, there will not be any forfeited contribution available to reduce the contribution payable by the Group.

[The Group participates in a defined contribution plan managed by the Vietnam government whereby the Group is required to make contributions to the plan. The applicable rates are 17.5% of total contractual salaries for the employer’s portion of social and health insurance in Vietnam. The Group has no obligation for the payment of retirement benefits other than the contributions described above. The Group’s contributions vest fully with the employees when contributed into the plan.]

The Group also operates a number of defined contribution schemes in other overseas locations. Arrangements for these staff retirement benefits vary from country to country and are made in accordance with local regulations and custom.

The total retirement benefits scheme contributions to those plans recognised as employee benefit charged to profit or loss and capitalised as inventories, amounting to RMB869,102,000, RMB779,639,000 and RMB871,138,000 for each of the three years ended 31 December 2022, 2023 and 2024, respectively, representing contributions paid to the retirement benefits scheme by the Group.

APPENDIX I

ACCOUNTANTS’ REPORT

40. CAPITAL RISK MANAGEMENT

The Group and the Company manages its capital to ensure that entities in the Group and the Company will be able to continue as a going concern with maximising the return to shareholders through the optimisation of the debt and equity balance. The Group’s and the Company’s overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group and the Company consists of net debt, which includes the borrowings and lease liabilities disclosed in Notes 32 and 33, respectively, net of bank balances and cash and equity attributable to the owners of the Company, mainly comprising issued share capital, share premium, reserves and retained profits.

The management reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with the capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

41. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	The Group			The Company		
	As at 31 December			As at 31 December		
	2022	2023	2024	2022	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Financial assets						
Amortised cost	21,399,145	20,788,624	22,803,927	14,831,331	12,111,535	13,998,777
Equity instruments at FVTOCI .	460,021	465,563	445,109	439,567	445,109	445,109
Financial assets at FVTPL	355,266	349,665	354,917	87,153	—	100,000
Bills receivables at FVTOCI . .	3,697	112,288	9,779	—	—	—
	<u>22,218,129</u>	<u>21,716,140</u>	<u>23,613,732</u>	<u>15,358,051</u>	<u>12,556,644</u>	<u>14,543,886</u>
Financial liabilities						
Amortised cost	30,587,959	27,919,088	28,892,970	16,470,888	13,668,847	15,402,665
Financial liabilities at FVTPL . .	—	—	9,620	—	—	3,903
	<u>30,587,959</u>	<u>27,919,088</u>	<u>28,902,590</u>	<u>16,470,888</u>	<u>13,668,847</u>	<u>15,406,568</u>

(b) Financial risk management objectives and policies

The Group’s major financial instruments include trade and bills receivables, other receivables, time deposits, amounts due from related parties, restricted bank deposits, bank balances and cash, equity instruments at FVTOCI, financial assets at FVTPL, bills receivables at FVTOCI, trade and other payables, financial liabilities at FVTPL, amounts due to related parties, loan from a related party and borrowings. The Company’s major financial instruments include trade and bills receivables, amounts due from subsidiaries, other receivables, time deposits, bank balances and cash, equity instruments at FVTOCI, financial assets at FVTPL, trade and other payables, financial liabilities at FVTPL, amounts due to subsidiaries, loans from related parties and borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk, and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group and the Company manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

APPENDIX I

ACCOUNTANTS’ REPORT

Market risk

(i) *Currency risk*

Certain Group entities have sales and purchases/bank balances/borrowings denominated in US\$, Japanese Yen (“JPY”), HK\$ and Euro (“EUR”), other than their functional currencies.

The carrying amounts of the Group’s and the Company’s foreign currencies denominated monetary assets and liabilities at the end of each reporting period are as follows:

The Group

	Assets		
	As at 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
US\$	11,712,196	9,937,749	12,544,082
JPY	73,734	36,742	36,522
HK\$	35,296	19,859	63,726
EUR	112,632	305,851	246,707
	<u>11,933,858</u>	<u>10,300,201</u>	<u>12,891,037</u>
	Liabilities		
	As at 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
US\$	5,380,256	3,055,386	3,154,403
JPY	109,006	93,563	91,870
HK\$	6,655	2,777	1,062
EUR	2,083	3,633	311
	<u>5,498,000</u>	<u>3,155,359</u>	<u>3,247,646</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Assets		
	As at 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
US\$	9,227,100	6,756,902	9,704,315
JPY	24,982	709	665
	<u>9,252,082</u>	<u>6,757,611</u>	<u>9,704,980</u>
	Liabilities		
	As at 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
US\$	1,394,323	266,317	966,860
JPY	338,831	78,454	83,139
HK\$	621	217	—
EUR	292	—	—
	<u>1,734,067</u>	<u>344,988</u>	<u>1,049,999</u>

Sensitivity analysis

The following table details the Group’s and the Company’s sensitivity to a 5% increase and decrease in RMB against US\$. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding US\$ denominated monetary items and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rates. A negative number below indicates a decrease in post-tax profit where RMB strengthen 5% against US\$. For a 5% weakening of RMB against US\$, there would be an equal and opposite impact on the post-tax profit and the amounts below would be positive.

	The Group			The Company		
	As at 31 December			As at 31 December		
	2022	2023	2024	2022	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
US\$	<u>(275,608)</u>	<u>(293,436)</u>	<u>(427,434)</u>	<u>(332,893)</u>	<u>(275,850)</u>	<u>(371,342)</u>

During the Track Record Period, the currency exposure of RMB against currencies other than US\$ is immaterial, and accordingly, no sensitivity analysis is disclosed.

In relation to deliverable forwards:

If the relevant exchange rate had been 5% depreciation/appreciation of RMB against US\$ and all other variables were held constant, the Group’s profit after taxation for the year would increase/decrease by approximately RMB6,531,000, RMB2,028,000 and RMB409,000 as at 31 December 2022, 2023 and 2024, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

(ii) *Interest risk*

The Group and the Company are exposed to fair value interest rate risk in relation to restricted bank deposits (see Note 29), fixed-rate bank borrowings (see Note 32 for details of these borrowings), loan from a related party/related parties (see Note 42) and lease liabilities (see Note 33 for details). The Group and the Company are exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Note 29 for details). Furthermore, the Group and the Company is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see Note 32 for details). The cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances of the Group and the Company and fluctuation on LPR on the Group’s and the Company’s variable-rate bank borrowings. The Group aims at keeping borrowings at a combination of fixed and variable rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and economic outlook. The management will review the proportion of borrowings in fixed and variable rates and ensure they are within reasonable range.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of each reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of each reporting period were outstanding for the whole year. A 50 basis point increase or decrease in variable-rate bank borrowings are used when reporting interest rate risk internally to key management personnel and represents management’s assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates had been 50 basis point higher/lower and all other variables were held constant, the Group’s post-tax profit for the year would decrease/increase by RMB57,674,000, RMB44,771,000 and RMB46,282,000 for the years ended 31 December, 2022, 2023 and 2024, respectively, and the Company’s post-tax profit for the year would decrease/increase by RMB21,421,000, RMB22,889,000 and RMB21,866,000 for the years ended 31 December, 2022, 2023 and 2024, respectively. This is mainly attributable to the Group’s exposure to interest rates on its variable-rate borrowings.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group’s and the Company’s counterparties default on their contractual obligations resulting in financial losses to the Group and the Company. The Group’s and the Company’s credit risk exposures are primarily attributable to trade and bills receivables, bills receivables at FVTOCI, restricted bank deposits, bank balances, time deposits, other receivables and amounts due from related parties/subsidiaries. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade receivables arising from contracts with customers and bills receivables

In order to minimise the credit risk, the management of the Group and the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the management considers that the Group’s and the Company’s credit risk is significantly reduced.

The Group’s concentration of credit risk by geographical markets is mainly in Asia, which accounted for 96%, 96% and 96% of the total trade receivables as at 31 December 2022, 2023 and 2024, respectively. The Group has concentration of credit risk as 64%, 54% and 48% of the total trade receivables was due from the Group’s largest customer as at 31 December 2022, 2023 and 2024, respectively. The Group has concentration of credit risk as 80%, 71% and 72% of the total trade receivables was due from the Group’s five largest customers as at 31 December 2022, 2023 and 2024, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company’s concentration of credit risk by geographical markets is mainly in Asia, which accounted for 100%, 100% and 100% of the total trade receivables as at 31 December 2022, 2023 and 2024, respectively. The Group has concentration of credit risk as 94%, 93% and 95% of the total trade receivables was due from the Company’s largest customer as at 31 December 2022, 2023 and 2024, respectively. The Group has concentration of credit risk as 99%, 99% and 99% of the total trade receivables was due from the Group’s five largest customers as at 31 December 2022, 2023 and 2024, respectively.

For trade receivables, the Group and the Company has applied the simplified approach of IFRS 9 to measure the loss allowance at lifetime ECL. Except for items that are subject to individual evaluation, which are assessed for impairment individually, the remaining trade receivables are grouped based on shared credit risk characteristics by reference to the Group’s ageing of outstanding balances. Details of the quantitative disclosures are set out below in this note.

For bills receivables, the Group has applied the simplified approach of IFRS 9 to measure the loss allowance at lifetime ECL. Based on the average loss rates, the lifetime ECL on bills receivables is considered to be insignificant and therefore no loss allowance was recognised.

Bills receivables at FVTOCI

Bills receivables at FVTOCI were all bank-issued notes. Since the issuers were reputable banks of good credit quality, the management of the Group considered the credit risk of these bank issued bills is insignificant and no impairment was provided on them at the end of each reporting period.

Other receivables

For other receivables, the management makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group and the Company provided impairment based on 12m ECL. Details of the quantitative disclosures are set out below in this note.

Restricted bank deposits/time deposits/bank balances

Credit risk on restricted bank deposits/time deposits/bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by credit agencies. The Group and the Company assessed 12m ECL for time deposits/restricted bank deposits and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on time deposits/restricted bank deposits and bank balances is considered to be insignificant and therefore no loss allowance was recognised.

APPENDIX I

ACCOUNTANTS’ REPORT

The Group’s and the Company’s internal credit risk grading assessment comprises the following categories:

<u>Internal credit rating</u>	<u>Description</u>	<u>Trade receivables</u>	<u>Financial assets other than trade receivables</u>
Low risk	The counterparty has a low risk of default	Lifetime ECL — not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group and the Company has no realistic prospect of recovery	Amount is written off	Amount is written off

APPENDIX I

ACCOUNTANTS’ REPORT

The tables below detail the credit risk exposures of the Group’s and the Company’s financial assets, which are subject to ECL assessment:

The Group

As at 31 December 2022

	<u>External/ internal credit rating</u>	<u>12m or lifetime ECL</u>	<u>Average loss rate</u> %	<u>Gross carrying amount</u> RMB’000	<u>Impairment loss allowance</u> RMB’000
Debt instruments at FVTOCI					
Bills receivables <i>note i</i> at FVTOCI		12m ECL	N/A	3,697	—
				<u> </u>	<u> </u>
Financial assets at amortised cost					
Time deposits AAA/BBB+ <i>note i</i>		12m ECL	N/A	304,307	—
Bank balances AAA/BBB+ <i>note i</i>		12m ECL	N/A	11,682,255	—
Restricted bank deposits AAA/BBB+ <i>note i</i>		12m ECL	N/A	3,673	—
Trade receivables <i>note ii</i>		Lifetime ECL (not credit-impaired)	1.41	9,149,989	128,921
		Lifetime ECL (credit-impaired)	100.00	3,545	3,545
Bills receivables <i>note i</i>		12m ECL	N/A	1,392	—
Other receivables <i>note iii</i>		12m ECL (not credit-impaired)	1.01	357,113	3,589
		Lifetime ECL (credit-impaired)	97.71	30,203	29,512
Amounts due from related parties <i>note iii</i>		12m ECL (not credit-impaired)	1.01	32,563	328
				<u> </u>	<u> </u>
				<u>21,565,040</u>	<u>165,895</u>

APPENDIX I

ACCOUNTANTS’ REPORT

As at 31 December 2023

	<u>External/ internal credit rating</u>	<u>12m or lifetime ECL</u>	<u>Average loss rate %</u>	<u>Gross carrying amount RMB’000</u>	<u>Impairment loss allowance RMB’000</u>
Debt instruments at FVTOCI					
Bills receivables	<i>note i</i>	12m ECL	N/A	112,288	—
at FVTOCI					
Financial assets at amortised cost					
Time deposits	AAA/BBB+ <i>note i</i>	12m ECL	N/A	314,648	—
Bank balances	AAA/BBB+ <i>note i</i>	12m ECL	N/A	10,493,519	—
Restricted bank deposits	AAA/BBB+ <i>note i</i>	12m ECL	N/A	25,474	—
Trade receivables	<i>note ii</i>	Lifetime ECL (not credit-impaired)	1.39	9,433,308	131,015
		Lifetime ECL (credit-impaired)	100.00	3,583	3,583
Bills receivables	<i>note i</i>	12m ECL	0.26	6,167	16
Other receivables	<i>note iii</i>	12m ECL (not credit-impaired)	0.97	621,884	6,039
		Lifetime ECL (credit-impaired)	94.87	18,328	17,388
Amounts due from related parties	<i>note iii</i>	12m ECL (not credit-impaired)	1.00	30,056	302
				<u>20,946,967</u>	<u>158,343</u>

APPENDIX I

ACCOUNTANTS’ REPORT

As at 31 December 2024

	<u>External/ internal credit rating</u>	<u>12m or lifetime ECL</u>	<u>Average loss rate</u> %	<u>Gross carrying amount</u> RMB’000	<u>Impairment loss allowance</u> RMB’000
Debt instruments at FVTOCI					
Bills receivables	<i>note ii</i>	12m ECL	N/A	9,779	—
at FVTOCI					
Financial assets at amortised cost					
Time deposits	AAA/BBB+ <i>note i</i>	12m ECL	N/A	426,109	—
Bank balances	AAA/BBB+ <i>note i</i>	12m ECL	N/A	10,936,804	—
Restricted bank deposits	AAA/BBB+ <i>note i</i>	12m ECL	N/A	51,276	—
Trade receivables	<i>note ii</i>	Lifetime ECL (not credit-impaired)	1.32	11,003,205	144,984
		Lifetime ECL (credit-impaired)	100.00	3,324	3,324
Bills receivables	<i>note i</i>	12m ECL	0.05	7,519	4
Other receivables	<i>note iii</i>	12m ECL (not credit-impaired)	0.95	503,466	4,760
		Lifetime ECL (credit-impaired)	98.82	35,928	35,505
Amounts due from related parties	<i>note iii</i>	12m ECL (not credit-impaired)	1.08	25,144	271
				<u>22,992,775</u>	<u>188,848</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

As at 31 December 2022

	<u>External/ internal credit rating</u>	<u>12m or lifetime ECL</u>	<u>Average loss rate</u> %	<u>Gross carrying amount</u> RMB’000	<u>Impairment loss allowance</u> RMB’000
Financial assets at amortised cost					
Time deposits	AAA/BBB+ <i>note i</i>	12m ECL	N/A	304,307	—
Bank balances	AAA/BBB+ <i>note i</i>	12m ECL	N/A	3,772,088	—
Amounts due from subsidiaries	<i>note iii</i>	12m ECL	N/A	3,103,658	—
Trade receivables	<i>note ii</i>	Lifetime ECL (not credit-impaired)	0.03	7,394,643	2,100
Other receivables	<i>note iii</i>	12m ECL (not credit-impaired)	0.98	260,766	2,567
		Lifetime ECL (credit-impaired)	94.01	8,951	8,415
				<u>14,844,413</u>	<u>13,082</u>

As at 31 December 2023

	<u>External/ internal credit rating</u>	<u>12m or lifetime ECL</u>	<u>Average loss rate</u> %	<u>Gross carrying amount</u> RMB’000	<u>Impairment loss allowance</u> RMB’000
Financial assets at amortised cost					
Time deposits	AAA/BBB+ <i>note i</i>	12m ECL	N/A	314,648	—
Bank balances	AAA/BBB+ <i>note i</i>	12m ECL	N/A	3,116,182	—
Amounts due from subsidiaries	<i>note iii</i>	12m ECL	N/A	2,813,957	—
Trade receivables	<i>note ii</i>	Lifetime ECL (not credit-impaired)	0.02	5,377,022	1,287
Other receivables	<i>note iii</i>	12m ECL (not credit-impaired)	0.99	495,290	4,921
		Lifetime ECL (credit-impaired)	93.47	9,857	9,213
				<u>12,126,956</u>	<u>15,421</u>

APPENDIX I

ACCOUNTANTS’ REPORT

As at 31 December 2024

	<u>External/ internal credit rating</u>	<u>12m or lifetime ECL</u>	<u>Average loss rate</u> %	<u>Gross carrying amount</u> RMB’000	<u>Impairment loss allowance</u> RMB’000
Financial assets at amortised cost					
Time deposits	AAA/BBB+ <i>note i</i>	12m ECL	N/A	426,109	—
Bank balances	AAA/BBB+ <i>note i</i>	12m ECL	N/A	5,268,284	—
Amounts due from subsidiaries	<i>note iii</i>	12m ECL	N/A	1,160,408	—
Trade receivables	<i>note ii</i>	Lifetime ECL (not credit-impaired)	0.02	6,768,615	1,143
Other receivables	<i>note iii</i>	12m ECL (not credit-impaired)	1.00	380,016	3,801
		Lifetime ECL (credit-impaired)	98.93	27,074	26,785
				<u>14,030,506</u>	<u>31,729</u>

Notes:

- (i) The counterparties are reputable banks with high credit ratings and the risk of default is limited.
- (ii) For trade receivables, the Group and the Company applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for receivables from debtors with significant balances or credit-impaired, which are assessed individually, the Group and the Company determine the ECL on the remaining trade receivables on a collective basis using provision matrix, grouped by the ageing of the trade receivables. As part of the Group’s credit risk management, the Group uses the ageing of the trade receivables to assess the impairment for its trade receivables in relation to its operation because these customers have common risk characteristics that are representative of the customers’ abilities to pay all amounts due in accordance with the contractual terms. The Group’s trade receivables at amortised cost with significant balances or credit-impaired with gross carrying amounts of RMB7,798,784,000, RMB7,308,817,000 and RMB8,443,358,000 as at 31 December 2022, 2023 and 2024, respectively, were assessed individually. The remaining trade receivables are assessed based on provision matrix, and the impairment losses recognised were insignificant.

The estimated loss rates used in the provision matrix are estimated based on historical credit loss experience of debtors taking into consideration the historical default rates and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

The Company’s trade receivables are mainly from the subsidiaries, as disclosed in Note 42. Both the receivables from subsidiaries and the trade receivables that are credit-impaired are assessed individually.

APPENDIX I

ACCOUNTANTS’ REPORT

The following table shows the movement in lifetime ECL that has been recognised for trade and bills receivables under the simplified approach.

The Group

	Lifetime ECL not credit- impaired	Lifetime ECL credit-impaired	Total
	RMB’000	RMB’000	RMB’000
As at 1 January 2022	<u>170,708</u>	<u>14,812</u>	<u>185,520</u>
Impairment loss (reversed) recognised, net	(53,629)	185	(53,444)
Transfer	11,451	(11,451)	—
Exchange adjustments	<u>391</u>	<u>(1)</u>	<u>390</u>
As at 31 December 2022	<u>128,921</u>	<u>3,545</u>	<u>132,466</u>
Impairment loss recognised, net	2,205	37	2,242
Write-off	(3)	—	(3)
Exchange adjustments	<u>(92)</u>	<u>1</u>	<u>(91)</u>
As at 31 December 2023	<u>131,031</u>	<u>3,583</u>	<u>134,614</u>
Impairment loss recognised (reversed), net	15,859	(259)	15,600
Write-off	(1,557)	—	(1,557)
Exchange adjustments	<u>(345)</u>	<u>—</u>	<u>(345)</u>
As at 31 December 2024	<u><u>144,988</u></u>	<u><u>3,324</u></u>	<u><u>148,312</u></u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Lifetime ECL not credit- impaired	Lifetime ECL credit-impaired	Total
	RMB’000	RMB’000	RMB’000
As at 1 January 2022	<u>1,725</u>	<u>—</u>	<u>1,725</u>
Impairment loss recognised, net	<u>375</u>	<u>—</u>	<u>375</u>
As at 31 December 2022	<u>2,100</u>	<u>—</u>	<u>2,100</u>
Impairment loss reversed, net	<u>(813)</u>	<u>—</u>	<u>(813)</u>
As at 31 December 2023	<u>1,287</u>	<u>—</u>	<u>1,287</u>
Impairment loss reversed, net	<u>(144)</u>	<u>—</u>	<u>(144)</u>
As at 31 December 2024	<u>1,143</u>	<u>—</u>	<u>1,143</u>

- (iii) For the purposes of internal credit risk management, the ECL on other receivables of the Group and the Company, as well as the non-trade amounts due from subsidiaries of the Company, is assessed individually.

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitor and maintains a level of bank balances and cash deemed adequate by the management to finance the operations of the Group and the Company, and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings, if necessary.

The following tables detail the Group’s and the Company’s remaining contractual maturity for its financial liabilities and lease liabilities. The tables have been drawn up based on the undiscounted cash flows of and financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

APPENDIX I

ACCOUNTANTS’ REPORT

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived based on management’s best estimates at the end of each reporting period.

In addition, the following tables detail the Group’s and the Company’s liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. The liquidity analysis for the Group’s and the Company’s derivative financial instruments are prepared based on the contractual settlement dates as the management of the Group considers that the settlement dates are essential for an understanding of the timing of the cash flows of derivatives.

The Group

	Weighted average effective interest rate	On demand/ less than 1 year	1 year to 3 years	over 3 years	Total undiscounted cash flow	Carrying amount
	%	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
As at 31 December 2022						
Borrowings	3.45	10,262,104	9,330,107	105,712	19,697,923	18,971,283
Trade and other payables	N/A	10,589,023	—	—	10,589,023	10,589,023
Lease liabilities	3.61	14,880	31,707	4,512	51,099	47,648
Amounts due to related parties	N/A	21	—	—	21	21
Loan from a related party	3.65	—	1,222,203	—	1,222,203	1,027,632
		<u>20,866,028</u>	<u>10,584,017</u>	<u>110,224</u>	<u>31,560,269</u>	<u>30,635,607</u>
As at 31 December 2023						
Borrowings	2.62	6,016,343	9,457,023	369,336	15,842,702	15,258,076
Trade and other payables	N/A	11,595,772	—	—	11,595,772	11,595,772
Lease liabilities	3.27	28,912	21,020	363	50,295	48,499
Amounts due to related parties	N/A	94	—	—	94	94
Loan from a related party	3.45	—	1,113,040	—	1,113,040	1,065,146
		<u>17,641,121</u>	<u>10,591,083</u>	<u>369,699</u>	<u>28,601,903</u>	<u>27,967,587</u>
As at 31 December 2024						
<i>Non-derivative financial liabilities</i>						
Borrowings	2.36	6,793,531	7,925,326	70,413	14,789,270	14,326,565
Trade and other payables	N/A	14,566,379	—	—	14,566,379	14,566,379
Lease liabilities	2.80	52,223	61,666	103,808	217,697	199,188
Amounts due to related parties	N/A	26	—	—	26	26
		<u>21,412,159</u>	<u>7,986,992</u>	<u>174,221</u>	<u>29,573,372</u>	<u>29,092,158</u>
Derivatives — net settlement						
Financial liabilities at FVTPL	N/A	9,620	—	—	9,620	9,620

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Weighted average effective interest rate	On demand/ less than 1 year	1 year to 3 years	over 3 years	Total undiscounted cash flow	Carrying amount
	%	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
As at 31 December 2022						
Borrowings	3.05	2,307,366	4,849,698	—	7,157,064	6,961,279
Trade and other payables	N/A	5,464,559	—	—	5,464,559	5,464,559
Amounts due to subsidiaries	N/A	2,717,418	—	—	2,717,418	2,717,418
Lease liabilities	3.55	8,881	17,763	3,427	30,071	28,293
Loans from related parties	3.65	—	1,522,203	—	1,522,203	1,327,632
		<u>10,498,224</u>	<u>6,389,664</u>	<u>3,427</u>	<u>16,891,315</u>	<u>16,499,181</u>
As at 31 December 2023						
Borrowings	2.75	3,107,622	4,284,976	—	7,392,598	7,105,703
Trade and other payables	N/A	2,462,844	—	—	2,462,844	2,462,844
Amounts due to subsidiaries	N/A	2,735,154	—	—	2,735,154	2,735,154
Lease liabilities	3.55	8,881	12,308	—	21,189	20,275
Loans from related parties	3.45	—	1,413,040	—	1,413,040	1,365,146
		<u>8,314,501</u>	<u>5,710,324</u>	<u>—</u>	<u>14,024,825</u>	<u>13,689,122</u>
As at 31 December 2024						
<i>Non-derivative financial liabilities</i>						
Borrowings	2.40	2,521,579	3,983,556	—	6,505,135	6,277,799
Trade and other payables	N/A	4,755,400	—	—	4,755,400	4,755,400
Amounts due to subsidiaries	N/A	2,318,226	—	—	2,318,226	2,318,226
Lease liabilities	2.83	38,375	33,295	89,690	161,360	145,700
Loans from related parties	2.10	—	2,059,144	—	2,059,144	2,051,240
		<u>9,633,580</u>	<u>6,075,995</u>	<u>89,690</u>	<u>15,799,265</u>	<u>15,548,365</u>
Derivatives — net settlement						
Financial liabilities at FVTPL	N/A	<u>3,903</u>	<u>—</u>	<u>—</u>	<u>3,903</u>	<u>3,903</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(c) Fair value measurements of financial instruments

Fair value of the Group’s and the Company’s financial instruments measured at fair value on a recurring basis

Some of the Group’s and the Company’s financial instruments are measured at fair value at the end of each reporting period. The following tables give information about how the fair values of these financial instruments are determined (in particular, the valuation technique and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

The Group

Set out below is the information about how the fair values of the Group’s financial instruments that are measured at fair value are determined, including the valuation technique and inputs used:

Financial assets/ (liabilities)	As at 31 December			Fair value hierarchy	Valuation technique and key input(s)	Significant unobservable input
	2022	2023	2024			
	RMB’000	RMB’000	RMB’000			
Bills receivables at FVTOCI	3,697	112,288	9,779	Level 2	Discounted cash flow Risk-adjusted discount rate and cash flow are key inputs	N/A
Deliverable forwards	153,662	48,574	(9,620)	Level 2	Discounted cash flow were estimated based on the applicable forward foreign exchange rates	N/A
Structured deposits	201,604	301,091	354,917	Level 2	income approach — The discounted cash flow method was used to estimate the interest from the underlying bank deposits	N/A
Equity instruments at FVTOCI . . .	460,021	465,563	445,109	Level 3	Net assets value of the underlying investments	The higher the net assets value, the higher the fair value.

A change in the unobservable input would not change the fair value of the relevant financial instrument significantly, no sensitivity analysis is disclosed.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

Set out below is the information about how the fair values of the Company’s financial instruments that are measured at fair value are determined, including the valuation technique and inputs used:

Financial assets/ (liabilities)	As at 31 December			Fair value hierarchy	Valuation technique and key input(s)	Significant unobservable input
	2022	2023	2024			
	RMB’000	RMB’000	RMB’000			
Deliverable forwards	87,153	—	(3,903)	Level 2	Discounted cash flow were estimated based on the applicable forward foreign exchange rates	N/A
Structured deposits	—	—	100,000	Level 2	income approach — The discounted cash flow method was used to estimate the interest from the underlying bank deposits	N/A
Equity instruments at FVTOCI . . .	439,567	445,109	445,109	Level 3	Net assets value of the underlying investments	The higher the net assets value, the higher fair value.

A reasonably possible change in the unobservable input would not change the fair value of the relevant financial instrument significantly, therefore no sensitivity analysis is disclosed.

There were no transfers between the fair value hierarchy levels during the Track Record Period.

Fair value of financial instruments that are recorded at amortised cost

The management consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

APPENDIX I

ACCOUNTANTS’ REPORT

Reconciliation of Level 3 fair value measurements

The following table presents the changes in level 3 financial instruments during the Track Record Period:

	Equity instruments at FVTOCI RMB’000
At 1 January 2022	<u>446,387</u>
Fair value changes through other comprehensive income, net of reclassification adjustment to profit or loss	<u>13,634</u>
At 31 December 2022	<u>460,021</u>
Fair value changes through other comprehensive income, net of reclassification adjustment to profit or loss	<u>5,542</u>
At 31 December 2023	<u>465,563</u>
Fair value changes through other comprehensive income, net of reclassification adjustment to profit or loss	<u>(20,454)</u>
At 31 December 2024	<u>445,109</u>

(d) Transferred financial assets that are derecognised in their entirety but have continuing involvement

As of 31 December 2022, 2023 and 2024, the Group has derecognised the bills receivables endorsed to its suppliers amounting to nil, nil and RMB[1,440,000], respectively. If the bills cannot be accepted at maturity, the relevant banks or suppliers have the right to require the Group to pay off the outstanding balance. These bills are issued or guaranteed by reputable PRC banks with high credit ratings, therefore the directors of the Company consider the probabilities on default of the discounted or endorsed bills receivables are limited and the Group has derecognised the full carrying amount of these bills receivables and the associated trade and other payables when the bills receivables are endorsed or discounted.

APPENDIX I

ACCOUNTANTS’ REPORT

42. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party and/or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are under control or joint control by the same party. Members of key management of the Group and their close family members are also considered as related parties.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business for the years ended 31 December 2022, 2023 and 2024, respectively.

(a) Related parties and relationship

The Group

During the reporting period, the following parties are identified as related parties to the Group and the respective relationships are set out below:

Name of Related Parties	Relationship
Ms. Chau Kwan Fei	Controlling Shareholder
Lens Technology (HK) Co., Limited 藍思科技(香港)有限公司	Holding Company
Changsha Intelligent Robot	Associate
Changsha Sinocera	Associate
Hunan Juhong	Associate
Dongguan Yuya	Associate
Dongguan Yutong	Associate
Zibo Jincheng	Associate
Changsha Ruihong	Associate
Ningxia Xinjingsheng	Associate
Hunan Hualian Special Yuanhua Co., Ltd. (“Hunan Hualian Special Yuanhua”) 湖南華聯特種陶瓷有限公司	A related company controlled by non-controlling shareholder
Hunan Hualian Torch Porcelain Insulator & Electrical Apparatus Co., Ltd (“Hunan Hualian Torch”) 湖南華聯火炬電瓷電器有限公司	A related company controlled by non-controlling shareholder
HAWEMA Werkzeugschleifmaschinen GmbH	A related company controlled by Ms. Chau Kwan Fei
Hunan Miaomiao Shopping Commercial Co., Ltd (“Hunan Miaomiao”) 湖南妙妙購商業有限公司	A related company controlled by a close member of Ms. Chau Kwan Fei
Ms. Zhou Xinyi 周新益	Supervisor
Mr. Jiang Weiping 蔣衛平	A close family member of Ms. Chau Kwan Fei
Ms. Zhou Yihui 周藝輝	A close family member of Ms. Chau Kwan Fei
Changsha Maijing Technology Co., Ltd (“Changsha Maijing”) 長沙麥晴科技股份有限公司	Associate of a related company controlled by Ms. Chau Kwan Fei
Shenzhen Nanke Jia’an Robot Technology Co., Ltd (“Shenzhen Nanke Jia’an”) 深圳市南科佳安機器人科技有限公司	Associate of a related company controlled by Ms. Chau Kwan Fei

APPENDIX I

ACCOUNTANTS’ REPORT

The Group and the Company entered into the following transactions/balances with the related parties:

(b) **Transactions with related parties**

(i) **Purchase**

The Group

Name of related party	Year ended 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Hunan Juhong	360,086	237,928	375,272
Zibo Jincheng	213,192	158,240	138,207
Dongguan Yutong	149,945	164,751	136,518
Dongguan Yuya	84,325	63,845	13,596
Ningxia Xinjingsheng	82,316	112,237	322,542
Changsha Maijing	31,374	46,734	86,174
Changsha Sinocera	19,054	28,918	42,509
Changsha Ruihong	3,303	11,024	20,364
Hunan Hualian Special Yuanhua	2,992	6	—
Hunan Hualian Torch	843	988	—
Changsha Intelligent Robot	54	733	2,386
HAWEMA Werkzeugschleifmaschinen GmbH	—	20,630	3,515
Shenzhen Nanke Jia’an	—	143	13,445
	<u>947,484</u>	<u>846,177</u>	<u>1,154,528</u>

(ii) **Revenue**

The Group

Name of related party	Year ended 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Dongguan Yuya	18,874	6,102	2,761
Dongguan Yutong	5,176	4	2,341
Changsha Maijing	2,541	1,700	8,529
Changsha Sinocera	242	195	229
Hunan Juhong	—	—	294
Shenzhen Nanke Jia’an	—	—	8
Ms. Zhou Yihui	—	—	47
	<u>26,833</u>	<u>8,001</u>	<u>14,209</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(iii) *Rental income*

The Group

Name of related party	Year ended 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Dongguan Yutong	17,259	13,008	13,737
Dongguan Yuya	4,312	3,508	3,216
Changsha Sinocera	304	278	279
Hunan Juhong	253	413	422
Ms. Zhou Yihui	37	37	43
Ms. Zhou Xinyi	37	37	—
Changsha Ruihong	6	15	17
Mr. Jiang Weiping	—	73	—
Changsha Maijing	—	180	732
Hunan Miaomiao	—	236	510
Shenzhen Nanke Jia’an	—	31	40
	<u>22,208</u>	<u>17,816</u>	<u>18,996</u>

(iv) *Finance costs — Interest on lease liabilities*

The Group

Name of related party	Year ended 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Ms. Chau Kwan Fei	<u>25</u>	<u>25</u>	<u>25</u>

(v) *Finance costs — interest on loan from a related party*

Name of related party	Year ended 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Lens Technology (HK) Co., Limited	<u>44,826</u>	<u>37,514</u>	<u>1,457</u>

(vi) *Expense relating to short-term leases*

The Group

Name of related party	Year ended 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Hunan Hualian Torch	<u>300</u>	<u>275</u>	<u>275</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(c) **Related party balances**

(i) *Trade and bills receivables*

The Group

Name of related parties	As at 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Dongguan Yuya	10,828	6,380	—
Dongguan Yutong	362	4	2,557
Changsha Maijing	187	638	6,946
Hunan Miaomiao	—	42	—
Hunan Juhong	—	—	329
	<u>11,377</u>	<u>7,064</u>	<u>9,832</u>

The amounts are in trade nature, unsecured, non-interest bearing and aged within one year at the end of each reporting period.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

Name of related parties	As at 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Lens International (HK) Ltd. (“Lens International”) 藍思國際(香港)有限公司	6,962,061	5,006,332	6,436,543
Lens Technology (VietNam) Company Limited (“Lens VietNam”) 藍思科技(越南)有限公司	218,754	98,759	104,939
Lens Technology (Changsha) Company Limited (“Lens Changsha”) 藍思科技(長沙)有限公司	72,679	7,063	26,085
Shenzhen Lens Technology Company Limited (“Lens Shenzhen”) 深圳市藍思科技有限公司	63,153	242,748	188,560
Lens Intelligent Control (Changsha) Company Limited (“Lens Intelligent Control”) 藍思智控(長沙)有限公司	53,369	6,663	9,790
Lens Precision (Taizhou) Company Limited (“Lens Taizhou”) 藍思精密(泰州)有限公司	17,665	143	94
Lens Technology (Dong Guan) Company Limited (“Lens Dongguan”) 藍思科技(東莞)有限公司	2,724	3,247	983
Lens Technology (Xiangtan) Company Limited (“Lens Xiangtan”) 藍思科技(湘潭)有限公司	1,090	3,235	393
Lens Intelligent Robot (Changsha) Company Limited (“Lens Intelligent Robot”) 藍思智能機器人(長沙)有限公司	46	68	—
Changsha Lens New Material Company Limited (“Changsha Lens New Material”) 長沙藍思新材料有限公司	29	1	5
Shenzhen Lens Intelligence Robot Company Limited (“Shenzhen Lens Intelligence Robot”) 深圳藍思智能機器人有限公司	23	—	27
Lens System Integration Company Limited (“Lens System Integration”) 藍思系統集成有限公司	12	19	53
	<u>7,391,605</u>	<u>5,368,278</u>	<u>6,767,472</u>

The amounts are in trade nature, unsecured, non-interest bearing. Details of ageing of these trade receivables are set out in Note 27.

APPENDIX I

ACCOUNTANTS’ REPORT

(ii) *Amounts due from related parties*

The Group

Name of related parties	As at 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Dongguan Yuya	17,494	17,021	16,700
Dongguan Yutong	14,439	12,300	7,707
Ms. Chau Kwan Fei	159	161	165
Changsha Sinocera	115	119	117
Hunan Juhong	26	153	64
Changsha Ruihong	2	—	2
Ms. Zhou Yihui	—	—	4
Hunan Miaomiao	—	—	85
Shenzhen Nanke Jia’an	—	—	29
	<u>32,235</u>	<u>29,754</u>	<u>24,873</u>

The amount is non-trade in nature, unsecured, interest-free and repayable on demand.

Maximum amounts due from a director

Name of a director	As at 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Ms. Chau Kwan Fei	<u>159</u>	<u>161</u>	<u>165</u>

(iii) *Prepayments for property, plant and equipment*

The Group

Name of related parties	As at 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Hunan Juhong	25,624	27,503	27,930
Changsha Maijing	6,231	9,985	6,433
Changsha Ruihong	3,697	—	839
HAWEMA Werkzeugschleifmaschinen GmbH	—	4,338	4,801
	<u>35,552</u>	<u>41,826</u>	<u>40,003</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

Name of related parties	As at 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Lens System Integration	3,909	—	—
Hunan Blue Crystal Photovoltaic Technology Company Limited (“Hunan Blue Crystal Photovoltaic”) 湖南藍晶光伏科技有限公司	—	20,000	—
	3,909	20,000	—

The amounts are in trade nature, unsecured, non-interest bearing.

(iv) Amounts due from subsidiaries

The Company

Name of related parties	As at 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Lens Taizhou	1,373,422	1,086,709	222,723
Lens Dongguan	535,159	400,685	187,517
Lens Intelligent Control	463,455	31,601	23,716
Lens Xiangtan	255,115	1,009,000	447,205
Lens One Technology (Dong Guan) Company Limited (“Lens One Technology (Dong Guan)”) 藍思旺科技(東莞)有限公司	168,317	168,317	100,000
Lens Precision (Dongguan) Company Limited (“Lens Precision (Dongguan)”) 藍思精密(東莞)有限公司	126,000	—	—
Lens Changsha	105,579	75,946	105,901
Lens Technology (Kunshan) Company Limited (“Lens Technology (Kunshan)”) 藍思科技(昆山)有限公司	43,432	28,700	28,700
Lens VietNam	17,834	374	32,399
Liuyang Panzhi Consulting Company Limited (“Liuyang Panzhi”) 瀏陽磐智諮詢有限公司	9,000	9,000	9,000
Shenzhen Lens Wang Supply Chain Management Company Limited (“Shenzhen Lens Wang”) 深圳市藍思旺供應鏈管理有限公司	3,273	—	—
Changsha Lens New Material	1,145	1,587	1,382
Lens Intelligent Robot	1,133	1,819	1,646
Lens System Integration	580	—	—
Changsha Yong’an New Materials Company Limited (“Changsha Yong’an New Materials”) 長沙永安新材料有限公司	214	219	219
	3,103,658	2,813,957	1,160,408
Analysed for reporting purposes as:			
Current assets	1,790,731	752,094	498,716
Non-current assets	1,312,927	2,061,863	661,692
	3,103,658	2,813,957	1,160,408

The amount is non-trade in nature, unsecured, interest-free and repayable according to the mutually agreed terms of payment.

APPENDIX I

ACCOUNTANTS’ REPORT

(v) *Trade and other payables*

The Group

Name of related parties	As at 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Hunan Juhong	97,349	63,676	117,217
Zibo Jincheng	76,629	61,557	57,002
Dongguan Yutong	49,528	66,221	27,016
Dongguan Yuya	22,367	19,882	8,649
Changsha Maijing	11,074	24,022	38,242
Changsha Sinocera	5,315	4,134	11,027
Hunan Hualian Torch	103	25	25
Changsha Ruihong	708	2,144	6,815
Hunan Hualian Special Yuanhua	407	422	295
Changsha Intelligent Robot	36	566	2,280
Ningxia Xinjingsheng	—	29,672	138,423
Shenzhen Nanke Jia’an	—	143	4,579
	<u>263,516</u>	<u>272,464</u>	<u>411,570</u>

The Company

Name of related parties	As at 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Hunan Lens Hualian Precious Ceramics Company Limited (“Lens Hualian”) 湖南藍思華聯精瓷有限公司	260	—	—
Hunan Lens New Energy Company Limited 湖南藍思新能源有限公司	—	—	3
Lens International	1,478,666	170,377	866,072
Lens Taizhou	174,727	16,456	194
Lens Dongguan	961	1,391	427
Lens Xiangtan	—	88,513	75,006
Lens Changsha	1,484,137	86,338	748,991
Lens System Integration	—	3,333	3,051
Lens Intelligent Control	343,464	235,312	624,376
Lens Intelligent Robot	111,678	66,881	217,070
Shenzhen Lens Wang	370,081	371,231	1
Shenzhen Lens System Integration Company Limited (“Shenzhen Lens System”) 深圳市藍思系統集成有限公司	768	7,112	5,195
Changsha Lens New Material	85,994	99,998	178,667
Changsha Yong’an New Materials	48,169	63,161	66,124
Hunan Blue Crystal Photovoltaic	—	—	312,679
Lens Technology Japan Co., Ltd	—	—	484
	<u>4,098,905</u>	<u>1,210,103</u>	<u>3,098,340</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The amounts are trade in nature, unsecured, interest-free and repayable within 120 days.

(vi) *Amounts due to related parties*

The Group

Name of related party	As at 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Hunan Juhong	20	20	20
Dongguan Yutong	—	68	—
Changsha Ruihong	1	1	1
Shenzhen Nanke Jia’an	—	5	5
	<u>21</u>	<u>94</u>	<u>26</u>

The amount is non-trade in nature, unsecured, interest-free and repayable on demand.

(vii) *Loan from a related party/related parties*

The Group

Name of related party	As at 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Lens Technology (HK) Co., Limited (<i>note</i>)	<u>1,027,632</u>	<u>1,065,146</u>	<u>—</u>

The Company

Name of related parties	As at 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Lens Technology (HK) Co., Limited (<i>note</i>)	1,027,632	1,065,146	—
Lens Technology (Changsha)	300,000	300,000	1,800,000
Lens Intelligent Control	—	—	251,240
	<u>1,327,632</u>	<u>1,365,146</u>	<u>2,051,240</u>

The carrying amounts of the above loans are repayable:			
— Within a period of more than one year but not exceeding two years	300,000	1,365,146	—
— Within a period of more than two years but not exceeding five years	<u>1,027,632</u>	<u>—</u>	<u>2,051,240</u>
	<u>1,327,632</u>	<u>1,365,146</u>	<u>2,051,240</u>

Note: The amounts as at 31 December 2022 and 2023 were unsecured and repayable in 2025 pursuant to the loan agreement. The amounts bore interest at LPR. The loan was fully settled during the year ended 31 December 2024.

APPENDIX I

ACCOUNTANTS’ REPORT

(viii) *Contract liabilities*

The Group

Name of related parties	As at 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Changsha Maijing	2,578	3,142	1,216
Shenzhen Nanke Jia’an	—	1	1
	<u>2,578</u>	<u>3,143</u>	<u>1,217</u>

(ix) *Amounts due to subsidiaries*

The Company

Name of related party	As at 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Lens Changsha	2,594,283	2,595,080	2,100,150
Lens International	65,331	65,330	65,231
Lens Taizhou	41,902	45,364	40,827
Lens Xiangtan	6,280	24,753	109,287
Shenzhen Lens Intelligence Robot	5,092	214	—
Lens Intelligent Control	2,235	3,959	2,277
Shenzhen Lens System	2,295	454	454
	<u>2,717,418</u>	<u>2,735,154</u>	<u>2,318,226</u>

The amount is non-trade in nature, unsecured, interest-free and repayable on demand.

(x) *Lease liabilities*

The Group

Name of related party	As at 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Ms. Chau Kwan Fei	<u>916</u>	<u>924</u>	<u>955</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(d) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management of the Group during the Track Record Period is as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Salaries, allowances and other benefits	9,802	10,319	11,702
Discretionary bonus	4,794	5,044	5,714
Retirement benefit scheme contributions	104	112	104
	<u>14,700</u>	<u>15,475</u>	<u>17,520</u>

The remuneration of directors, supervisors and other members of key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group’s liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group’s consolidated statements of cash flows as cash flows from financing activities.

		Loan from a	Lease	Amounts due	Dividend	
	Borrowings	related party	liabilities	to related	payable	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2022	18,075,738	1,390,018	54,839	460	—	19,521,055
Financing cash flows	(952,760)	(407,212)	(32,126)	(439)	(523,722)	(1,916,259)
Dividends declared	—	—	—	—	523,722	523,722
New leases entered	—	—	25,194	—	—	25,194
Early termination of lease	—	—	(2,076)	—	—	(2,076)
Non-cash transactions (note)	720,793	—	—	—	—	720,793
Exchange adjustments	557,939	—	—	—	—	557,939
Interest expenses	569,573	44,826	1,817	—	—	616,216
At 31 December 2022	18,971,283	1,027,632	47,648	21	—	20,046,584
Financing cash flows	(4,136,696)	—	(28,809)	73	(1,033,283)	(5,198,715)
Dividends declared	—	—	—	—	1,033,283	1,033,283
New leases entered	—	—	28,210	—	—	28,210
Exchange adjustments	(47,533)	—	—	—	—	(47,533)
Interest expenses	471,022	37,514	1,450	—	—	509,986
At 31 December 2023	15,258,076	1,065,146	48,499	94	—	16,371,815
Financing cash flows	(1,939,523)	(1,066,603)	(30,580)	(68)	(1,528,490)	(4,565,264)
Dividends declared	—	—	—	—	1,528,490	1,528,490
New leases entered	—	—	177,866	—	—	177,866
Early termination of lease	—	—	(619)	—	—	(619)
Non-cash transactions (note)	625,740	—	—	—	—	625,740
Exchange adjustments	(687)	—	—	—	—	(687)
Interest expenses	382,959	1,457	4,022	—	—	388,438
At 31 December 2024	14,326,565	—	199,188	26	—	14,525,779

Note: The amount represents the drawdown of borrowings used for direct settlement of the Group’s obligations to its suppliers, as agreed upon between the other financial institution and the Group.

APPENDIX I

ACCOUNTANTS’ REPORT

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The Company

	As at 31 December		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Unlisted investments, at cost	31,150,285	34,279,477	34,753,669

General information of subsidiaries

Name of subsidiaries	Place of incorporation/ registration and operation	Registered capital	Proportion of effective ownership interest held by Company								Principal activities
			Directly				Indirectly				
			At 31 December			Date of report	At 31 December			Date of report	
			2022	2023	2024		2022	2023	2024		
			%	%	%	%	%	%	%		
Lens International <i>(notes i)</i>	Hong Kong 5 November 2010	USD 1,437,194,600	100.00	100.00	100.00	【●】	—	—	—	【●】	Trade and investment
Lens Technology (Kunshan) <i>(note ii)</i>	The PRC 31 December 2006	USD 25,000,000	75.00	75.00	75.00	【●】	25.00	25.00	25.00	【●】	Manufacturing and sales of consumer electronics
Lens One Technology (Shenzhen) Company Limited 藍思旺科技(深圳)有限公司 <i>(note ii)</i>	The PRC 19 April 2006	HK\$ 120,000,000	75.00	75.00	75.00	【●】	25.00	25.00	25.00	【●】	Manufacturing and sales of consumer electronics
Lens Shenzhen <i>(note ii)</i>	The PRC 18 September 2003	RMB 50,000,000	—	—	—	【●】	100.00	100.00	100.00	【●】	Sales of products and research and development
Lens Changsha <i>(note ii)</i>	The PRC 26 January 2011	USD 3,103,032,466	75.00	75.00	84.34	【●】	25.00	25.00	15.66	【●】	R&D, production and sales of window protection screens smart wearables and smart vehicle cockpits
Lens Hualian <i>(note ii)</i>	The PRC 13 June 2012	RMB 20,000,000	—	—	—	【●】	51.00	51.00	51.00	【●】	Manufacturing and Sales of consumer electronics
Lens Xiangtan <i>(note ii)</i>	The PRC 23 July 2012	RMB 3,464,852,719	61.79	61.79	57.33	【●】	38.21	38.21	42.67	【●】	R&D, production, assembly and sales of electronic products and spare parts business
Lens Technology, Inc. <i>(note iv)</i>	U.S 9 January 2015	USD 1,000,000	—	—	—	【●】	100.00	100.00	100.00	【●】	Trading
Lens Intelligent Robot <i>(note ii)</i>	The PRC 22 July 2016	RMB 100,000,000	60.00	60.00	60.00	【●】	—	—	—	【●】	R&D of intelligent equipment and robot
Lens One Technology (Dong Guan) <i>(note ii)</i>	The PRC 16 January 2012	USD 60,000,000	—	—	—	【●】	100.00	100.00	100.00	【●】	Manufacturing and sales of consumer electronics
Lens Dongguan <i>(note ii)</i>	The PRC 6 July 2010	RMB 3,225,987,115	100.00	100.00	100.00	【●】	—	—	—	【●】	R&D, production and sales of window protection screens
Lens Precision (Dongguan) <i>(note ii)</i>	The PRC 24 February 2017	RMB 1,060,666,700	100.00	100.00	100.00	【●】	—	—	—	【●】	Manufacturing and sales of consumer electronics
Lens Intelligent Control <i>(note ii)</i>	The PRC 18 March 2017	RMB 826,112,640	75.00	38.34	33.24	【●】	25.00	61.66	66.76	【●】	Manufacture of electronic components

APPENDIX I

ACCOUNTANTS’ REPORT

Name of subsidiaries	Place of incorporation/ registration and operation	Registered capital	Proportion of effective ownership interest held by Company								Principal activities
			Directly				Indirectly				
			At 31 December			Date of report	At 31 December			Date of report	
			2022	2023	2024		2022	2023	2024		
			%	%	%	%	%	%	%		
Lens Viet Nam (<i>note iii</i>)	VIET NAM 12 June 2017	USD 350,000,000	—	—	—	【●】	100.00	100.00	100.00	【●】	Production of electronic components and maintenance of electronic and optical equipment
Liuyang Panzhi (<i>note ii</i>)	The PRC 28 October 2018	RMB 8,000,000	100.00	100.00	100.00	【●】	—	—	—	【●】	Business service industry
Changsha Lens New Material (<i>note ii</i>)	The PRC 10 October 2018	RMB 100,000,000	100.00	100.00	100.00	【●】	—	—	—	【●】	Sales of consumer electronics
Lens System Integration (<i>note ii</i>)	The PRC 22 March 2019	RMB 110,116,718	100.00	100.00	100.00	【●】	—	—	—	【●】	Provision of information system R&D and integration services, including the industrial Internet
Changsha Yong'an New Materials (<i>note ii</i>)	The PRC 25 September 2019	RMB 10,000,000	51.00	51.00	51.00	【●】	—	—	—	【●】	Sales of consumer electronics
Lens Taizhou (<i>note ii</i>)	The PRC 3 May 2016	RMB 4,611,397,559	—	—	2.17	【●】	100.00	100.00	97.83	【●】	R&D, manufacture and sales of aluminum, magnesium and other new alloy materials for mid-frames and related components of consumer electronics
Hunan Lens New Energy Company Limited 湖南藍思新能源有限公司 (<i>note ii</i>)	The PRC 28 October 2021	RMB 1,000,000,000	100.00	100.00	100.00	【●】	—	—	—	【●】	Sales of consumer electronics
Shenzhen Lens Wang (<i>note ii</i>)	The PRC 17 June 2022	RMB 100,000,000	—	—	—	【●】	100.00	100.00	100.00	【●】	Supply chain management
Shenzhen Lens System (<i>note ii</i>)	The PRC 5 May 2022	RMB 5,000,000	—	—	—	【●】	100.00	100.00	100.00	【●】	Sales of consumer electronics
Shenzhen Lens Intelligent Manufacturing Technology Company Limited 深圳藍思智造科技有限公司 (<i>note ii</i>)	The PRC 26 April 2022	RMB 2,000,000	—	—	—	【●】	100.00	100.00	100.00	【●】	Sales of consumer electronics
Shenzhen Lens Intelligence Robot (<i>note ii</i>)	The PRC 18 August 2022	RMB 100,000,000	—	—	—	【●】	100.00	100.00	100.00	【●】	Sales of consumer electronics
MOSS TECHNOLOGY, S.A.DE C.V. (<i>note iv</i>)	Mexico 4 May 2022	MXN 50,000	—	—	—	【●】	100.00	100.00	100.00	【●】	Sales of consumer electronics
Lens One Technology (Guangxi) Company Limited 藍思旺科技(廣西)有限公司 (<i>note iv</i>)	The PRC 31 May 2022	USD 2,000,000	—	—	—	【●】	100.00	100.00	100.00	【●】	Sales of consumer electronics
Hunan Blue Crystal Photovoltaic (<i>note ii</i>)	The PRC 10 April 2023	RMB 50,000,000	—	—	—	【●】	N/A	100.00	100.00	【●】	Sales of consumer electronics
LENS Technology Japan Co., Ltd (<i>notes iv & v</i>)	Japan 26 September 2022	JPY 88,880,000	—	—	—	【●】	N/A	100.00	100.00	【●】	Sales of consumer electronics
Fortiter Technology Pte Ltd	Singapore 18 April 2024	SGD10,000	—	—	—	【●】	N/A	N/A	100.00	【●】	Sales of consumer electronics
Fortiter Technology	Thailand 28 May 2024	THB 505,000,000	—	—	—	【●】	N/A	N/A	98.06	【●】	Sales of consumer electronics

* *For identification purpose only*

Notes:

- (i) [The statutory financial statements of this subsidiary for the years ended 31 December 2022 and 2023 were prepared in accordance with HKFRS Accounting Standards and were audited by [Morison Heng CPA Limited, certified public accountants registered in the Hong Kong]. [At the date of this report, the statutory financial statements of this subsidiary for the year ended 31 December 2024 are not yet issued.]

APPENDIX I

ACCOUNTANTS’ REPORT

- (ii) [The statutory financial statements of the subsidiaries for the years ended 31 December 2022 and 2023 were prepared in accordance with the relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by [Pan-China Certified Public Accountants LLP (天健會計師事務所(特殊普通合夥))], certified public accountants registered in the PRC.] [At the date of this report, the statutory financial statements of these entities for the year ended 31 December 2024 are not yet issued.]
- (iii) The statutory financial statements of this subsidiary for the years ended [31 December 2022 and 2023] were prepared in accordance with relevant accounting principles generally accepted in the Vietnam were audited by Ernst & Young. [At the date of this report, the statutory financial statements of this subsidiary for the year ended 31 December 2024 are not yet issued.]
- (iv) No statutory financial statements have been prepared for these entities since the date of incorporation as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation.
- (v) This subsidiary was acquired in 2023.

All the subsidiaries of the Company are limited liability companies. All subsidiaries have adopted 31 December, as their financial year end date.

None of the subsidiaries had issued any debt securities during the Track Record Period.

The directors of the Company considered that carrying amounts of non-controlling interests as at 31 December 2022, 2023 and 2024 is individually insignificant to the Group and no detailed financial information of non-wholly owned subsidiaries is disclosed.

45. EVENT AFTER THE END OF THE REPORTING PERIOD

[Other than those disclosed elsewhere in the Historical Financial Information, the Group has no other significant event after the end of the Track Record Period.]

46. SUBSEQUENT FINANCIAL STATEMENTS

[No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2024.]

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX III

SUMMARY OF THE ARTICLES OF ASSOCIATION

This Appendix mainly provides investors with an overview of the Articles of Association. As the following information is in summary form, it does not contain all the information that may be important to investors.

SHARE ISSUES

The shares of the Company shall be issued in an open, fair and equal manner. Each share of the same class shall rank *pari passu* with each other. Shares of a class in each issuance shall be issued under the same terms and at the same price. Each of the shares shall be subscribed for at the same price by subscribers.

INCREASE, DECREASE AND REPURCHASE OF SHARES

According to the operation and development needs of the Company, subject to the laws and regulations, the Company may increase the capital by the following ways upon approval of separate resolutions at the general meeting:

- (i) issuing shares to unspecified parties;
- (ii) issuing shares to specific targets;
- (iii) distribution of bonus shares to existing shareholders;
- (iv) converting the reserve funds into share capital;
- (v) other means approved by the laws, administrative regulations or approved by the CSRC or other securities regulatory authorities of the place where the shares of the Company are listed.

Our Company may decrease our registered share capital and shall comply with the procedures stipulated in the Company Law of the People’s Republic of China (“Company Law”) and other relevant regulations as well as the Articles of Association.

REPURCHASE OF SHARES

The Company shall not acquire its own shares, except in any of the following circumstances:

- (i) to reduce the registered capital of the Company;
- (ii) to merger with other companies holding shares in the Company;
- (iii) to use shares for employee shareholding schemes or as equity incentives;
- (iv) to acquire the shares of shareholders (upon their request) who vote against any resolution adopted at any general meetings regarding the merger or division of the Company;
- (v) to use the shares to satisfy the conversion of the convertible corporate bonds into shares issued by the Company;

APPENDIX III

SUMMARY OF THE ARTICLES OF ASSOCIATION

(vi) to safeguard corporate value and shareholders’ interests as the Company deems necessary.

Where the Company acquires its shares under the circumstances prescribed in items (iii), (v) or (vi) as set out above, such acquisition shall be conducted through public centralized trading.

Where the Company acquires its shares under the circumstances prescribed in items (i) and (ii) as set out above, such acquisition shall be resolved at a general meeting. Where the Company acquires its shares under the circumstances prescribed in items (iii), (v) and (vi) as set out above, such acquisition shall be resolved at a Board meeting attended by at least 2/3 of the directors in accordance with the applicable securities regulatory rules of the place where the shares of the Company are listed.

Where the Company acquires its shares under the circumstances prescribed in item (i) as set out above, such shares shall be cancelled within ten days from the date of acquisition. Where the shares are acquired under the circumstances prescribed in items (ii) and (iv) as set out above, such shares shall be transferred or cancelled within six months. Where the shares are acquired under the circumstances prescribed in items (iii), (v) and (vi) as set out above, the total number of the shares held by the Company shall not exceed 10% of the total issued shares, and such shares shall be transferred or cancelled within three years. If there are other provisions in the laws, regulations and the securities regulatory rules of the place where the shares of the Company are listed on matters relating to the share repurchases, such provisions shall prevail.

TRANSFER OF SHARES

Shares of the Company shall be transferred in accordance with the laws.

The Directors, Supervisors and senior management of the Company shall notify the Company of their holdings of shares in the Company and the changes therein. The shares transferrable by them during each year of their tenures as determined at the time of appointment shall not exceed 25% of their total holdings of shares of the same class in the Company. The shares in the Company held by them shall not be transferred within one year from the date on which the Company’s shares are listed for trading. The shares in the Company held by them shall not be transferred within half a year from their departure from the Company. In the event that the securities regulatory rules of the place where the shares of the Company are listed provide otherwise in respect of the restrictions on the transfer, such rules shall prevail.

When shareholders holding more than 5% of the shares, Directors, Supervisors and senior management officers of the Company sell their shares or other equity securities within six months from the acquisition of such shares, or purchase shares within six months from the disposal of such shares, the resulting gains are owned by the Company and the Board of Directors of the Company shall recover its resulting gains. However, the disposal of such shares by securities companies holding more than 5% of the shares as a result of the outstanding shares acquired under underwriting, and other circumstances stipulated by the CSRC are excluded. If there are other securities regulatory rules of the place where the shares of the Company are listed, those regulations shall prevail.

APPENDIX III

SUMMARY OF THE ARTICLES OF ASSOCIATION

The shares or other equity securities held by the Directors, Supervisors, senior management officers and natural person shareholders referred to in the preceding paragraph shall include the shares or other equity securities held by their spouse, parents, children, and those held through the accounts of others.

Shareholders may require the Board of Directors of the Company to comply with the above requirement within 30 days if the Board of Directors fails to do so. In the event that the Board of Directors of the Company fails to rectify the situation within the said timeline, shareholders may file a legal action to the people’s court in their own name for safeguarding the interests of the Company. If the Board of Directors of the Company fails to comply with the above requirement, relevant responsible Directors shall bear joint liability pursuant to the laws.

SHAREHOLDERS AND GENERAL MEETINGS

Shareholders

The Company shall set up a register of shareholders based on the certificates provided by the securities registration agency. The register of shareholders shall be sufficient evidence proving the holding of the shares of the Company by a shareholder. A shareholder shall enjoy rights and assume obligations as per the class of the shares held by them. Shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

The original register of shareholders of H shares [REDACTED] in Hong Kong shall be kept in Hong Kong and made available for inspection by shareholders, but the Company may suspend the registration of shareholders in accordance with the applicable laws and regulations and the securities regulatory rules of the place where the shares of the Company are listed. Any person who is a shareholder registered on the register of shareholders of H shares or who requests his/her/its name be entered in the register of shareholders of H shares may, if his/her/its share certificate relating to the shares is lost, apply to the Company for a replacement share certificate in respect of such shares. Application by a holder of overseas listed shares, who has lost his/her/its share certificate, for a replacement share certificate may be dealt with in accordance with the law of the place where the original register of shareholders of overseas listed shares is maintained, the rules of the stock exchange or other relevant regulations.

Shareholders of the Company shall enjoy the following rights:

- (i) to receive dividends and other distributions in proportion to the number of shares held;
- (ii) To request, convene, hold, participate or send proxy to attend general meetings and exercise corresponding rights to speak and vote in accordance with the law;
- (iii) To monitor, make suggestions on or question the Company’s operation;
- (iv) To transfer, donate or pledge shares in his/her/its possession in accordance with the law, administrative regulations, and provisions of the Articles of Association;

APPENDIX III

SUMMARY OF THE ARTICLES OF ASSOCIATION

- (v) to inspect and duplicate the Articles of Association, the register of shareholders, minutes of general meetings, resolutions of the meetings of the Board of Directors, resolutions of the meetings of the Supervisory Committee, and financial and accounting reports. Shareholders who meet the requirements may inspect the Company’s accounting books and certificates;
- (vi) in the event of the termination or liquidation of the Company, to participate in the distribution of remaining assets of the Company in proportion to the number of shares held;
- (vii) the shareholders disagreeing with the merger or separation resolution made by the general meeting are entitled to ask the Company to acquire their shares;
- (viii) other rights conferred by laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

Shareholders demanding inspection or duplication of the relevant information or copies of the materials mentioned in the preceding provision shall provide the Company with written documents evidencing the class and number of shares of the Company they hold. Upon verification of the shareholder’s identity, the Company shall provide such information at the shareholder’s request in accordance with the Company Law, the Securities Law of the People’s Republic of China (“Securities Law”), and other relevant laws, administrative regulations, and the Articles of Association..

If a resolution passed at the Company’s general meeting or the Board meeting violates laws or administrative regulations, shareholders have the right to institute proceedings before a people’s court to render the resolution invalid. If the procedures for convening, or the method of voting at, a general meeting or a Board meeting violate laws, administrative regulations or the Articles of Association, or a resolution violates the Articles of Association, shareholders are entitled to institute proceedings before a people’s court to rescind such resolution within 60 days of the adoption of such resolution, unless the procedures for convening, or the method of voting at, a general meeting or a Board meeting only contains a minor defect without a substantial impact on the resolution.

In the event of any loss caused to our Company as a result of violation of any laws, administrative regulations or Articles of Association by the Directors or senior management when performing their duties in our Company, the Shareholders holding more than 1% shares separately or jointly for over 180 consecutive days may submit a written request to the Board of Supervisors to file an action with the people’s court. Where supervisors violate laws, administrative regulations or the Articles of Association in their duty performance and cause loss to our Company, the Shareholders may submit a written request to the Board of Directors to file an action with the people’s court.

APPENDIX III

SUMMARY OF THE ARTICLES OF ASSOCIATION

In the event that the Board of Supervisors or the Board of Directors refuse to file an action upon receipt of the Shareholders’ written request specified in the preceding paragraph, or fail to file an action within 30 days upon receipt thereof, or in the event that the failure to immediately file an action in an emergency case will cause irreparable damage to the interests of our Company, the Shareholder(s) specified in the preceding paragraph may, in their own name, directly file an action to the court for the interest of our Company.

In the event of a director or senior management person violates laws, administrative regulations or our Company’s Articles of Association, thereby damaging the interests of the Shareholder(s), the Shareholders holding more than 1% shares separately or jointly for over 180 consecutive days may file an action with the court.

In the event of a director or senior management person violates laws, administrative regulations or our Company’s Articles of Association, thereby damaging the interests of the Shareholder(s), the Shareholder(s) may file an action with the court.

The obligations of Shareholders are as follows:

- (i) To abide by laws, administrative regulations and the Articles of Association;
- (ii) To provide Share capital according to the Shares subscribed for and Share participation methods;
- (iii) Not to return Shares unless prescribed otherwise in laws and administrative regulations;
- (iv) Not to abuse Shareholders’ rights to infringe upon the interests of the Company or other Shareholders; not to abuse the Company’s status as an independent legal entity or the limited liability of Shareholders to damage the interests of the Company’s creditors;
- (v) To perform other duties prescribed in laws, administrative regulations, securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

Any Shareholder who abuses Shareholders’ rights and causes the Company or other Shareholders to suffer a loss shall be liable for making compensation in accordance with the law. Any Shareholder who abuses the status of the Company as an independent legal entity or the limited liability of Shareholders to evade debts and seriously damages the interests of the Company’s creditors shall assume joint and several liability for the Company’s debts.

CONTROLLING SHAREHOLDERS AND ACTUAL CONTROLLERS

Controlling shareholders and actual controllers of the Company shall comply with the following provisions:

- (i) to exercise their rights as shareholders in accordance with the law and not abuse their control or use their affiliation to prejudice the legitimate interests of the Company or other shareholders;

APPENDIX III

SUMMARY OF THE ARTICLES OF ASSOCIATION

- (ii) to strictly implement the public statements and undertakings made and shall not change or waive them;
- (iii) to fulfil information disclosure obligations in strict accordance with the relevant regulations, to proactively cooperate with the Company in information disclosure and to inform the Company in a timely manner of material events that have occurred or are proposed to occur;
- (iv) not to appropriate the Company’s funds in any way;
- (v) not to order, instruct or request the Company and relevant personnel to provide guarantees in violation of laws and regulations;
- (vi) not to make use of the Company’s undisclosed material information to gain benefits, not to disclose in any way undisclosed material information relating to the Company, and not to engage in insider trading, short-swing trading, market manipulation and other illegal and unlawful acts;
- (vii) not to prejudice the legitimate rights and interests of the Company and other shareholders through unfair related transactions, profit distribution, asset restructuring, foreign investment or any other means;
- (viii) to ensure the integrity of the Company’s assets, and the independence of personnel, finance, organisation and business, and not to affect the independence of the Company in any way;
- (ix) other provisions of laws, administrative regulations, the CSRC, the stock exchange and the Articles of Association. Where a controlling shareholder or actual controller of the Company does not act as a director of the Company but actually carries out the affairs of the Company, the provisions of the Articles of Association relating to the duties of loyalty and diligence of directors shall apply.

Where a controlling shareholder or actual controller of the Company instructs a director or senior management to engage in an act that is detrimental to the interests of the Company or the shareholders, he/she shall be jointly and severally liable with such director or senior management.

GENERAL RULES OF THE GENERAL MEETING

The General Meeting is the organ of authority of the Company, and shall exercise the following functions and powers in accordance with the law:

- (i) to elect and replace directors and supervisors who are not employee representatives, and to decide on matters relating to the remuneration of directors and supervisors;
- (ii) to consider and approve the reports of the Board;
- (iii) to consider and approve the report of the Board of Supervisors;

APPENDIX III**SUMMARY OF THE ARTICLES OF ASSOCIATION**

- (iv) to consider and approve the Company’s profit distribution plans and loss recovery plans;
- (v) to resolve on the increase or reduction of the registered capital of the Company;
- (vi) to resolve on the issue of securities or bonds of the Company;
- (vii) to resolve on the merger, division, dissolution, liquidation or change of corporate form of the Company;
- (viii) to amend the Articles of Association;
- (ix) to resolve on the appointment and dismissal of the accounting firm that undertakes the auditing activities of the Company;
- (x) to consider and approve the guarantee matters stipulated in Article 47 of the Articles of Association;
- (xi) to consider the purchase or disposal of material assets within one year with an amount exceeding 30% of the latest audited total assets of the Company;
- (xii) to consider and approve the change in use of proceeds;
- (xiii) to consider share incentive schemes and employee share ownership schemes;
- (xiv) to consider any related party transactions (excluding the receipt by the Company of cash assets, and provision of guarantee by the Company) between the Company and related parties, whose amount is more than RMB30 million and accounts for more than 5% of the absolute value of the latest audited net assets of the Company, related party transactions between the Company and the Company’s directors, supervisors, senior managers and their spouses, and related party transactions with provision of guarantee to the related parties by the Company;
- (xv) to resolve on the purchase of shares of the Company under the circumstances specified in Article 25, items (1) and (2) of the Articles of Association;
- (xvi) to consider other matters required by laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the shares of the Company are listed or the Articles of Association to be decided by the General Meeting.

The General Meeting may authorize the Board of Directors to make a resolution on the issuance of bonds of the Company. Unless otherwise stipulated in the laws, administrative regulations, and departmental rules, the aforesaid functions and powers of the General Meeting shall not be exercised by the Board of Directors or other bodies and individuals through any form of authorization.

APPENDIX III**SUMMARY OF THE ARTICLES OF ASSOCIATION**

The following acts of the Company’s external guarantees shall be considered and approved by the General Meeting:

- (i) any guarantee to be provided after the total amount of external guarantees provided by the Company or the subsidiaries it controls has exceeded 50% of its latest audited net assets;
- (ii) any guarantee to be provided after the total amount of external guarantees provided by the Company has exceeded 30% of its latest audited total assets;
- (iii) the total amount of guarantees within one year exceeds 30% of the latest audited total assets of the Company;
- (iv) any guarantee provided to any guaranteed party with assets-liabilities ratio exceeding 70%;
- (v) any single guarantee exceeding 10% of the latest audited net assets;
- (vi) any guarantees to be provided for shareholders, actual controllers and their related parties;
- (vii) other guarantees that shall be considered by the General Meeting as required by laws, administrative rules and regulations, securities regulatory rules of the place where the shares of the Company are listed or other regulatory documents.

The General Meetings are classified into annual general meetings and extraordinary general meetings. The annual general meeting shall be convened once a year and be held within six months of the end of the previous fiscal year.

In any of the following circumstances, the Company shall convene an extraordinary general meeting within two months from the date of the occurrence of the circumstance:

- (i) when the number of directors falls short of the statutory number specified in the Company Law or is less than two-thirds of the number specified in the Articles of Association;
- (ii) when the unrecovered losses of the Company amount to one-third of the total share capital;
- (iii) when shareholders individually or together holding 10% or more of the shares of the Company request to hold such a meeting;
- (iv) when the Board of Directors deems it necessary;
- (v) when the Board of Supervisors proposes to hold such a meeting;
- (vi) other circumstances as stipulated by laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the shares of the Company are listed or the Articles of Association.

APPENDIX III

SUMMARY OF THE ARTICLES OF ASSOCIATION

In the event that an extraordinary general meeting is convened at the request of the securities regulatory rules of the place where the shares of the Company are listed, the effective date of the extraordinary general meeting may be adjusted in accordance with the clearance progress of the stock exchange where the Company’s shares are listed.

CONVENING OF GENERAL MEETINGS

The Board of Directors shall convene the general meeting on time within the specified period as stipulated in the Articles of Association. Subject to the consent of more than half of all the independent directors, the independent directors have the right to propose to the Board of Directors to convene an extraordinary general meeting. With regard to the proposal made by the independent directors for convening an extraordinary general meeting, the Board of Directors shall, in accordance with the laws, administrative regulations and the Articles of Association, provide a written response indicating whether it agree or disagree to convene the extraordinary general meeting within 10 days upon receipt of the proposal. Where the Board of Directors agrees to convene the general meeting, a notice of convening such meeting shall be issued within 5 days after the resolution of the Board of Directors is made. Where the Board of Directors does not agree to convene the extraordinary general meeting, it shall provide reasons and make an announcement.

The Supervisory Committee is entitled to propose to the Board of Directors to convene an extraordinary general meeting and such proposal shall be made in writing to the Board of Directors. The Board of Directors shall, in accordance with laws, administrative regulations and the Articles of Association, give a written reply on whether or not it agrees to convene the extraordinary general meeting within 10 days upon receipt of the proposal. Where the Board of Directors agrees to convene the general meeting, a notice of convening such meeting shall be issued within 5 days after the resolution of the Board of Directors is made. Any change to the original proposal in the notice shall be subject to the approval of the Supervisory Committee. Where the Board of Directors does not agree to convene the extraordinary general meeting or fails to reply within 10 days after receipt of the proposal, it shall be deemed to be unable to perform or fail to perform the duty of convening the general meeting, and the Supervisory Committee may convene and preside over the meeting by itself.

Shareholders who individually or jointly hold more than 10% of the Company’s shares are entitled to request the Board of Directors to convene an extraordinary general meeting and such requisition shall be made in writing to the Board of Directors. The Board of Directors shall, in accordance with laws, administrative regulations and the Articles of Association, give a written reply on whether or not it agrees to convene the extraordinary general meeting within 10 days upon receipt of the requisition.

Where the Board of Directors agrees to convene the general meeting, a notice of convening such meeting shall be issued within 5 days after the resolution of the Board of Directors is made. Any change to the original requisition in the notice shall be subject to the approval of relevant shareholders. Where the Board of Directors does not agree to convene the extraordinary general meeting or fails to reply within 10 days after receipt of the requisition, shareholders who

APPENDIX III

SUMMARY OF THE ARTICLES OF ASSOCIATION

individually or jointly hold more than 10% of the Company’s shares shall have the right to propose the Supervisory Committee to convene the extraordinary general meeting and such requisition shall be made in writing to the Supervisory Committee.

Where the Supervisory Committee agrees to convene the general meeting, a notice of convening such meeting shall be issued within 5 days after receipt of the requisition. Any change to the original requisition in the notice shall be subject to the approval of relevant shareholders. If the Supervisory Committee fails to issue the notice of the meeting within the specified period, it shall be deemed that the Supervisory Committee does not convene and preside over the general meeting. Shareholders who individually or jointly hold more than 10% of the Company’s shares for more than 90 consecutive days may convene and preside over the general meeting by themselves.

If the general meeting is convened by the Supervisory Committee or shareholders on their own, it shall notify the Board of Directors in writing and file a record with the Shenzhen Stock Exchange at the same time. Before the announcement of the resolution of the general meeting, the shareholding of shareholders who convene the meeting shall not be less than 10%. The Supervisory Committee or the shareholders who convene the meeting shall submit the relevant evidentiary materials to the Shenzhen Stock Exchange when issuing the notice of the general meeting and the announcement of the resolution of the general meeting.

Where the Supervisory Committee or the shareholders convene a general meeting on their own, the necessary expenses incurred thereof shall be borne by the Company.

PROPOSALS AND NOTICES OF GENERAL MEETING

When the Company convenes a general meeting, the Board of Directors, the Supervisory Committee and shareholders who individually or jointly hold more than 1% of the Company’s shares shall be entitled to put forward proposals to the Company.

Shareholders who individually or jointly hold more than 1% of the Company’s shares may submit provisional proposals in writing to the convener 10 days prior to the convening of the general meeting. The convener shall issue a supplementary notice of the general meeting within 2 days upon receipt of the proposals to announce the contents of the provisional proposal and submit the provisional proposals to the general meeting for consideration, however, except for the provisional proposals that violates the requirements of the laws, administrative regulations or the Articles of Association, or are not within the terms of reference of the general meeting. If the general meeting needs to be postponed due to the issuance of a supplementary notice of the shareholders’ meeting according to the securities regulatory rules of the place where the shares of the Company are listed, the convening of the general meeting shall be postponed according to the securities regulatory rules of the place where the shares of the Company are listed.

Except as provided in the preceding paragraph, the convener shall not change the proposals set out in the notice of the general meeting or add any new proposal after the said notice is served.

Proposals not set out in the notice of the general meeting or not complying with the Articles of Association shall not be voted on or resolved at the general meeting.

APPENDIX III

SUMMARY OF THE ARTICLES OF ASSOCIATION

The convener shall notify all shareholders by announcement at least 21 days prior to the convention of an annual general meeting, or at least 15 days prior to the convention of an extraordinary general meeting. The Company shall not include the date of convention of meeting into the calculation of starting and ending time.

Notice of the general meeting shall contain:

- (i) the date, venue and duration of the meeting;
- (ii) matters and proposals submitted for consideration at the meeting;
- (iii) a clear statement that: each shareholder is entitled to attend the general meeting in person, or appoint one or more proxies who need not be shareholders of the Company, to attend and vote on his/its behalf;
- (iv) the date of record for the determination of shareholders who are entitled to attend the general meeting;
- (v) name and telephone number of permanent contact person;
- (vi) contain a disclosure of the nature and extent, if any, of material interests of any Director, Supervisor, or any senior management personnel in the matters to be discussed and the effect of the matters to be discussed on them in their capacity as shareholders so far as it is different from the effect on the interest of shareholders of the same class;
- (vii) time and procedures for voting online or by other means.

HOLDING OF GENERAL MEETINGS

All shareholders whose names appear on the register of members on the record date or their proxies are entitled to attend the general meeting and exercise their voting rights in accordance with the relevant laws, regulations and the Articles of Association, unless individual shareholders are required to abstain voting from individual matter as stipulated by the securities regulatory rules of the place where the shares of the Company are listed.

Shareholders may attend a general meeting in person, or may appoint a proxy to attend and vote on his/her behalf.

An individual shareholder that attends the meeting in person shall produce his or her own identity card or other valid documents or proof evidencing his or her identity. If he or she appoints a proxy to attend the meeting on his or her behalf, the proxy shall produce his or her own valid proof of identity and the power of attorney issued by the shareholder.

Shareholder who is a corporation shall attend and vote at a meeting by its legal representative or a proxy appointed by the legal representative. If the legal representative attends the meeting, he or she shall produce his or her own identity card and a valid proof of his or her legal representative status. If a proxy has been appointed to attend the meeting, such proxy shall present his or her own identity card and the power of attorney issued by the legal representative of the shareholder as a

APPENDIX III

SUMMARY OF THE ARTICLES OF ASSOCIATION

corporation, except for shareholder who is a recognized clearing house and its nominees as defined in the relevant ordinances in force from time to time under the laws of Hong Kong or the securities regulatory rules of the place where the shares of the Company are listed. If such corporate shareholder has appointed a proxy to attend the meeting in accordance with the provisions of the Articles of Association, it shall be deemed to be present in person.

If the shareholder is a recognized clearing house, it may authorize one or more persons it deems fit to act as its representative at any general meeting or any meeting of creditors; however, if more than one person is so authorized, the power of attorney shall specify the number and class of shares in respect of which each such person is so authorized. A person so authorized may exercise rights on behalf of the recognized clearing house (or its nominees) (no shareholding voucher, notarized authorization and/or further evidence of the duly authorization is required), as if such person is an individual shareholder of the Company.

VOTING AND RESOLUTIONS AT GENERAL MEETINGS

Resolutions of the general meeting include ordinary resolutions and special resolutions. An ordinary resolution at a general meeting shall be passed by one half or above of the voting rights held by shareholders (including their proxies) attending and entitled to vote at the general meeting. A special resolution at a general meeting shall be passed by two-thirds or above of the voting rights held by shareholders (including their proxies) attending and entitled to vote at the general meeting.

The following matters shall be resolved by an ordinary resolution at a general meeting:

- (i) work reports of the Board and the supervisory committee;
- (ii) plans formulated by the Board for the distribution of profits and for making up losses;
- (iii) appointment and removal of the members of the Board and the supervisory committee, their remunerations and methods of payment;
- (iv) matters other than those required by the laws and administrative regulations and the securities regulatory rules of the place(s) where the shares of the Company are listed or by the Articles of Association to be adopted by special resolution.

The following matters shall be resolved by a special resolution at a general meeting:

- (i) the increase or reduction of share capital of the Company;
- (ii) the split, spin-off, merger, dissolution and liquidation (including voluntary winding-up) of the Company;
- (iii) amendments to the Articles of Association;
- (iv) the acquisition or disposal of major assets or guarantees within one year reaches or exceeds 30% of the Company’s latest audited total assets;
- (v) equity incentive plan;

APPENDIX III

SUMMARY OF THE ARTICLES OF ASSOCIATION

- (vi) adjustments or amendments to the cash dividend policy;
- (vii) consider and approval of the resolution on repurchase of the Company’s share under the circumstances stipulated in Article 25(1) and (2) of the Articles of Association;
- (viii) any other matters as required by the laws, administrative regulations, the securities regulatory rules of the place where the shares of the Company are listed or the Articles of Association, and any other matters considered by the general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the Company and should be adopted by a special resolution.

A shareholder (including proxy) may exercise voting rights in accordance with the number of shares carrying the right to vote and each share shall have one vote.

When significant matters affecting the interests of the minority shareholders are considered at the general meeting, the votes cast by minority investors shall be counted separately. The results of separate counting shall be disclosed to the public in a timely manner.

The shares held by the Company have no voting rights, and that part of the shareholding shall not be counted as the total number of shares with voting rights held by shareholders attending the meeting.

If a shareholder purchases voting shares of the Company in violation of the provisions of Article 63(1) and (2) of the Securities Law, the voting rights of such shares in excess of the prescribed proportion shall not be exercised for a period of thirty-six months after the purchase and shall not be counted as part of the total number of voting shares present at the general meeting.

The Board of the Company, independent directors, shareholders holding more than 1% of the shares carrying voting rights or investor protection agencies established in accordance with laws, administrative regulations or requirements of the CSRC may publicly solicit shareholders’ voting rights. The specific voting intentions and other information shall be fully disclosed to the persons whose voting rights are being solicited when soliciting shareholders’ voting rights. It is forbidden to solicit shareholders’ voting rights with compensation or compensation in disguised form. The Company shall not impose a minimum shareholding proportion limit on the solicitation of voting rights except for statutory conditions.

DIRECTORS AND THE BOARD OF DIRECTORS

General provisions in relation to directors

A director of the Company who is a natural person shall not act as the director of the Company under any of the following circumstances:

- (i) lacking or having limited capacity to engage in civil juristic acts;
- (ii) having been sentenced to any criminal penalty due to an offense of corruption, bribery, encroachment of property, misappropriation of property or disrupting the economic order of the socialist market; or having ever been deprived of political rights due to any crime,

APPENDIX III

SUMMARY OF THE ARTICLES OF ASSOCIATION

with less than 5 years having elapsed since the completion date of the execution of the penalty, or having been granted probation, with less than 2 years having elapsed since the completion date of the probation period;

- (iii) acting as a director, factory director or general manager of a company or enterprise that has been bankrupt and liquidated, whereby the director is personally liable for the bankruptcy of such company or enterprise, with 3 years having not elapsed since the completion date of the bankruptcy and liquidation of the company or enterprise;
- (iv) acting as the legal representative of a company or enterprise, but the business license of this company or enterprise has been revoked and this company or enterprise has been ordered to close due to a violation of the law, whereby the director is personally liable for the revocation, with 3 years having not elapsed since the revocation date of the business license thereof;
- (v) classified as a dishonest person subject to enforcement due to significant outstanding debts that have become due but have not been paid;
- (vi) prohibited from entering the securities market by the CSRC with the penalty period not yet expired;
- (vii) recognized by stock exchanges as unsuitable for serving as a director, supervisor or senior management officer of a company, with the disciplinary action period not yet expired;
- (viii) other circumstances as stipulated by the laws, administrative regulations, departmental regulation, and other securities regulatory rules of the places where the Company’s shares are listed.

Directors shall comply with laws, administrative regulations, and the articles of association, and owe fiduciary duties to the Company. They shall take measures to avoid conflicts of interest between themselves and the Company, and shall not exploit their positions to seek improper benefits. Directors owe the following fiduciary duties to the Company:

- (i) They shall not misappropriate Company property or embezzle Company funds;
- (ii) They shall not deposit Company funds into accounts opened in their personal names or in the names of other individuals;
- (iii) They shall not solicit or accept bribes or other illegal benefits through their authority;
- (iv) They shall not directly or indirectly enter into contracts or transactions with the Company unless they have reported to the Board of Directors or the General meeting and obtained approval through a resolution of the General meeting or the Board of Directors in accordance with the articles of association;

APPENDIX III

SUMMARY OF THE ARTICLES OF ASSOCIATION

- (v) They shall not exploit their positions to seize business opportunities that rightfully belong to the Company for their own benefit or the benefit of others, except that such opportunities are reported to the Board of Directors or General meeting and approved by a resolution of the General meeting; or the Company is legally, administratively, or under its articles of association unable to pursue such opportunities;
- (vi) They shall not engage in any business competing with the Company, either on their own behalf or for others, unless they have reported to the Board of Directors or General meeting and obtained approval through a resolution of the General meeting;
- (vii) They shall not retain commissions derived from transactions between third parties and the Company;
- (viii) They shall not disclose Company secrets without authorization;
- (ix) They shall not harm the Company’s interests through their affiliated relationships;
- (x) They shall comply with other fiduciary duties stipulated by laws, administrative regulations, departmental rules, and the articles of association.

Any income obtained by Directors in violation of this provision shall be returned to the Company. Directors who cause losses to the Company through such violations shall be liable for compensation.

Any contract or transaction entered into between the Company and immediate family members of Directors, senior management personnel, enterprises directly or indirectly controlled by Directors, senior management personnel, or their immediate family members, and other connected persons affiliated with Directors or senior management personnel, shall be governed by Article 100, Paragraph 2(iv) of the articles of association.

The Directors shall abide by the provisions of laws, administrative regulations and the articles of association, and have a diligent obligation to the Company, and shall perform their duties in the best interests of the Company and with the reasonable care normally due by the management. The Directors have the following diligent obligations to the Company:

- (i) shall exercise prudently, conscientiously and diligently the rights conferred by the Company in order to ensure that the Company’s business activities comply with the requirements of national laws, administrative regulations and various economic policies, and that the business activities do not exceed the scope of business stipulated in the business license;
- (ii) all Shareholders shall be treated fairly;
- (iii) to keep abreast of the business operation and management of the Company;
- (iv) a written confirmation opinion shall be signed on the Company’s periodic reports to ensure that the information disclosed by the Company is true, accurate and complete;

APPENDIX III

SUMMARY OF THE ARTICLES OF ASSOCIATION

- (v) shall truthfully provide the supervisory board with relevant information and information, and shall not hinder the supervisory board or the supervisor from exercising their powers;
- (vi) other diligent obligations under laws, administrative regulations, departmental regulations, the securities regulatory rules of the place where the shares of the Company are listed and the articles of association.

The Company has established a director resignation management system to clarify the safeguards for unfulfilled public commitments and other outstanding matters. When the resignation of a Director takes effect or the term of office expires, all transfer procedures shall be completed to the board of directors, and the fidelity obligations of the director to the Company and the Shareholders shall not be automatically discharged after the end of the term of office, but shall remain valid for two years after the resignation of the director takes effect or the term of office expires. Its obligation to keep the Company’s trade secrets confidential shall survive the termination of its duties until such time as the secrets become public information. The Directors’ responsibilities in the performance of their duties during their term of office shall not be relieved or terminated by reason of their departure from office.

BOARD OF DIRECTORS

The Board of Directors consists of seven Directors, four of whom are independent Directors.

The Board of Directors exercises the following powers:

- (i) To convene the general General meeting and report on work to the general meeting;
- (ii) Implement the resolutions of the general meeting;
- (iii) Determine the business and investment plans of our Company;
- (iv) Devise the earnings distribution and loss offset plans of our Company;
- (v) Formulate the plans for increasing or decreasing our Company’s registered capital, the issuance of corporate bonds or other securities, as well as the listing of the stock of our Company;
- (vi) Make resolution on the plan for the purchase of shares of our Company in the circumstances specified in Article 25, paragraph 1, item (3), (4) or (5) of the Articles of Association;
- (vii) Formulate plans for major acquisitions of the Company, the buy-back of shares of our Company, corporate merger, separation, dissolution and changing the form of our Company;
- (viii) Determine such matters as the Company’s external investment, purchase or sale of assets, asset pledge, external guarantee, entrusting wealth management, connected transaction and external donation within the scope authorized by the General General meeting;

APPENDIX III

SUMMARY OF THE ARTICLES OF ASSOCIATION

- (ix) Decide on the setup of our Company’s internal management organization;
- (x) To decide on matters such as appointment or dismissal of the Company’s general manager and other senior officers and on their compensation and incentives/disincentives; to decide on matters such as appointment or dismissal of the Company’s vice general manager, chief financial officer and other senior management and on their compensation and incentives/disincentives based on the nominations by the general manager;
- (xi) Set the basic management systems of our Company;
- (xii) Make the modification plan to the Articles of Association;
- (xiii) Manage the disclosure of company information;
- (xiv) Request to the general meeting of shareholders to hire or replace the accounting firm auditing for the company;
- (xv) Attend to the work report of our Company’s general manager and review the work of the general manager;
- (xvi) Other powers and duties authorized by the laws, administrative regulations, regulations of the authorities, other securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

Matters beyond the scope of authorization of the general meeting should be submitted by the Board of Directors to the general meeting for discussion.

If any Director has connection with the enterprise or individual involved in the resolution made at a Board meeting, the said Director shall report to the Board of Directors in writing in a timely manner and shall not vote on the said resolution for himself/herself or on behalf of another Director. The Board meeting may be held when more than half of the non-connected Directors attend the meeting. The resolution of the Board meeting shall be passed by more than half of the non-connected Directors. If the number of non-connected Directors attending the meetings is less than three, the issue shall be submitted to the general meeting for consideration. If there are any additional restrictions on Directors’ participation in and voting at Board meetings in accordance with laws and regulations and the securities regulatory rules of the place where the shares of the Company are listed, such provisions shall prevail.

INDEPENDENT DIRECTORS

The Company establishes a mechanism for special meeting attended solely by independent directors. Related party transactions should be pre-approved by the special meeting of independent directors before being submitted to the Board of Directors for consideration.

The Company shall hold special meetings of independent directors on a regular or ad hoc basis. Matters listed in items (1) to (3) of the paragraph 1 of Article 132 and Article 133 of the Articles of Association shall be considered at a special meeting of independent directors.

APPENDIX III

SUMMARY OF THE ARTICLES OF ASSOCIATION

The special meetings of independent directors may study and discuss other matters of our Company as needed.

The special meetings of independent directors shall be convened and presided over by an independent director jointly elected by a majority of the independent directors; in the event that the convener fails to or is unable to perform his/her duties, two or more independent directors may convene and elect a representative to preside over the meeting on their own.

Minutes of the special meetings of independent directors shall be prepared as required, with the inclusion of the opinions of the independent directors, who shall sign to confirm the minutes of the meetings

The Company shall facilitate and support the convening of special meetings of independent directors.

SPECIAL COMMITTEES OF THE BOARD

The Board of the Company has established an Audit Committee. The Audit Committee consists of three members, who are directors not holding senior management positions in the Company. Among them, there are three independent directors, and shall be convened by an accounting professional among the independent directors.

The Board of the Company has established other special committees such as the Strategy Committee, the Nomination Committee, the Remuneration and Appraisal Committee, etc., which perform their duties in accordance with the Articles and the authorization of the Board. The proposals of the special committees shall be submitted to the Board for review and decision-making. The working procedures of the special committees shall be formulated by the Board.

SENIOR MANAGEMENT MEMBERS

The Company has one general manager, who is appointed or dismissed by the Board. The Company has several deputy general managers, who are appointed or dismissed by the Board. The general manager, deputy general managers, chief financial officer, secretary of the Board and other senior management personnel recognized by the Board of the Company are the senior management members of the Company.

The general manager is responsible to the Board and exercises the following authorities:

- (i) preside over the production, operation and management work of the Company, organize the implementation of the resolutions of the Board, and report the work to the Board;
- (ii) organize the implementation of the Company’s annual business plan and investment plan;
- (iii) draft the Company’s internal management organization setup plan;
- (iv) draft the Company’s basic management system;
- (v) formulate the specific rules and regulations of the Company;

APPENDIX III**SUMMARY OF THE ARTICLES OF ASSOCIATION**

- (vi) propose to the Board the appointment or dismissal of the Company’s deputy general managers and chief financial officer;
- (vii) decide on the appointment or dismissal of management personnel other than those whose appointment or dismissal shall be decided by the Board;
- (viii) other authorities granted by the Articles or the Board.

The general manager shall attend the meetings of the Board as a non-voting participant.

The Company has a secretary of the Board, who is responsible for the preparation of the meetings of the general meeting and the Board of the Company, the custody of documents, the management of the Company’s shareholder information, and handling matters related to information disclosure, etc.

The secretary of the Board shall comply with the relevant provisions of laws, administrative regulations, departmental rules and regulations and the Articles.

SUPERVISORY COMMITTEE**Supervisors**

Directors, the general manager and other senior management personnel shall not concurrently serve as supervisors.

The term of office of a supervisor is three years for each term. Upon the expiration of a supervisor’s term of office, he/she may be re-elected for consecutive terms if re-elected.

Supervisors may attend of the Board meetings as non-voting participants and raise inquiries or suggestions regarding the matters to be resolved by the Board.

SUPERVISORY COMMITTEE

The Company has a Supervisory Committee. The Supervisory Committee is composed of three supervisors, and there is one chairman of the Supervisory Committee. The chairman of the Supervisory Committee is elected by more than half of all the supervisors. The chairman of the Supervisory Committee shall convene and preside over the meetings of the Supervisory Committee; if the chairman of the Supervisory Committee is unable to perform his/her duties or fails to perform his/her duties, one supervisor shall be jointly elected by more than half of the supervisors to convene and preside over the meetings of the Supervisory Committee.

The Supervisory Committee includes two shareholder representatives and one employee representative. The employee representative on the Supervisory Committee shall be democratically elected by the employees of the Company through the Employees’ Representative Meeting, the Employees’ Meeting or other forms.

APPENDIX III

SUMMARY OF THE ARTICLES OF ASSOCIATION

The Supervisory Committee shall exercise the following authorities:

- (i) review the periodic reports of the Company prepared by the Board and issue written review opinions;
- (ii) examine the financial affairs of the Company;
- (iii) supervise the acts of directors and senior management personnel in the performance of their duties for the Company, and propose the removal of directors and senior management personnel who violate laws, administrative regulations, the listing rules of the stock exchange where the Company’s shares are listed, the Articles or the resolutions of the general meeting;
- (iv) require directors and senior management personnel to correct their acts when such acts damage the interests of the Company;
- (v) propose the convening of the EGM, and convene and preside over the general meeting when the Board fails to perform its duties of convening and presiding over the general meeting as stipulated in the Company Law;
- (vi) submit proposals to the general meeting;
- (vii) initiate legal proceedings against directors and senior management personnel in accordance with the provisions of Article 189 of the Company Law;
- (viii) conduct investigations when it discovers abnormal business operations of the Company. When necessary, it may engage professional institutions such as accounting firms and law firms to assist in its work, and the expenses shall be borne by the Company;
- (ix) other authorities granted by laws, administrative regulations, departmental rules and regulations, the listing rules of the stock exchange where the Company’s shares are listed, the Company’s articles of association or the general meeting.

FINANCIAL ACCOUNTING SYSTEM, PROFIT DISTRIBUTION AND AUDIT

Financial and Accounting System

The Company shall submit an annual financial report to the competent authorities of CSRC and the stock exchange within 4 months after the end of each fiscal year, submit and disclose its interim report to the competent authorities of CSRC and the stock exchange within 2 months after the end of the first half of each accounting year.

The above-mentioned annual report and interim report are prepared in accordance with relevant laws, administrative regulations and the provisions of the CSRC and the stock exchange, and the securities regulatory rules of the place where the shares of the Company are listed.

The Company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

APPENDIX III

SUMMARY OF THE ARTICLES OF ASSOCIATION

When distributing profits after taxation of the year, the Company shall set aside 10% of its profits for the Company’s statutory reserve until the fund has reached 50% or more of the Company’s registered capital

When the Company’s statutory reserve is not sufficient to make up for the Company’s losses for the previous years, the profits of the current year shall first be used to cover the losses before any allocation is set aside for the statutory reserve pursuant to the preceding provision

After making allocations to the statutory reserve from its profits after taxation, the Company may, upon passing a resolution at a general meeting, make further allocations from its profits after taxation to the discretionary reserve

After the Company covers its losses and makes allocations to its reserve, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the Articles of Association

If the general meeting resolves to distribute any profits to the shareholders in violation of the Company Law, the shareholders shall return such profits distributed to the Company, and if any losses are caused thereby to the Company, the shareholders, as well as any directors, and senior officers responsible for the violation, shall be liable for compensation

The Company shall not distribute any profits in respect of the shares held by it.

The Company is required to appoint one or more receiving agent(s) in Hong Kong for shareholders of H shares. The receiving agent(s) shall receive and hold on behalf of such shareholders of H shares any dividends allocated to H shares and other amounts payable by the Company, and transmit such payments to such shareholders of H shares. The receiving agent(s) appointed by the Company shall satisfy the requirements under the laws and regulations and the securities regulatory rules of the place where the shares of the Company are listed.

The provident fund of the Company is appropriated for purpose of making up the losses or expanding production and operation of the Company or being capitalized.

When using the Company’s reserves to cover its losses, any discretionary reserve and statutory reserve balances shall first be used to cover such losses; if there is still a shortfall, the capital reserve may be used in accordance with regulations.

In any capitalization of the statutory provident fund, the remaining statutory provident fund shall not be less than twenty-five percent (25%) of the Company’s registered capital immediately prior to such capital increase through provident fund transfer

After the shareholders make a decision for distribution of profits in general meeting, or after the Board of Directors formulates a specific plan in accordance with the conditions and upper limit of the interim dividend for the next year that approved by the annual general meeting of shareholders, the Board of Directors must finish distributing the dividends (or shares) within two months.

APPENDIX III

SUMMARY OF THE ARTICLES OF ASSOCIATION

INTERNAL AUDIT

The Company shall implement an internal audit system and clarify the leadership system, duties and authorities, staffing, financial support, application of audit results, and accountability.

The internal audit institution of the Company shall conduct supervision and inspection on the Company’s business activities, risk management, internal control, financial information and other matters.

APPOINTMENT OF ACCOUNTING FIRM

The Company shall appoint an accounting firm in compliance with the Securities Law and the securities regulatory rules of the place where the shares of the Company are listed to conduct accounting statements audit, net assets verification and other related consulting services for a term of one year, which may be renewed.

The appointment and selection of the Company’s accounting firm shall be submitted to the Board of Directors for deliberation and decided by the general meeting after being approved by a majority of all members of the Audit Committee. The Board of Directors shall not appoint the accounting firm until it is decided by the general meeting.

The Company shall undertake to provide its accounting firm with true and complete accounting vouchers, accounting books, financial reports and other accounting information, and shall not reject, conceal or misstate any information.

The audit fee payable to an accounting firm shall be decided by the general meeting.

When the Company intends to dismiss or not to reappoint an accounting firm, it shall give 15 days prior notice to the accounting firm. When a general meeting of the Company votes on the dismissal of the accounting firm, the firm shall be allowed to represent its opinions.

Where the accounting firm resigns, it shall state to the general meeting whether the Company has improper circumstances.

MERGER, DIVISION, CAPITAL INCREASE, CAPITAL REDUCTION, DISSOLUTION AND LIQUIDATION

Merger, Division, Capital Increase and Capital Reduction

The merger of the Company may take the form of either merger by absorption or merger by establishment of a new entity. One company absorbing another company is merger by absorption, and the company being absorbed shall be dissolved. Merger of two or more companies through establishment of a new company is merger by establishment of a new entity, and the parties to the merger shall be dissolved.

In the event of a merger, the parties to the merger shall enter into a merger agreement and prepare balance sheets and inventories of assets. The Company shall notify its creditors within 10 days after the date of the Company’s resolution on merger and shall make an announcement in the

APPENDIX III

SUMMARY OF THE ARTICLES OF ASSOCIATION

newspapers designated by the Company or the National Enterprise Credit Information Publicity System within 30 days after the date of the Company’s resolution on merger. Creditors may demand the Company to repay debts or provide corresponding security within 30 days upon receipt of such notice or 45 days from the date of announcement in case of receiving no such notice.

Upon the merger, claims and debts of each of the merged parties shall be assumed by the company which survives the merger or the newly established company resulting from the merger.

When the Company is divided, its assets shall be split accordingly. In the event of a division of the Company, the Company shall prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within 10 days after the date of the Company’s resolution on division and shall make an announcement in the newspapers designated by the Company or the National Enterprise Credit Information Publicity System within 30 days after the date of the Company’s resolution on division.

The Company shall prepare a balance sheet and an inventory of assets when it intends to reduce its registered capital. The Company shall notify the creditors within 10 days upon resolution on reduction of registered capital by the general meeting and make announcement thereof in the newspapers designated by the Company or the National Enterprise Credit Information Publicity System within 30 days. Creditors may demand the Company to repay debts or provide corresponding security within 30 days upon receipt of such notice or 45 days from the date of announcement in case of receiving no such notice.

When the Company reduces its registered capital, it shall reduce the amount of capital contribution or shares in proportion to the shareholders’ capital contribution or shareholding, unless otherwise stipulated by the laws or the Articles of Association.

When the merger or division of the Company involves changes in registered particulars, such changes shall be registered with the registration authority of the Company in accordance with the laws. When the Company is dissolved, the Company shall cancel its registration in accordance with the laws. When a new company is established, its establishment shall be registered in accordance with the laws.

In case of increase or reduction of registered capital of the Company, the Company shall legally complete the formalities for change registration with the registration authority of the Company.

DISSOLUTION AND LIQUIDATION

The Company shall be dissolved for the following reasons:

- (i) the term of its operations as is stipulated in the Articles of Association has expired or other events of dissolution specified in the Articles of Association have occurred;
- (ii) the general meeting resolves to dissolve the Company;
- (iii) dissolution is necessary due to merger or division of the Company;

APPENDIX III

SUMMARY OF THE ARTICLES OF ASSOCIATION

- (iv) the Company’s business license is revoked, the Company is ordered to close down or be revoked in accordance with the law;
- (v) where the operation and management of the Company falls into serious difficulties and its continued existence would cause material losses to shareholders, the shareholders holding above 10% of the total voting rights of the Company may apply to the people’s court to dissolve the Company if there are no other solutions.

If the Company encounters the reasons for dissolution as stipulated in the preceding paragraph, it shall publicize the reasons for dissolution through the National Enterprise Credit Information Publicity System within ten days.

Where the Company falls under the circumstances of items (i) and (ii) above and has not distributed any property to shareholders, it may continue to exist by amending the Articles of Association or by a resolution of the general meeting.

Amendments to the Articles of Association in accordance with the provisions of the preceding paragraph or by resolution of the general meeting shall be approved by more than two-thirds of the voting rights held by the shareholders attending the general meeting.

If the Company is dissolved pursuant to item (i), (ii), (iv) or (v) above, it shall be liquidated. The Directors, being the liquidation obligors of the Company, shall form a liquidation committee for liquidation within 15 days from the date of occurrence of the cause for dissolution. The liquidation committee shall comprise the Directors, unless the Articles of Association provide otherwise or it is resolved at a general meeting to elect another person(s). If a liquidation committee is not established within the deadline for liquidation, creditors may apply to the people’s court to designate relevant personnel to form a liquidation committee for liquidation.

The liquidation committee shall notify creditors within 10 days from the date of its establishment, and publish an announcement in the designated newspapers and periodicals or the National Enterprise Credit Information Publicity System within 60 days. Creditors shall declare their claims to the liquidation committee within 30 days from the date of receiving the notice, or within 45 days from the date of announcement in case they have not received the notice.

If the liquidation committee discovers that the assets of the Company are insufficient to repay its debts after sorting out the assets of the Company and preparing a balance sheet and an inventory of assets, it shall apply to the people’s court for bankruptcy liquidation in accordance with the law. After the people’s court accepts the bankruptcy application, the liquidation committee shall hand over the liquidation matters to the bankruptcy administrator designated by the people’s court.

In case the Company is declared to be insolvent according to the laws, liquidation shall be processed in accordance with the laws on corporate bankruptcy.

APPENDIX III

SUMMARY OF THE ARTICLES OF ASSOCIATION

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Company shall amend the Articles of Association under any of the following circumstances:

- (i) After the amendments are made to the Company Law or relevant laws, administrative regulations and securities regulatory rules of the place where the shares of the Company are listed, the provisions of the Articles of Association are in conflict with the amended laws, administrative regulations or securities regulatory rules of the place where the shares of the Company are listed;
- (ii) there is a change in the situation of the Company, which is inconsistent with the matters recorded in the Articles of Association;
- (iii) the general meeting decides to amend the Articles of Association.

The amendments to the Articles of Association adopted by the general meeting shall be submitted to the competent authorities for approval if they are subject to approval by the competent authorities. If there is any change relating to the registered particulars of the Company, application shall be made for registration of the changes in accordance with the laws.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

FURTHER INFORMATION ABOUT THE COMPANY

Incorporation

The Company was established as a limited liability company under the laws of the PRC on December 21, 2006 and was converted into a joint stock company with limited liability on June 13, 2011.

The Company has established a place of business at Unit A, 7/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong. The Company [was registered] as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Companies (Non-Hong Kong Companies) Regulation (Chapter 622J of the Laws of Hong Kong) on [●], 2025, with Ms. Yu Wing Sze of 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong appointed as the Hong Kong authorised representative of the Company for acceptance of the service of process and any notices required to be served on the Company in Hong Kong.

As the Company was incorporated in the PRC, its operations are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and the Articles of Association is set out in “Regulatory Overview” and “Appendix III — Summary of the Articles of Association” in this Document, respectively.

Changes in the Share Capital of the Company

As approved by the Board on September 22, 2023, a total of 9,747,983 Type I Restricted Shares were granted to eligible participants pursuant to the 2023 Restricted Share Incentive Plan. The Company completed the share registration of such 9,747,983 Shares on October 16, 2023 and the total issued share capital of the Company was increased from 4,973,479,998 A Shares to 4,983,227,981 A Shares.

As approved by the Board on April 19, 2024, a total of 158,200 Type I Restricted Shares were repurchased by the Company under a repurchase mandate pursuant to the 2023 Restricted Share Incentive Plan and cancelled on May 30, 2024. The total issued share capital of our Company was then decreased from 4,983,227,981 A Shares to 4,983,069,781 A Shares.

As approved by the Board on September 25, 2024, a total of 190,510 Type I Restricted Shares were repurchased by the Company under a repurchase mandate pursuant to the 2023 Restricted Share Incentive Plan and cancelled on November 21, 2024. The total issued share capital of our Company was then decreased from 4,983,069,781 A Shares to 4,982,879,271 A Shares.

Save as disclosed above, there has been no alteration in our share capital within two years immediately preceding the date of this Document.

Resolutions Passed by Our Shareholders’ General Meeting in Relation to the [REDACTED]

At the general meeting of the Shareholders held on March 28, 2025, the following resolutions, among other things, were duly passed:

- (i) the [REDACTED] by the Company of H Shares with a nominal value of RMB1.00 each and such H Shares be [REDACTED] on the Hong Kong Stock Exchange;

APPENDIX IV**STATUTORY AND GENERAL INFORMATION**

- (ii) the number of H Shares to be [REDACTED] shall be no more than [REDACTED] of the total issued share capital of our Company as enlarged by the [REDACTED], and the grant of the [REDACTED] in respect of no more than [REDACTED] of the number of H Shares [REDACTED] pursuant to the [REDACTED];
- (iii) authorization of the Board or its authorized individuals to handle all matters relating to, among other things, the [REDACTED], the [REDACTED] and [REDACTED] of H Shares on the Hong Kong Stock Exchange; and
- (iv) subject to the completion of the [REDACTED], the conditional adoption of the revised Articles of Association, which shall become effective on the [REDACTED], and the authorization to the Board to amend the Articles of Association in accordance with the requirements of the relevant laws and regulations and the Hong Kong Listing Rules.

Our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in Note 44 to the Accountant’s Report as set out in Appendix I.

The following sets out the changes in the share capital of the Company’s subsidiaries during the two years immediately preceding the date of this Document:

- on June 26, 2023, the registered capital of Lens Intelligent Control was increased from RMB716,112,640 to RMB826,112,640;
- on August 28, 2023, the registered capital of Shenzhen Lens Intelligent Manufacturing Technology Company Limited* (深圳藍思智造科技有限公司) was decreased from RMB50,000,000 to RMB2,000,000;
- on September 28, 2023, the registered capital of Lens Taizhou was increased from RMB4,151,397,559 to RMB4,511,397,559;
- on December 25, 2023, the registered capital of Lens Taizhou was increased from RMB4,511,397,559 to RMB4,611,397,559;
- on August 20, 2024, the registered capital of Lens Changsha was decreased from US\$3,543,887,632 to US\$3,103,032,467;
- on August 20, 2024, the registered capital of Lens System Integration was decreased from RMB271,325,618 to RMB110,116,718; and
- on September 5, 2024, the registered capital of Shenzhen Lens System Integration Company Limited* (深圳市藍思系統集成有限公司) was decreased from RMB50,000,000 to RMB5,000,000.

Save as disclosed above, there has been no alteration in the share capital of the subsidiaries of the Company within two years immediately preceding the date of this Document.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

FURTHER INFORMATION ABOUT THE BUSINESS

Summary of Material Contract

The Group has entered into the following contract (not being contract entered into in the ordinary course of business) within the two years immediately preceding the date of this Document that is or may be material:







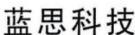


- (a) the [REDACTED].

Intellectual Property

As of December 31, 2024, the following intellectual property rights are material to the Group’s business.

Trademarks

As of December 31, 2024, the Group had registered the following trademarks which are material to our business.

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
1.		40	the Company	PRC	22602816	February 13, 2028
2.		40	the Company	PRC	16852935	July 13, 2026
3.		9	the Company	PRC	16820789	October 13, 2026
4.		40	the Company	PRC	16852911	June 27, 2026
5.		14	the Company	PRC	16850827	June 27, 2026
6.		9	the Company	PRC	16820788	October 13, 2026
7.		6	the Company	PRC	22602857	February 13, 2028
8.		40	the Company	PRC	16852883	June 27, 2026
9.		9	the Company	PRC	16820787	October 13, 2026

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Domain Names

As of December 31, 2024, the Group had registered the following domain names which are material to our business.

No.	Domain Name	Registered Owner	Expiry Date
1.	hnlens.com	the Company	October 9, 2029
2.	hnlens.net	the Company	May 6, 2028
3.	tzlens.com	Lens Taizhou	October 22, 2025

Patents

As of December 31, 2024, the Group had registered the following patents which are material to our business.

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Registration
1.	A Multi-in-one Polishing Machine and Polishing Method (一種多位一體拋光機及拋光方法)	Invention Patent	the Company	PRC	ZL202311006892.1	August 11, 2023
2.	Copper Disc for Sapphire Polishing, and Method of Repairing Double-Face Copper Disc (一種藍寶石拋光用銅盤及其修盤方法)	Invention Patent	the Company	PRC	ZL201410272515.7	June 18, 2014
3.	Copper Disc for Sapphire Polishing, and Method of Repairing Double-Face Copper Disc (一種藍寶石拋光用銅盤及其修盤方法)	Invention Patent	the Company	Japan	JP6364508B2	June 18, 2015
4.	Copper Disc for Sapphire Polishing, and Method of Repairing Double-Face Copper Disc (一種藍寶石拋光用銅盤及其修盤方法)	Invention Patent	the Company	South Korea	KR101930240B1	June 18, 2015
5.	Copper Disc for Sapphire Polishing, and Method of Repairing Double-Face Copper Disc (一種藍寶石拋光用銅盤及其修盤方法)	Invention Patent	the Company	U.S.	US10220486B2	June 18, 2015
6.	A Strengthening Method for Tempered Glass (一種強化玻璃的強化方法)	Invention Patent	the Company	PRC	ZL201510422554.5	July 17, 2015
7.	A Pretreatment Method before Glass Strengthening and a Glass Strengthening Method including the Same (玻璃強化處理前的預處理方法及包含其的玻璃強化處理方法)	Invention Patent	the Company	PRC	ZL202111097535.1	September 18, 2021

APPENDIX IV STATUTORY AND GENERAL INFORMATION

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Registration
8.	A Method for Reducing the Stress in Tempered Glass and a Recycling Method for Defective Glass Products (降低強化玻璃應力的方法及玻璃不良品的回收利用方法)	Invention Patent	the Company	PRC	ZL201811233295.1	October 22, 2018
9.	An Additive Capable of Extending the Service Life of Chemical Tempering Molten Salt (一種能延長化學鋼化熔鹽使用壽命的添加劑)	Invention Patent	the Company	PRC	ZL201010555918.4	November 19, 2010
10.	Low-reflection AR Film, Ultra-hard AR-AS Film, Glass Display Cover Plate, Display Device, and Electronic Device (低反射AR膜、超硬AR-AS膜、玻璃顯示蓋板、顯示裝置和電子設備)	Utility Model	the Company	PRC	ZL202321769489.X	July 6, 2023
11.	A Scratch-resistant Transparent Film and Its Preparation Method (一種耐劃傷透明膜及其製備方法)	Invention Patent	the Company	PRC	ZL201610349436.0	May 24, 2016
12.	Manufacturing Method for Ink Pattern-containing Curved Glass (一種含油墨圖案的曲面玻璃的製備方法)	Invention Patent	the Company	PRC	ZL201610863923.9	September 29, 2016
13.	Manufacturing Method for Ink Pattern-containing Curved Glass (一種含油墨圖案的曲面玻璃的製備方法)	Invention Patent	the Company	South Korea	KR102221933B1	October 21, 2016
14.	A Silkscreen Protective Ink Composition and Silkscreen Printing Method (一種絲印保護油墨組合物及絲印方法)	Invention Patent	the Company	PRC	ZL201410739835.9	December 8, 2014
15.	A Production Process for Gradient Color Film Sheets (一種漸變色菲林膜片的生產工藝)	Invention Patent	the Company	PRC	ZL201810928278.3	August 15, 2018
16.	CNC Positioning Device and CNC Equipment (CNC定位裝置及CNC設備)	Utility Model	the Company	PRC	ZL202121507431.9	July 5, 2021
17.	A CNC Processing Equipment and Its Positioning Device (一種CNC加工設備及其定位裝置)	Utility Model	the Company	PRC	ZL202122478915.1	October 14, 2021
18.	Touch Panel and Preparation Method Therefor (一種觸控面板及其製備方法)	Invention Patent	Lens Changsha	PRC	ZL201410504010.9	September 26, 2014
19.	Touch Panel and Preparation Method Therefor (觸控面板及其製備方法)	Invention Patent	Lens Changsha	U.S.	US9971182B2	September 10, 2015

APPENDIX IV STATUTORY AND GENERAL INFORMATION

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Registration
20.	Touch Panel and Preparation Method Therefor (觸控面板及其製備方法)	Invention Patent	Lens Changsha	South Korea	KR101914301B1	September 10, 2015
21.	A Touch Panel and Its Preparation Method (一種觸控面板及其製備方法)	Invention Patent	Lens Changsha	PRC	ZL201510616127.0	September 24, 2015
22.	UV Film Sensor and Preparation Method Therefor, and Touch Control Screen (UV菲林感應器、其製備方法及觸控屏)	Invention Patent	Lens Changsha	PRC	ZL201410640101.5	November 13, 2014
23.	UV Film Sensor and Preparation Method Therefor, and Touch Control Screen (UV薄膜傳感器及其製造方法和觸摸屏)	Invention Patent	Lens Changsha	Japan	JP6386671B2	September 10, 2015
24.	UV Film Sensor and Preparation Method Therefor, and Touch Control Screen (UV薄膜傳感器及其製造方法和觸摸屏)	Invention Patent	Lens Changsha	South Korea	KR101957192B1	September 10, 2015
25.	UV Film Sensor and Preparation Method Therefor, and Touch Control Screen (UV薄膜傳感器及其製造方法和觸摸屏)	Invention Patent	Lens Changsha	U.S.	US10698539B2	September 10, 2015
26.	Pressure Touch Screen, and Display Device (壓力觸控屏及顯示裝置)	Invention Patent	Lens Changsha	PRC	ZL201611186164.3	December 20, 2016
27.	A Touchscreen with 3D Display Function and Its Manufacturing Method (一種具備3D顯示功能的觸摸屏及其製作方法)	Invention Patent	Lens Changsha	PRC	ZL201510508058.1	August 18, 2015
28.	A Strengthening Method for Ultra-thin Glass, and Ultra-thin Glass, Flexible Screens, and Devices (超薄玻璃的強化方法及超薄玻璃、柔性屏幕和設備)	Invention Patent	Lens Changsha	PRC	ZL202110308469.1	March 23, 2021
29.	Glass Strengthening Method (玻璃強化方法)	Invention Patent	Lens Changsha	PRC	ZL202210031638.6	January 12, 2022
30.	A Tempered Glass Molten Salt and a Processing Method for Tempered Glass (一種鋼化玻璃熔鹽及鋼化玻璃的處理方法)	Invention Patent	Lens Changsha	PRC	ZL201810619981.6	June 15, 2018
31.	Anti-fingerprint Film, Glass Products, and Their Preparation Method (防指紋膜、玻璃製品及其製備方法)	Invention Patent	Lens Changsha	PRC	ZL202110470486.5	April 29, 2021
32.	A Colorless Hard AR film and Its Preparation Method (一種無色硬質AR膜及其製備方法)	Invention Patent	Lens Changsha	PRC	ZL201510808227.3	November 19, 2015
33.	Preparation Method for Non-metal Absorptive Gradient Films, Membrane-equipped Devices, and Electronic Products (非金屬吸收漸變薄膜的製備方法、具膜器件和電子產品)	Invention Patent	Lens Changsha	PRC	ZL202110488326.3	May 6, 2021

APPENDIX IV STATUTORY AND GENERAL INFORMATION

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Registration
34.	Coating Umbrella and Coating Equipment (鍍膜傘及鍍膜設備)	Utility Model	Lens Changsha	PRC	ZL201720910200.X	July 25, 2017
35.	Method for Forming Curved Glass (一種曲面玻璃的成型方法)	Invention Patent	Lens Changsha	PRC	ZL201410782315.6	December 16, 2014
36.	Method for Forming Curved Glass (一種曲面玻璃的成型方法)	Invention Patent	Lens Changsha	Japan	JP6542895B2	September 10, 2015
37.	Method for Forming Curved Glass (一種曲面玻璃的成型方法)	Invention Patent	Lens Changsha	South Korea	KR102025686B1	September 10, 2015
38.	Method for Forming Curved Glass (一種曲面玻璃的成型方法)	Invention Patent	Lens Changsha	U.S.	US10759689B2	September 10, 2015
39.	A Glass Heat Bending Machine and Its Heat Bending Process (一種玻璃熱彎機及其熱彎工藝)	Invention Patent	Lens Changsha	PRC	ZL201710390508.0	May 27, 2017
40.	Electronic Devices, Curved Lenses, and Their Processing Methods (電子設備、曲面鏡片及其加工方法)	Invention Patent	Lens Changsha	PRC	ZL201710725434.1	August 22, 2017
41.	Transfer Equipment and Its Printing Method (轉印設備及其印刷方法)	Invention Patent	Lens Changsha	PRC	ZL202110465880.X	April 28, 2021
42.	Printing Equipment and Its Printing Method (印刷設備及其印刷方法)	Invention Patent	Lens Changsha	PRC	ZL202110466733.4	April 28, 2021
43.	A Method of Preparing a Gradient Color Film (一種漸變色薄膜的製備方法)	Invention Patent	Lens Changsha	PRC	ZL202110000869.6	January 4, 2021
44.	A Method for Polishing AG Glass, Luminance Gradient AG Glass, and Mobile Phone (拋光AG玻璃的方法、亮度漸變的AG玻璃和手機)	Invention Patent	Lens Changsha	PRC	ZL202110396920.X	April 13, 2021
45.	Gradient Color Spraying Process, Cover Plate, and Electronic Devices (漸變色噴塗工藝、蓋板及電子設備)	Invention Patent	Lens Changsha	PRC	ZL202110748393.4	July 1, 2021
46.	Loading Equipment, and CNC Processing Equipment (上料設備及CNC加工設備)	Invention Patent	Lens Changsha	PRC	ZL201810398845.9	April 28, 2018

APPENDIX IV STATUTORY AND GENERAL INFORMATION

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Registration
47.	Optical Fingerprint Sensor Structures and Electronic Devices (光學指紋傳感器結構及電子設備)	Invention Patent	Lens Changsha	PRC	ZL201711062368.0	November 2, 2017
48.	Covers, Ultrasonic Fingerprint Sensor Structures and Electronic Devices (蓋板、超聲指紋傳感器結構及電子設備)	Invention Patent	Lens Changsha	PRC	ZL201710956811.2	October 13, 2017
49.	Optical Fingerprint Sensors, Terminal Equipment and Optical Fingerprint Sensor Processing Technology (光學式指紋傳感器、終端設備及光學式指紋傳感器加工工藝)	Invention Patent	Lens Changsha	PRC	ZL201710796548.5	September 6, 2017
50.	Optical Fingerprint Sensor Device and Electronic Devices (光學指紋傳感裝置與電子設備)	Invention Patent	Lens Changsha	PRC	ZL201710797091.X	September 6, 2017
51.	Fingerprint Sensor Device and Smart Terminal (指紋傳感裝置及智能終端)	Invention Patent	Lens Changsha	PRC	ZL201710797085.4	September 6, 2017
52.	Fingerprint Sensor, Smart Terminal, and Fingerprint Sensor Packaging Method (指紋傳感器、智能終端及指紋傳感器封裝方法)	Invention Patent	Lens Changsha	PRC	ZL201710796564.4	September 6, 2017
53.	Fingerprint Recognition Component, and Smart Terminal (指紋識別組件及智能終端)	Invention Patent	Lens Changsha	PRC	ZL201710733627.1	August 24, 2017
54.	A Fingerprint Recognition Module and Its Preparation Method (一種指紋識別模組及其製備方法)	Invention Patent	Lens Changsha	PRC	ZL201611095313.5	December 2, 2016
55.	A Flexible Cover Plate and Its Preparation Method, Flexible OLED Display Screen (一種柔性蓋板及其製備方法、柔性OLED顯示屏)	Invention Patent	Lens Changsha	PRC	ZL201910671706.3	July 24, 2019
56.	A Method for Preparing Glass Plate with Color Ink Pattern and the Glass Plate (一種含彩色油墨紋路圖案的玻璃板的製備方法及玻璃板)	Invention Patent	Lens Changsha	PRC	ZL201610371096.1	May 30, 2016
57.	Processing Method for Ultra-thin Glass Edges (超薄玻璃邊緣加工方法)	Invention Patent	Lens Changsha	PRC	ZL202211268684.4	October 17, 2022
58.	A Film Sticking Device and Method for 3D Glass with Two Curved Edges (一種用於兩對邊為曲邊的3D玻璃的貼膜裝置及貼膜方法)	Invention Patent	Lens Changsha	PRC	ZL201610277657.1	April 28, 2016

APPENDIX IV STATUTORY AND GENERAL INFORMATION

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Registration
59.	Method for Preparing Sapphire Lens and Sapphire Lens (一種藍寶石鏡片的製備方法及一種視窗鏡片)	Invention Patent	Lens Changsha	U.S.	US10532525B2	December 10, 2015
60.	Method for Preparing Sapphire Lens and Sapphire Lens (一種藍寶石鏡片的製備方法及一種視窗鏡片)	Invention Patent	Lens Changsha	South Korea	KR102103945B1	December 10, 2015
61.	A Polishing Method for Round Holes and Its Polishing System, Polishing Device, and Polishing Equipment (一種圓孔的拋光方法及其拋光系統、拋光裝置和拋光設備)	Invention Patent	Lens Intelligent Robot	PRC	ZL202110366123.7	April 6, 2021
62.	A Glass Polishing Machine and Polishing Method (一種玻璃拋光機及拋光方法)	Invention Patent	Lens Intelligent Robot	PRC	ZL202110768260.3	July 7, 2021
63.	A Polishing Machine (一種拋光機)	Invention Patent	Lens Intelligent Robot	PRC	ZL202110467743.X	April 28, 2021
64.	A Hot Bending Production Line and Its Loading and Unloading Equipment (一種熱彎生產線及其上下料設備)	Invention Patent	Lens Intelligent Robot	PRC	ZL201910641169.8	July 16, 2019
65.	Pad Printing Machine (移印機)	Invention Patent	Lens Intelligent Robot	PRC	ZL201910954695.X	October 9, 2019
66.	A Pad Printing Machine (一種移印機)	Invention Patent	Lens Intelligent Robot	PRC	ZL201910954221.5	October 9, 2019
67.	A Method for Electroplating Gradient Color (電鍍漸變色的方法)	Invention Patent	Lens Dongguan	PRC	ZL201711297626.3	December 8, 2017
68.	Ultra-hard Anti-reflection Film and Electronic Devices (超硬增透膜和電子設備)	Utility Model	Lens Dongguan	PRC	ZL202323145522.4	November 21, 2023
69.	Curved Cover Plate, Display Screen, and Electronic Devices (曲面蓋板、顯示屏及電子設備)	Utility Model	Lens Dongguan	PRC	ZL202320391195.1	March 3, 2023
70.	A Middle Frame Processing Method and Processing Equipment (一種中框加工方法及加工裝置)	Invention Patent	Lens Taizhou	PRC	ZL202111453511.5	December 1, 2021
71.	Pipe Cutting Equipment and Cutting Method (管材切割設備及切割方法)	Invention Patent	Lens Taizhou	PRC	ZL201810812281.9	July 23, 2018

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Software copyrights

As of December 31, 2024, the Group had registered the following software copyrights which are material to our business.

No	Software Name	Registrant	Registration Number	Date of Initial Publication
1.	Smart Factory Digital Twin Platform (Abbreviation: DTP) V1.0 (智慧工廠數字孿生平台【簡稱：DTP】V1.0)	Lens System Integration	2023SR1582859	August 28, 2023
2.	Big Data Quality Analysis System V1.0 (大數據品質分析系統V1.0)	Lens System Integration	2023SR1078065	April 28, 2023
3.	Intelligent Tool Management System V1.0 (刀具智能管理系統V1.0)	Lens System Integration	2023SR1082064	December 15, 2022
4.	CNC Machine Tool Operation Management System V1.0 (數控機床運行管理系統V1.0)	Lens System Integration	2023SR1083560	April 21, 2023
5.	Smart Energy Monitoring and Control Platform (Abbreviation: EMS) V1.0 (智慧能源監測控制平台【簡稱：EMS】V1.0)	Lens System Integration	2022SR0737492	March 15, 2022
6.	Production Management System (Abbreviation: PMS) V1.0 (生產管理系統【簡稱：PMS】V1.0)	Lens System Integration	2021SR1692472	September 21, 2019
7.	AI-Based Visual Positioning System V1.0 (基於人工智能的視覺定位系統V1.0)	Lens System Integration	2021SR1692544	November 29, 2019
8.	Intelligent Warehouse Management System (Abbreviation: WMS) V1.0 (智能倉儲管理系統【簡稱：WMS】V1.0)	Lens System Integration	2021SR1530883	March 18, 2021
9.	Product Quality Traceability Management System V1.0 (產品質量追溯管理系統V1.0)	Lens System Integration	2021SR1440860	December 31, 2020

APPENDIX IV STATUTORY AND GENERAL INFORMATION

No	Software Name	Registrant	Registration Number	Date of Initial Publication
10.	Single Sign-On Platform (Abbreviation: SSO) V1.0 (單點登錄平台【簡稱：SSO】V1.0)	Lens System Integration	2021SR1440839	October 24, 2019
11.	Enterprise Asset Management System (Abbreviation: EAM) V1.0 (企業資產管理系統【簡稱：EAM】V1.0)	Lens System Integration	2021SR0986842	February 19, 2020
12.	Customer Relationship Management System (Abbreviation: CRM) V1.0 (客戶關係管理系統【簡稱：CRM】V1.0)	Lens System Integration	2021SR0965318	April 1, 2020
13.	Quality Management System (Abbreviation: QMS) V1.2.0 (品質管理系統【簡稱：QMS】V1.2.0)	Lens System Integration	2021SR0901667	December 1, 2020
14.	Manufacturing Execution System (Abbreviation: MES) V2020 (生產製造執行管理系統【簡稱：MES】V2020)	Lens System Integration	2021SR0901666	December 31, 2019
15.	Supply Chain Relationship Management System (Abbreviation: SRM) V1.0 (供應鏈關係管理系統【簡稱SRM】V1.0)	Lens System Integration	2021SR0901665	December 31, 2019
16.	Dynamic Environment Monitoring Platform V1.2.6 (動環監控平台V1.2.6)	Lens System Integration	2021SR0833776	March 25, 2021
17.	Access Control Management System V1.8.1.2 (門禁管理系統V1.8.1.2)	Lens System Integration	2021SR0764275	March 10, 2020
18.	Industrial Internet Platform V1.2.0 (工業互聯網平台V1.2.0)	Lens System Integration	2021SR0426732	November 3, 2020
19.	Recruitment Management System (Abbreviation: RMS) V1.4 (招聘管理系統【簡稱：RMS】V1.4)	Lens System Integration	2020SR1855566	September 27, 2019
20.	Human Resource Management System V1.1.4.0 (人力資源管理系統V1.1.4.0)	Lens System Integration	2020SR1610000	July 15, 2019
21.	Electronic Contract Signing System V1.0 (電子合同簽約系統V1.0)	Lens System Integration	2020SR1592507	May 28, 2020
22.	Dart Low-Code Development Platform V1.0 (Dart低代碼開發平台V1.0)	Lens System Integration	2020SR0839193	July 31, 2019

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No	Software Name	Registrant	Registration Number	Date of Initial Publication
23.	Comprehensive Laboratory Management System V1.0 (綜合實驗室管理系統V1.0)	the Company	2020SR0270916	September 20, 2019
24.	Dormitory Management System V1.0 (宿舍管理系統V1.0)	the Company	2020SR0259407	January 15, 2019
25.	Two-Factor Authentication System V1.0 (雙因子認證系統V1.0)	Lens Changsha	2020SR0279412	January 30, 2018

DISCLOSURE OF INTERESTS

Disclosure of Interests of Directors, Supervisors and Chief Executive of the Company

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), the interests and/or short positions (as applicable) of the Directors, Supervisors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any interests and/or short positions (as applicable) in shares, underlying Shares or debentures of any of the Company’s associated corporations (within the meaning of Part XV of the SFO) which (i) will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Hong Kong Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange, in each case once the H Shares are [REDACTED] on the

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Hong Kong Stock Exchange, will be as follows:

(i) *Interests in the Shares of our Company*

<u>Name of Director or Supervisor</u>	<u>Nature of Interest</u>	<u>Type of Shares</u>	<u>Number of Shares Held or Interested</u>	<u>Approximate % of Interests in Shares of Our Company Immediately after the [REDACTED]</u>
Ms. Chau	Interest in controlled corporation ⁽¹⁾⁽²⁾⁽³⁾	A Shares	[REDACTED]	[REDACTED]
	Interest of spouse ⁽⁴⁾	A Shares	[REDACTED]	[REDACTED]
Mr. Cheng	Beneficial owner	A Shares	[REDACTED]	[REDACTED]
	Interest of spouse ⁽⁴⁾	A Shares	[REDACTED]	[REDACTED]
Mr. Rao Qiaobing	Beneficial owner	A Shares	[REDACTED]	[REDACTED]
Mr. Tang Jun	Beneficial owner	A Shares	[REDACTED]	[REDACTED]
Mr. Chen Xiaoqun	Beneficial owner	A Shares	[REDACTED]	[REDACTED]
Ms. Zhou Xinyi	Beneficial owner	A Shares	[REDACTED]	[REDACTED]
	Interest of spouse ⁽⁵⁾	A Shares	[REDACTED]	[REDACTED]

Notes:

- (1) As of the Latest Practicable Date, Lens Technology (HK) held 2,804,509,821 A Shares. Lens Technology (HK) was directly wholly owned by Ms. Chau. As such, Ms. Chau will be deemed to be interested in the A Shares held by Lens Technology (HK) by virtue of the SFO.
- (2) As of the Latest Practicable Date, Changsha Qunxin held 288,025,612 A Shares. Changsha Qunxin is a limited liability company established in the PRC, which is owned as to 97.9% by Ms. Chau and 2.1% by Mr. Cheng. As such, Ms. Chau is deemed to be interested in the A Shares held by Changsha Qunxin by virtue of the SFO.
- (3) As of the Latest Practicable Date, there were 23,817,167 A Shares repurchased and held in our Company’s stock repurchase account as treasury shares. Ms. Chau, directly and indirectly through Lens Technology (HK) and Changsha Qunxin, controls more than one-third of the voting power at the general meetings of our Company and would be taken to have an interest in such repurchased A Shares held by our Company by virtue of the SFO.
- (4) Ms. Chau is the spouse of Mr. Cheng. Therefore, each of Ms. Chau and Mr. Cheng is deemed to be interested in the Shares held by each other by virtue of the SFO.
- (5) As of the Latest Practicable Date, the spouse of Ms. Zhou Xinyi held 125,083 A Shares. Therefore, Ms. Zhou Xinyi is deemed to be interested in the A Shares held by her spouse by virtue of the SFO.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(ii) *Interests in our associated corporations*

<u>Name of Director</u>	<u>Nature of Interest</u>	<u>Name of Associated Corporation</u>	<u>Number of Shares</u>	<u>Approximate % of Shareholding</u>
Ms. Chau	Interest in controlled corporation ⁽¹⁾	Lens Technology (HK)	100	100.00%
Mr. Cheng	Interest of spouse ⁽²⁾	Lens Technology (HK)	100	100.00%

Notes:

- (1) Lens Technology (HK), one of the Controlling Shareholders, is a company incorporated in Hong Kong with limited liability. As of the Latest Practicable Date, Lens Technology (HK) was directly wholly owned by Ms. Chau.
- (2) Ms. Chau is the spouse of Mr. Cheng. Therefore, Mr. Cheng is deemed to be interested in all the shares that Ms. Chau is interested in by virtue of the SFO.

Disclosure of Interests of Substantial Shareholders

Save as disclosed below and the disclosure in the section headed “Substantial Shareholders,” our Directors are not aware of any other person who will, immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised), and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED], have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company or any other member of our Group.

<u>Member of Our Group</u>	<u>Name of Substantial Shareholder</u>	<u>Approximate % of Shareholding</u>
Lens Intelligent Robot	Mr. Qiu Huisheng	20.00%
Lens Intelligent Robot	Mr. Gou Hua	15.00%
Lens Hualian	Hunan Hualian Ceramics Co., Ltd.* (湖南華聯瓷業股份有限公司)	49.00%
Changsha Yongan New Material Company Limited* (長沙永安新材料有限公司)	Shenzhen Yong’an Fine Chemical Engineering Company Limited* (深圳市永安精細化工有限公司)	49.00%

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

FURTHER INFORMATION ABOUT DIRECTORS AND SUPERVISORS

Particulars of the Service Contracts

Each of our Directors and Supervisors [has entered] into a service contract with our Company.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to have entered into any service contract with any member of the Group (excluding contracts expiring or determinable by any member of our Group within one year without payment of compensation other than statutory compensation).

Remuneration of Directors and Supervisors

For details of the remuneration of Directors and Supervisors, see “Directors, Supervisors and Senior Management — Remuneration of the Directors, Supervisors and Senior Management” and Note 13 to “Appendix I — Accountants’ Report” of this Document.

Agency Fees or Commissions Received

The [REDACTED] will receive an [REDACTED] in connection with the [REDACTED], as detailed in “[REDACTED].” Save in connection with the [REDACTED], no commissions, discounts, brokerages or other special terms have been granted by the Group to any person (including the Directors, promoters and experts referred to in “— Other Information — Qualifications and Consents of Experts” below) in connection with the issue or sale of any capital or security of the Company or any member of the Group within the two years immediately preceding the date of this Document.

Within the two years immediately preceding the date of this Document, no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in or debentures of the Company.

Personal Guarantees

The Directors have not provided personal guarantees in favour of lenders in connection with banking facilities granted to the Group.

Disclaimers

- (a) Save as disclosed in Note 42 to “Appendix I — Accountants’ Report” of this Document, none of the Directors, Supervisors nor any of the experts referred to in “— Other Information — Qualifications and Consents of Experts” below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this Document, acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (b) Save in connection with the [REDACTED], none of the Directors, Supervisors nor any of the experts referred to in “Other Information — Qualifications and Consents of Experts” below is materially interested in any contract or arrangement subsisting at the date of this Document which is significant in relation to the business of the Group.
- (c) So far as is known to the Directors, none of the Directors or their associates or any Shareholders who are expected to be interested in 5% or more of the issued share capital of the Company has any interest in the five largest customers or the five largest suppliers of the Group for each year/period during the Track Record Period.
- (d) Save as disclosed in the sectioned headed “— Disclosure of Interests — Disclosure of Interests of Directors, Supervisors and Chief Executive of the Company,” none of our Directors, Supervisors or the chief executive of our Company has any interest or short position in the shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once the H Shares are [REDACTED] on the Hong Kong Stock Exchange.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

SHARE INCENTIVE SCHEME

2023 Restricted Share Incentive Plan

The following is a summary of the principal terms of the 2023 Restricted Share Incentive Plan. The terms of the 2023 Restricted Share Incentive Plan are not subject to the provisions of Chapter 17 of the Hong Kong Listing Rules as they do not involve any grant of restricted Shares by our Company after the [REDACTED].

(i) Purpose

The purpose of the 2023 Restricted Share Incentive Plan is to improve our Group’s incentive mechanism and to attract and retain talents to achieve a sustained and healthy development of our Group in order to realize our Group’s long-term objectives. The 2023 Restricted Share Incentive Plan is implemented to align the interests of the Shareholders with the interests of the Group and employees which will benefit the sustained development of our Group.

(ii) Types

Pursuant to the 2023 Restricted Share Incentive Plan, there are two types of restricted Shares, namely Type I Restricted Shares and Type II Restricted Shares. The grantees of Type I Restricted Shares shall be entitled to receive newly issued A Shares, with certain restrictions stipulated under the 2023 Restricted Share Incentive Plan. The grantees of Type II Restricted Shares shall have the right to receive A Shares repurchased by the Company from secondary market upon the satisfaction of vesting conditions under the 2023 Restricted Share Incentive Plan.

The 2023 Restricted Share Incentive Plan include two parts with respect to each of the Type I Restricted Shares (the “**Type I Scheme**”) and the Type II Restricted Shares (the “**Type II Scheme**”), respectively.

(iii) Administration

The 2023 Restricted Share Incentive Plan is subject to the approval of the Shareholders’ general meeting, administration of the Board and the supervision of Supervisory Committee and independent non-executive Directors.

(iv) Participants

The participants of the 2023 Restricted Share Incentive Plan include key personnels of our Group such as our Directors (excluding independent non-executive Directors), senior management and core technical or business staff. The scope of participants under the 2023 Restricted Share Incentive Plan excludes Supervisors and independent non-executive Directors.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(v) *Source and maximum number of Shares*

Type I Restricted Shares are A Shares to be newly issued by our Company and Type II Restricted Shares are A Shares repurchased by our Company from the secondary market. Type I Restricted Shares are subject to a lock-up period and will only be unlocked upon fulfilling the unlocking conditions stipulated under the 2023 Restricted Share Incentive Plan. Similarly, Type II Restricted Shares are subject to a vesting period and will only be vested upon fulfilling the vesting conditions stipulated under the 2023 Restricted Share Incentive Plan.

The maximum number of Restricted Shares that can be granted under the 2023 Restricted Share Incentive Plan is 53,159,866 A Shares, including 10,631,973 Type I Restricted Shares and 42,527,893 Type II Restricted Shares.

(vi) *Term and date of grant*

The date on which the Restricted Shares are granted shall be determined by the Board after the approval by the Shareholders’ general meeting. The grant of Restricted Shares shall be registered and announced by the Company within 60 days after the approval of the 2023 Restricted Share Incentive Plan by the Shareholders’ general meeting.

The Type I Restricted Share Incentive Scheme shall be effective from the completion date of the grant of Type I Restricted Shares up to the date when all the Type I Restricted Shares are unlocked or have been repurchased and cancelled pursuant to the 2023 Restricted Share Incentive Plan, provided that the term of the Type I Scheme shall not exceed 48 months in any event.

The Type II Restricted Share Incentive Scheme shall be effective from the date of the initial grant of Type II Restricted Shares up to the date when all the Type II Restricted Shares have been vested or lapsed pursuant to the 2023 Restricted Share Incentive Plan, provided that the term of the Type II Scheme shall not exceed 48 months in any event.

The date of grant for each of the Type I Scheme and the Type II Scheme shall be determined by the Board after the 2023 Restricted Share Incentive Plan is approved by the Shareholders’ general meeting.

(vii) *Lock-up requirements for Directors and the senior management*

If the grantee is a Director or a senior management of our Company, the Shares to be transferred each year shall not exceed 25% of the total Shares he or she holds, and no Share held by such Director or senior management shall be transferred within six months after termination of his or her employment with the Company. If the grantee is a Director or senior management of our Company, income gained through sale of Shares within six months of the purchase or purchase of Shares within six months of the sale shall belong to our Company and

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

will be forfeited by the Board. If there is any change in the applicable laws and regulations on the foregoing lock-up requirements, the grantee shall comply with the revised laws and regulations.

(viii) *Conditions to the grant of Restricted Shares*

The Restricted Shares (including the Type I Restricted Shares and the Type II Restricted Shares) under the 2023 Restricted Share Incentive Plan shall be granted to eligible participants if the following conditions are fulfilled:

- (a) with respect to our Company, none of the following circumstances having occurred:
 - (1) an audit report with an adverse opinion or a disclaimer of opinion has been issued by the reporting accountants with respect to our Company’s accountants’ report for the most recent fiscal year;
 - (2) an audit report with an adverse opinion or a disclaimer of opinion has been issued by the reporting accountant with respect to internal control contained in accountants’ report for the most recent fiscal year;
 - (3) our Company has not distributed dividends in accordance with the laws and regulations, our Articles of Association or our public commitment within the last 36 months after its listing;
 - (4) applicable laws and regulations prohibit the implementation of any share incentive plan; or
 - (5) any other circumstances determined by the CSRC.
- (b) with respect to the grantee, none of the following circumstances having occurred:
 - (1) the grantee has been regarded as an inappropriate person by the stock exchange within the last 12 months;
 - (2) the grantee has been regarded as an inappropriate person by the CSRC or its local office within the last 12 months;
 - (3) the grantee has been punished or prohibited from entering into the securities market by the CSRC or its local office due to material non-compliance of laws and regulations within the last 12 months;
 - (4) the grantee is not qualified to serve as a director or senior management according to the PRC Company Law;
 - (5) the grantee is prohibited from participating in any share incentive plan of listed companies according to applicable laws and regulations; or
 - (6) any other circumstances determined by the CSRC.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(ix) *Unlocking and vesting of Restricted Shares*

The lock-up period or vesting period (where applicable) for Type I Restricted Shares or Type II Restricted Shares commences from completion date of registration of grant to the grantee and the interval between the grant date and the date of unlocking or vesting of the Restricted Shares shall be 12 or 24 months.

For both types of Restricted Shares, the Restricted Shares will be unlocked or vested (where applicable) in tranches of 50% and 50% in each of the two lock-up or vesting periods (where applicable) that occur between the first trading date after the 12-month anniversary from the grant date and the last trading day up to the 36-month anniversary of the grant date. The grantees shall pay the price of RMB6.34 per Share upon fulfilment of all the unlocking or vesting conditions of the Restricted Shares to purchase A Shares pursuant to the 2023 Restricted Share Incentive Plan. On September 25, 2024, as approved by the Board and pursuant to share adjustment mechanism under the 2023 Restricted Share Incentive Plan, the grant price was adjusted from RMB6.34 per Share to RMB6.04 per Share due to distribution of dividend by the Company.

The number of Restricted Shares granted and/or the grant prices will be adjusted upon the occurrence of certain events, including, among others, increase of share capital by way of capitalization of capital reserves, issue of bonus shares, subdivision of shares and issue of new shares. Our Company may repurchase and cancel the granted but not unlocked Type I Restricted Shares or void the granted but not vested Type II Restricted Shares upon occurrence of certain events, including, among others, the change of the positions of the grantee or termination of employment. Subject to the price adjustment mechanisms and other terms and conditions as set out under the 2023 Restricted Share Incentive Plan, the price payable by our Company for the repurchase of Restricted Shares shall be equivalent to the grant price of the relevant Restricted Shares.

(x) *Dividend and voting rights*

Upon unlocking or vesting of the A Shares by our Company, the grantees of Restricted Shares will be entitled to exercise the right of Shareholders, including, among others, the right to receive dividends and voting rights. Before the unlocking or vesting of the Restricted Shares, the Restricted Shares (including the right to receive dividends) shall be locked and such Restricted Shares shall not be transferred or used to guarantee or repay debts.

(xi) *Outstanding Restricted Shares*

As of the Latest Practicable Date, the number of outstanding Restricted Shares granted under the 2023 Restricted Share Incentive Plan was 23,522,457, representing approximately [REDACTED] of the issued Shares immediately following the completion of the [REDACTED] (assuming no changes to our issued Shares between the Latest Practicable Date and the [REDACTED] and before the exercise of the [REDACTED]).

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

The following table sets forth the number of outstanding Restricted Shares granted to Directors and senior management of our Company under the 2023 Restricted Share Incentive Plan as of the Latest Practicable Date:

Name of grantee	Position in our Company	Date of grant	Number of outstanding restricted Shares	Grant Price	Lock-up/ vesting period	Approximate percentage of total issued Shares immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised)
Mr. Rao Qiaobing . .	Executive Director and deputy general manager	September 22, 2023	10,000 Type I Restricted Shares	RMB6.04	Note 1	[REDACTED]
		September 22, 2023	40,000 Type II Restricted Shares	RMB6.04	Note 2	[REDACTED]
Mr. Jiang Nan .	Deputy general manager, president of China region and Board Secretary	September 22, 2023	10,000 Type I Restricted Shares	RMB6.04	Note 1	[REDACTED]
		September 22, 2023	40,000 Type II Restricted Shares	RMB6.04	Note 2	[REDACTED]
Mr. Cai Xinfeng . . .	Deputy general manager	September 22, 2023	15,000 Type I Restricted Shares	RMB6.04	Note 1	[REDACTED]
		September 22, 2023	60,000 Type II Restricted Shares	RMB6.04	Note 2	[REDACTED]
Mr. Chen Yunhua . . .	Deputy general manager	September 22, 2023	10,000 Type I Restricted Shares	RMB6.04	Note 1	[REDACTED]
		September 22, 2023	40,000 Type II Restricted Shares	RMB6.04	Note 2	[REDACTED]
Mr. Liu Shuguang . .	Deputy general manager and chief financial officer	September 22, 2023	10,000 Type I Restricted Shares	RMB6.04	Note 1	[REDACTED]
		September 22, 2023	40,000 Type II Restricted Shares	RMB6.04	Note 2	[REDACTED]

Notes:

- (1) Type I Restricted Shares shall be unlocked in tranches of 50% and 50% in each of the two lock-up periods that occur between the first trading day after the 12-month anniversary from the grant date and the last trading day up to the 36-month anniversary of the grant date.
- (2) Type II Restricted Shares shall be vested in tranches of 50% and 50% in each of the two vesting periods that occur between the first trading day after the 12-month anniversary from the grant date and the last trading day up to the 36-month anniversary of the grant date.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

The following table sets forth the number of outstanding Restricted Shares granted to other grantees (excluding Directors and senior management of our Company) under the 2023 Restricted Share Incentive Plan as of the Latest Practicable Date:

<u>Number of Grantees</u>	<u>Date of grant</u>	<u>Number of outstanding Restricted Shares</u>	<u>Grant Price</u>	<u>Lock-up/ vesting period</u>	<u>Approximate percentage of total issued Shares immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised)</u>
2,382	September 22, 2023	4,649,491 Type I Restricted Shares	RMB6.04	Note 1	[REDACTED]
2,375	September 22, 2023	18,597,966 Type II Restricted Shares	RMB6.04	Note 2	[REDACTED]

Notes:

- (1) Type I Restricted Shares shall be unlocked in tranches of 50% and 50% in each of the two lock-up periods that occur between the first trading day after the 12-month anniversary from the grant date and the last trading day up to the 36-month anniversary of the grant date.
- (2) Type II Restricted Shares shall be vested in tranches of 50% and 50% in each of the two vesting periods that occur between the first trading day after the 12-month anniversary from the grant date and the last trading day up to the 36-month anniversary of the grant date.

OTHER INFORMATION

Estate Duty

The Directors have been advised that no material liability for estate duty is likely to fall on the Group.

Litigation

As of the Latest Practicable Date, the Company was not engaged in any outstanding litigation or arbitration which may have material adverse effect on the [REDACTED] and, so far as the Directors are aware, no material litigation or claim was pending or threatened by or against the Company.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Hong Kong Listing Rules.

Pursuant to the engagement letter entered into between the Company and the Sole Sponsor, the Sole Sponsor’s fees payable by the Company to the Sole Sponsor in respect of its services as sponsor in connection with the [REDACTED] is US\$500,000.

Compliance Advisor

The Company has appointed Gram Capital Limited as the Compliance Advisor upon [REDACTED] in compliance with Rule 3A.19 of the Hong Kong Listing Rules.

Preliminary Expenses

As of the Latest Practicable Date, our Company has not incurred any material preliminary expenses.

Promoters

Within the two years immediately preceding the date of this Document, no cash, securities, or other benefit has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the promoters named above in connection with the [REDACTED] or the related transactions described in this Document.

Qualifications and Consents of Experts

The qualifications of the experts which have given opinions or advices which are contained in, or referred to in, this Document are as follows:

<u>Name of Expert</u>	<u>Qualifications</u>
CITIC Securities (Hong Kong) Limited	A licensed corporation under the SFO to conduct Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants and Registered Public Interest Entity Auditor
Sundial Law Firm	Company’s PRC Legal Advisor
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Each of the experts listed above has given and has not withdrawn their respective written consents to the issue of this Document with the inclusion of their reports and/or letters (as the case may be) and the references to their names included in the form and context in which they are respective included.

Binding Effect

This Document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

Bilingual Document

The English language and Chinese language versions of this Document are being published separately, in reliance upon the exemption provided in Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

Miscellaneous

- (a) save as disclosed in “— Further Information about the Company” of this section, within the two years preceding the date of this Document, no share or loan capital of the Company or any of its subsidiary has been issued or has been agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (b) no share or loan capital of the Company or any of its subsidiary is under option or is agreed conditionally or unconditionally to be put under option;
- (c) no founder, management or deferred shares of the Company or any of its subsidiary have been issued or have been agreed to be issued;
- (d) none of the equity and debt securities of the Company or its subsidiary is presently listed or dealt in on any other stock exchange nor is any listing or permission to deal being or proposed to be sought;
- (e) the Company has no outstanding convertible debt securities or debentures;
- (f) none of the experts listed under “— Qualifications and Consents of Experts”:
 - (i) is interested beneficially or non-beneficially in any shares in any member of the Group; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group save in connection with the [REDACTED].

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (g) the English text of this Document shall prevail over their respective Chinese text;
- (h) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this Document;
- (i) the Company currently is a joint stock limited company and is subject to the PRC Company Law; and
- (j) there are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business.

APPENDIX V

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this Document delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the material contract referred to in “Appendix IV — Statutory and General Information — Further Information about the Business — Summary of Material Contract”; and
- (b) the written consents referred to in “Appendix IV — Statutory and General Information — Other Information — Qualifications and Consents of Experts” of this Document.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our website at www.hnlens.com during a period of 14 days from the date of this Document:

- (a) the Articles of Association;
- (b) the Accountants’ Report and the report on the unaudited [REDACTED] financial information prepared by Deloitte Touche Tohmatsu, the texts of which are set out in “Appendix I — Accountants’ Report” and “Appendix II — Unaudited [REDACTED] Financial Information,” respectively;
- (c) the audited consolidated financial statements of the Group for the years ended December 31, 2022, 2023 and 2024;
- (d) the legal opinion from Sundial Law Firm, the Company’s PRC Legal Advisor, in respect of, among other things, the general matters and property interests of our Group under the PRC laws;
- (e) the industry report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. referred to in the section headed “Industry Overview” in this Document;
- (g) the PRC Company Law, the PRC Securities Law, the Overseas Listing Trial Measures and the Guidelines for the Articles of Association of Listed Companies issued by the CSRC together with their unofficial English translations;
- (h) the service contracts between each of the Directors and Supervisors and the Company referred to in “Appendix IV — Statutory and General Information — Further Information about the Business — Particulars of the Service Contracts” of this Document;

APPENDIX V**DOCUMENTS DELIVERED TO THE REGISTRAR
OF COMPANIES AND AVAILABLE ON DISPLAY**

- (i) the material contract referred to in “Appendix IV — Statutory and General Information — Further Information About the Business — Summary of Material Contract” of this Document; and
- (j) the written consents referred to in “Appendix IV — Statutory and General Information — Other Information — Qualifications and Consents of Experts” of this Document.