The following discussion and our analysis should be read in conjunction with our consolidated financial statements included in "Appendix I — Accountants' Report," together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRS.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make 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, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in "Risk Factors" and "Forward-Looking Statements" and elsewhere in this document.

OVERVIEW

We are one of the world's top 10 fabless semiconductor companies distinguished by our advanced proprietary technologies, diversified products and solution portfolio, flexible fabless business model, extensive customer network and supply chain ecosystems. We have captured significant market opportunities. We are the third largest digital image sensor provider globally based on revenue in 2024, according to Frost & Sullivan. Our revenue increased by 4.7% from RMB20.0 billion in 2022 to RMB21.0 billion in 2023, and increased by 22.5% to RMB25.7 billion in 2024.

BASIS OF PREPARATION

The principal accounting policies applied in the preparation of our historical financial information are in accordance with all applicable IFRS Accounting Standards, which collective term includes all applicable individual IFRS, International Accounting Standards and Interpretations issued by International Accounting Standards Board ("**IASB**"). Further details of the material accounting policy information adopted are set out in Note 2 of the Accountants' Report in Appendix I to this document. Our historical financial information also complies with the applicable disclosure provisions of the Hong Kong Listing Rules. The accounting policies set out in Note 2 of the Accountants' Report in Appendix I to this document have been applied consistently to Track Record Period presented in our historical financial information.

The preparation of historical financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our Group's accounting policies. Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that might have a financial impact on the entity and that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in Note 4 of the Accountants' Report in Appendix I to this document.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, financial condition and results of operations are affected by general factors driving the global economy and the semiconductor industry cycles. These factors include levels of per capita disposable income, levels of consumer spending, the pace at which the society-wide digital transformation takes place, the rate of internet and mobile penetration, the growing adoption of smart vehicles with ADAS features, the proliferation of human/device interactions, the emergence of new technologies such as IoT, 5G, cloud and AI, and other economic trends and conditions that affect consumption and business activities in general. We are also affected by government policies and regulations that address the material aspects of our operations, especially the various initiatives aimed at promoting digitalization, high-end manufacturing and the development of the semiconductor industry.

As further elaborated below, our results of operations are more directly affected by the following factors:

- Market trends within the semiconductor industry and our ability to capture growth opportunities;
- Our ability to generate more revenue by deepening our engagement with existing customers and attracting new customers;
- Our ability to continue to innovate and enrich our product and solution offerings;
- Our ability to maintain a stable supply chain;
- Our ability to continually enhance our technology capabilities; and
- Our ability to effectively control costs and expenses and enhance operating efficiency.

Market trends within the semiconductor industry and our ability to capture growth opportunities

The global semiconductor market experienced significant growth in the past decade. According to Frost & Sullivan, the market size of the global semiconductor industry increased from US$433.2 billion in 2020 to US$630.5 billion in 2024, representing a CAGR of 9.8%, and is expected to further increase at a CAGR of 11.1% and reach US$1,065.5 billion in 2029. As an industry leader, we have captured the various market opportunities brought by this development trend. In particular, we have capitalized on the rapid growth of the global and Asia's digital economy and the verticals where our customers operate, represented by the automotive, smartphone, medical, surveillance, and emerging markets. As we continue to leverage our technologies into emerging high growth verticals such as ADAS and smart glasses, we expect that the consumer demand in these markets will also have a material effect on our results of operations.

The semiconductor industry is also influenced by cyclical dynamics and the impact of the macroeconomic conditions. Our performance depends on the continued growth of the various verticals into which we sell our semiconductor solutions, including the verticals for smartphone, automotive, medical, and emerging markets. For example, the global automotive CIS market grew from US$1,377 million in 2020 to US$2,499 million in 2024, representing a CAGR of 16.1%, and is expected to reach US$7,028 million in 2029, representing a CAGR of 23.0% from 2024. As a result, our revenue generated from the automotive vertical in 2024 increased as well, which was one of the key factors contributing to our overall revenue increase compared to 2023. See also "Risk Factors—

Risks Relating to Our Business and Industry—We depend on the increased acceptance of semiconductor applications in various verticals to grow our business and increase our revenue."

Our ability to continue to empower customers and achieve sustainable growth is affected by our ability to timely adapt to the rapidly evolving industry trends and customer and end-user preferences in various verticals including smartphone, automotive, medical, surveillance and emerging markets. Overall consumer demand in and the growth of the verticals we serve, which can be volatile and unpredictable, will continue to influence the growth and demand for our products and solutions and impact our financial performance.

Our ability to generate more revenue by deepening our engagement with existing customers and attracting new customers

Our revenue increased by 4.7% from RMB20.0 billion in 2022 to RMB21.0 billion in 2023, and increased by 22.5% to RMB25.7 billion in 2024. Our performance was in part driven by our ability to expand and extend our relationship with existing customers and attract new customers.

We are focused on strengthening the engagement with our existing customer base. Our future growth depends on our ability to maintain and deepen relationships with our existing customers, hence increasing the use of our products and solutions in their end products. In addition, our long-term growth and operating results will depend in part on our ability to attract more customers across different verticals. Many of our customers apply our semiconductor products and solutions across their operations to ensure consistent, high-quality output and optimal experience for their end users. Our customers also typically expand their procurement to a wider range of solutions offered by our multiple business lines as they seek to leverage the efficiency and synergies across our diversified portfolio.

We expect to continue to increase our investment in customer outreach, sales and marketing efforts to enhance brand awareness and acquire new customers from various verticals. We believe that our efforts to retain existing customers and attract new ones will have a positive long-term impact on our business and results of operations.

Our ability to continue to innovate and enrich our product and solution offerings

We offer a wide spectrum of advanced, application-specific advanced digital imaging, display, and analog products and solutions that enable smarter human/device interfacing solutions within the automotive, smartphone, medical, surveillance, and emerging markets. Our continued growth depends, in part, on our ability to improve and broaden the variety and application of our semiconductor products and solutions, which will enable us to further secure design wins, increase market share, expand cross-selling opportunities, and reach customers in a broader range of verticals and use cases.

We strive to work closely with current and prospective customers to anticipate their requirements and product roadmaps. This better enables us to develop innovative semiconductor solutions designed for their needs and achieve design wins, which are decisions by manufacturers and their end-customers to incorporate our solutions into their systems. Although design wins are not binding commitments by customers to purchase our products and solutions, we believe that achieving design wins is an important performance indicator. Our customers typically devote substantial time and resources to designing their products as well as qualifying their component suppliers and their products. Once our products have been designed into a system, the customers are typically reluctant to alter their designs due to the significant costs and time associated with qualifying a new supplier or a replacement component, and we endeavor to maintain our incumbent position with our customers by continually improving our products and solutions to meet their evolving needs. Our long-term sales expectations are based on forecasts from customers and internal estimates of demand factoring in the expected time-to-market of the final products incorporating our solutions and their respective sales potential.

As we offer a diversified portfolio of high-quality semiconductor solutions for a wide range of consumer and industrial applications, our gross profit margin varies across business lines, and may also differ between the product types we offer within each business line, due to a variety of factors such as technological advancement, pricing power, demand in the verticals, product tiering strategy, stages in the product life cycle, and availability of competing products. Changes to our product mix, whether in response to our business strategies, the global and domestic market conditions, government policies or other factors, may affect our results of operations over time. We intend to continually monitor and adjust our product mix across business lines to maximize our revenue and profitability.

Our ability to maintain a stable supply chain

Due to the competitive nature of the semiconductor industry and our suppliers' need to maintain high capacity utilization in order to reduce unit costs, our ability to secure high-quality capacity from our foundry partners and back-end service providers and to execute effective supply chain management is critical to our success. We endeavor to ensure delivery of our products on a timely basis to meet the quality standards and technical specifications our customers require. Despite our efforts to manage our supply chain, including by maintaining close relationships with our foundry partners and back-end service providers and seeking new supply chain partners to ensure stability of our suppliers' capacity with advanced technology, we are subject to fluctuations in the market and disruptions to our supply chain, which could adversely affect our business, especially our semiconductor design and sales business and results of operations.

Our ability to continually enhance our technology capabilities

Our business growth depends in part on our ability to invest in technology to effectively meet the demands of our anticipated growth. We have made, and will continue to make, significant investments in developing our underlying technology capabilities to expand the capabilities and scale of our product and solution offerings. Building on our renowned pixel architectures, we have developed an extensive array of industry-leading, award-winning technologies, with a focus on pixel miniaturization, advanced image capturing, CameraCubeChip®, LCOS, TDDI, and analog solutions such as PMICs, which create barriers for competitors and empower our innovation in a variety of high-growth markets.

In 2022, 2023 and 2024, our research and development investments included research and development expenses which amounted to RMB2.5 billion, RMB2.2 billion and RMB2.7 billion, respectively and capitalized development expenditure which amounted to RMB683.8 million, RMB692.5 million and RMB623.2 million, respectively. We believe the further enhancement of our technologies is central to our future development. We will continue to invest in our research and development activities, including talent recruitment, and to deepen cooperation with global foundries and packaging and testing service providers to ensure we remain at the forefront of advanced digital imaging, display and analog fields. As a result, we expect the investments and expenses associated with our technology capabilities to continue to grow to support our business growth. We believe the investments in technology will drive overall long-term growth.

Our ability to effectively control costs and expenses and enhance operating efficiency

Our ability to control our costs and expenses and enhance our operating efficiency is critical to the success of our business. We believe the continued growth of our business and expansion of our market share will continue to drive economies of scale, resulting from higher utilization of our technology, higher efficiency of our operations, and expanded customer base.

We utilize a fabless business model, which we believe provides us with a scalable business model and enables us to concentrate on our core competencies of research and development, technological advances, and product design and engineering, and reduces our capital investment.

Changes in the price of wafers and other raw materials or in the costs of packaging and testing services may result in fluctuations in production costs and our gross profit margin. As we continue to develop new solutions with innovative designs and advanced technologies, we may require our suppliers to manufacture wafers with higher complexity, which may result in an increase in wafer prices. However, through such close collaboration with our wafer suppliers with advanced technology, we are able to lower costs while maintaining higher average selling prices of products which are hence associated with a higher gross profit margin.

As our business grows in scale, we expect to have significant operating leverage and realize structural cost savings. We believe the continued growth of our business and expansion of our market share can benefit us through economies of scale, resulting from higher utilization of our solutions and technologies, and stronger bargaining power with our customers. In addition, we believe our products and solutions have network effects that can promote our brand effectively and enhance our marketing efficiency. More successful incorporation of our solutions into our customers' products increases the acceptance among existing and prospective customers and their end users, which in turn increases the customer base and potential success of our products and solutions, forming a synergistic virtuous cycle. This self-reinforcing network effect of our products and solutions and its associated operating leverage allow us to promote our brand and compete effectively by enjoying lower customer acquisition costs and growing product lifetime value.

We intend to continue enhancing our operating efficiency by (i) increasing the utilization of our existing technology, our platform-based technologies and intellectual property, (ii) applying new technology and innovative measures to enhance our product mix by further penetrating into verticals with higher profit margin such as automotive and medical, and to drive optimization in our operational processes, leveraging our industry insights, and (iii) refining our products and solutions provided to customers with similar needs based on a uniform standard, thereby promoting consistency across our portfolio with an aim to acquire customers in a more cost-effective manner.

MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Revenue Recognition

Revenue is recognized to depict the transfer of goods to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods. Specifically, we use a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Revenue is recognized when, or as, obligations under the terms of a contract are satisfied, which occurs when control of the promised products or services is transferred to customers. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring products or services to a customer (**"transaction price"**).

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between us and the customer at contract inception. When the contract contains a financing component which provides us with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Revenue is recognized either at a point in time or over time, when we satisfy performance obligations by transferring the promised goods or services to our customers.

A contract asset represents our right to consideration in exchange for goods or services that we have transferred to a customer that is not yet unconditional. In contrast, a receivable represents our unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents our obligation to transfer goods or services to a customer for which we have received consideration (or an amount of consideration is due) from the customer.

Further details of our revenue recognition policies are as follows:

Sales of goods

We design, develop and sell a range of high-performance ICs, including CIS, display ICs, analog ICs and other ICs. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or we have objective evidence that all criteria for acceptance have been satisfied.

Some of the contracts between us and our customers include arrangements for sales rebates and sales discounts, and some contracts provide customers with a right to return within a specified period, resulting in variable consideration. Accumulated experience is used to estimate and provide for variable consideration, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognized for expected sales rebate payable to customers in relation to sales made until the end of the Track Record Period.

A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Provision of services

We provide IC design or development service to external parties. For those contracts that we do not have an enforceable right to payment for performance completed to date, the contract is recognized at a point in time when the services are provided and accepted by the customers.

Financing components

In determining the transaction price, we adjust the promised amount of consideration for the effect of a financing component if it is significant.

Inventory Valuation

Inventories are stated at the lower of cost or net realizable value, and we use judgment and estimate to determine the net realizable value of inventory at the end of each year during the Track Record Period. Due to the rapid technological changes, we estimate the net realizable value of inventory for obsolescence and unmarketable items at the end of each year during the Track Record Period and then write down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time period, and therefore it may cause material adjustments.

Impairment of Goodwill

We test goodwill for impairment on an annual basis. For the Track Record Period, the recoverable amount of cash-generating units (**"CGUs"**) was determined based on value in use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated in Note 21 of the Accountants' Report in Appendix I to this document. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

Details of impairment charge, key assumptions and impact of possible changes in key assumptions are disclosed in Note 21 of the Accountants' Report in Appendix I to this document.

Impairment of Other Non-financial Assets

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each year during the Track Record Period.

Impairment of Financial Assets

We recognize a loss allowance for expected credit loss (**"ECL"**) on financial assets which are subject to impairment under IFRS 9 "Financial Instruments". The amount of ECL is updated at the end of each year during the Track Record Period 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. Assessments are done based on our historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment for both the current conditions at the reporting date as well as the forecast of future conditions.

We have elected to measure loss allowances for trade receivables using IFRS 9 simplified approach and always recognizes lifetime ECL for trade receivables. The ECL on these financial assets are assessed collectively using a provision matrix based on our historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment for both the current conditions at the reporting date as well as the forecast of future conditions at the reporting date, including time value of money where appropriate.

For other financial instrument, we measure the loss allowance equal to 12m ECL, unless there has been a significant increase in the credit risk since initial recognition or evidence that a financial asset is credit-impaired, then we recognize lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

For details, please refer to Note 2.12 of the Accountants' Report in Appendix I to this document.

Valuation of certain Financial Assets

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. We use our judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each year during the Track Record Period. For details of the key assumptions used and the impact of changes to these assumptions see Note 3.3 of the Accountants' Report in Appendix I to this document.

Valuation of Share-based Payments

Share-based compensation benefits are provided to employees via our share-based incentive plan including share options and restricted shares. Information relating to these schemes is set out in Note 45 of the Accountants' Report in Appendix I to this document.

Share options

The fair value of the options granted under our share-based incentive plan is recognized as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by making reference to the fair value of the options granted:

- including any market performance conditions (e.g. the entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining as an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each year during the Track Record Period, we revise our estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. We recognize the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Restricted shares

The fair value of restricted shares granted to employees is recognized as an expense over the relevant service period. The fair value is measured at the difference between share price at grant date and the grant price and is recognized in equity in capital reserves. The number of shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at the end of each year during the Track Record Period and adjustments are recognized in profit or loss and capital reserves.

Where shares are forfeited due to a failure by the employee to satisfy the service or performance conditions, any expenses previously recognized in relation to such shares are reversed with effect from the date of the forfeiture. We have obligation to repurchase the restricted shares at the grant price if the restricted shares are forfeited.

Accounting for Income Taxes

We are subject to income taxes in numerous jurisdictions. There are some transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from us in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which the tax determination is made.

A deferred tax asset is recognized for the carryforward of unused deductible tax losses to the extent that it is probable that future taxable profits will be available against which the deductible tax losses can be utilized. Future taxable profits include taxable profits that can be achieved through normal operations and the increase in taxable profits due to the reversal of taxable temporary differences arising from previous period in future period. We need to apply estimates and judgment in determining the timing and amount of future taxable profits. If there is any difference between the actual and the estimates, adjustment would be made to the carrying amount of deferred tax assets.

New and Amended Standards

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing our historical financial information, we have consistently adopted all applicable new and revised IFRSs that are effective during the Track Record Periods, except for any new standards or interpretations that are not yet effective for the Track Record Periods. The revised and new accounting standards and interpretations issued but not yet effective for the Track Record Period are set out in Note 2.1(ii) of the Accountants' Report in Appendix I to this document.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets forth our consolidated statements of comprehensive income with line items in amounts and as percentages of our revenue for the years indicated. This information should be read together with our consolidated financial statements and related notes included in the Accountants' Report set out in Appendix I to this document. The results of operations in any period are not necessarily indicative of the results that may be expected for any future period.

	For the year ended December 31,					
	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
	(in millions, except for percentages)					
Revenue	20,040.2	100.0	20,984.3	100.0	25,706.8	100.0
Cost of sales	(15,299.0)	(76.3)	(16,800.8)	(80.1)	(18,467.6)	(71.8)
Gross profit	**4,741.2**	**23.7**	**4,183.5**	**19.9**	**7,239.2**	**28.2**
Selling and marketing expenses	(516.2)	(2.6)	(467.3)	(2.2)	(556.7)	(2.2)
General and administrative expenses	(799.3)	(4.0)	(662.6)	(3.2)	(1,070.9)	(4.2)
Research and development expenses	(2,518.5)	(12.6)	(2,239.4)	(10.7)	(2,685.8)	(10.5)
Net impairment losses on financial assets	35.4	0.2	(90.9)	(0.4)	(11.4)	—
Other income	118.7	0.6	95.9	0.5	96.9	0.4
Other gains, net	745.3	3.7	349.3	1.7	291.2	1.1
Finance costs, net	(466.6)	(2.3)	(438.1)	(2.1)	3.6	—
Share of post-tax losses of equity accounted associates	(46.3)	(0.2)	(38.8)	(0.2)	(33.3)	(0.1)
Profit before income tax	**1,293.7**	**6.5**	**691.6**	**3.3**	**3,272.8**	**12.7**
Income tax (expense)/benefit	(342.7)	(1.7)	(147.6)	(0.7)	5.8	—
Profit for the year	**951.0**	**4.8**	**544.0**	**2.6**	**3,278.6**	**12.7**
Profit is attributable to:						
Owners of the Company	982.7	4.9	555.8	2.7	3,317.5	12.9
Non-controlling interests	(31.7)	(0.1)	(11.8)	(0.1)	(38.9)	(0.2)

Revenue

We derive the majority of our revenue from our semiconductor design and sales business, delivering advanced digital imaging solutions, display solutions, and analog solutions for a wide variety of consumer and industrial applications, including in the automotive, smartphone, medical, surveillance, and emerging markets. A small portion of our revenue is attributable to our semiconductor distribution business, where we procure semiconductor products from world-leading semiconductor suppliers and leading international and domestic players to serve the evolving needs of our diverse customer base.

The following table sets forth a breakdown of our revenue among semiconductor design and sales business, semiconductor distribution business and others during the Track Record Period, both in amounts and as percentages of total revenue, for the years indicated:

	For the year ended December 31,					
	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
	(in millions, except for percentages)					
Advanced digital imaging solutions	13,674.5	68.3	15,535.5	74.0	19,190.2	74.7
Display solutions	1,470.5	7.3	1,250.4	6.0	1,028.2	4.0
Analog solutions	1,262.4	6.3	1,154.4	5.5	1,422.0	5.5
Semiconductor design and sales business	16,407.4	81.9	17,940.3	85.5	21,640.4	84.2
Semiconductor distribution business	3,564.8	17.8	2,970.1	14.2	3,938.9	15.3
Others[(1)]	68.0	0.3	73.9	0.3	127.5	0.5
Total	**20,040.2**	**100.0**	**20,984.3**	**100.0**	**25,706.8**	**100.0**

Note:

(1) Primarily including income from technical service.

In addition to the above, our results of operations are also reported by our reporting subsidiaries' location. The following table sets forth the amounts and percentages of our revenue from within and outside Mainland China for the years indicated:

	For the year ended December 31,					
	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
	(in millions, except for percentages)					
Mainland China[(1)]	3,353.7	16.7	2,920.3	13.9	3,844.4	15.0
Outside Mainland China[(1)]	16,686.5	83.3	18,064.0	86.1	21,862.4	85.0
Total	**20,040.2**	**100.0**	**20,984.3**	**100.0**	**25,706.8**	**100.0**

Note:

(1) The revenues we report by geography are based on the location in which our reporting subsidiaries are located.

Cost of Sales

We utilize a fabless business model, which allows us to focus our resources on the design of semiconductors while working with third-party foundries and packaging and testing service providers to manufacture, package and test our products.

The table below sets forth a breakdown of our cost of sales by business line both in amounts and as a percentage of our total cost of sales for the years indicated:

	For the year ended December 31,					
	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
	(in millions, except for percentages)					
Advanced digital imaging solutions	10,309.2	67.4	12,092.9	72.0	12,845.1	69.6
Display solutions	854.0	5.6	1,197.9	7.1	976.9	5.3
Analog solutions	788.1	5.1	740.8	4.4	927.9	5.0
Semiconductor design and sales business	11,951.3	78.1	14,031.6	83.5	14,749.9	79.9
Semiconductor distribution business	3,338.5	21.8	2,764.5	16.5	3,657.9	19.8
Others[(1)]	9.2	0.1	4.7	—	59.8	0.3
Total	**15,299.0**	**100.0**	**16,800.8**	**100.0**	**18,467.6**	**100.0**

Note:

(1) Primarily including employee benefits expenses in relation to our technical services.

Gross Profit and Gross Margin

The following table sets forth the breakdown of our gross profit among semiconductor design and sales business, semiconductor distribution business, and others for the years indicated:

	For the year ended December 31,					
	2022		2023		2024	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
	RMB	%	RMB	%	RMB	%
	(in millions, except for percentages)					
Advanced digital imaging solutions	3,365.3	24.6	3,442.6	22.2	6,345.0	33.1
Display solutions	616.5	41.9	52.5	4.2	51.3	5.0
Analog solutions	474.3	37.6	413.6	35.8	494.1	34.7
Semiconductor design and sales business	4,456.1	27.2	3,908.7	21.8	6,890.4	31.8
Semiconductor distribution business	226.3	6.3	205.6	6.9	281.0	7.1
Others	58.8	86.5	69.2	93.6	67.8	53.2
Total	**4,741.2**	**23.7**	**4,183.5**	**19.9**	**7,239.2**	**28.2**

For semiconductor design and sales business, we recorded gross profit of RMB4.5 billion, RMB3.9 billion and RMB6.9 billion, and gross margin of 27.2%, 21.8% and 31.8% for the years ended December 31, 2022, 2023 and 2024, respectively. There were fluctuations to our gross profit and gross margin during the Track Record Period, primarily because of the effects of changes in market conditions and inventory write-down, particularly for display solutions, which was of non-recurring nature.

For semiconductor distribution business, we recorded gross profit of RMB226.3 million, RMB205.6 million and RMB281.0 million, and gross margin of 6.3%, 6.9% and 7.1% for the years ended December 31, 2022, 2023 and 2024, respectively.

For others, we recorded gross profit of RMB58.8 million, RMB69.2 million and RMB67.8 million, and gross margin of 86.5%, 93.6% and 53.2% for the years ended December 31, 2022, 2023 and 2024, respectively.

As a result of the foregoing, we recorded total gross profit of RMB4.7 billion, RMB4.2 billion and RMB7.2 billion, and gross margin of 23.7%, 19.9% and 28.2% for the years ended December 31, 2022, 2023 and 2024, respectively.

Other Income

Our other income primarily consists of the government grants, dividend and net rental income. The following table sets forth a breakdown of our other income, in amounts and as percentages of total other income, for the years indicated:

	For the year ended December 31,					
	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
	(in millions, except for percentages)					
Rental income	37.9	31.9	36.4	37.9	23.8	24.6
Rental cost	(13.6)	(11.4)	(9.5)	(9.8)	(11.6)	(12.0)
Rental income, net	24.3	20.5	26.9	28.1	12.2	12.6
Government grants	82.5	69.5	59.7	62.3	59.2	61.1
Dividend	11.9	10.0	9.3	9.6	25.5	26.3
Total	**118.7**	**100.0**	**95.9**	**100.0**	**96.9**	**100.0**

For the years ended December 31, 2022, 2023 and 2024, the other income represented 0.6%, 0.5% and 0.4% of our total revenue, respectively.

Selling and Marketing Expenses

Our selling and marketing expenses consist primarily of (i) employee benefits expenses related to sales and marketing personnel, (ii) marketing expenses, (iii) share-based payments related to sales and marketing personnel, (iv) depreciation and amortization, (v) travel expenses, and (vi) others. The following table sets forth a breakdown of our selling and marketing expenses, in amounts and as percentages of total selling and marketing expenses, for the years indicated:

	For the year ended December 31,					
	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
	(in millions, except for percentages)					
Employee benefits expenses	351.7	68.1	349.3	74.7	392.5	70.5
Marketing expenses	37.1	7.2	45.9	9.8	46.2	8.3
Share-based payments	55.4	10.7	(8.9)	(1.9)	40.5	7.3
Depreciation and amortization	41.5	8.0	35.4	7.6	29.1	5.2
Travel expenses	10.8	2.1	22.6	4.8	27.5	4.9
Others[(1)]	19.7	3.9	23.0	5.0	20.9	3.8
Total	**516.2**	**100.0**	**467.3**	**100.0**	**556.7**	**100.0**

Notes:

(1) Primarily including office expenses and lease expenses.

For the years ended December 31, 2022, 2023 and 2024, the selling and marketing expenses represented 2.6%, 2.2% and 2.2% of our total revenue respectively.

General and Administrative Expenses

Our general and administrative expenses consist primarily of (i) employee benefits expenses related to general and administrative personnel, (ii) impairment of goodwill, (iii) depreciation and amortization of office equipment and intangible assets, such as trademarks transferred to us pursuant to our strategic acquisitions, (iv) professional services fees primarily in relation to legal, audit, tax and other professional service, (v) taxes and surcharges, (vi) licenses fee, (vii) bank charges, (viii) share-based payments related to general and administrative personnel, (ix) office expenses and (x) others. The following table sets forth a breakdown of our general and administrative expenses, in amounts and as percentages of total general and administrative expenses, for the years indicated:

	For the year ended December 31,					
	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
	(in millions, except for percentages)					
Employee benefits expenses	350.2	43.8	266.6	40.2	304.9	28.5
Impairment of goodwill	—	—	—	—	237.5	22.2
Depreciation and amortization	167.5	21.0	188.9	28.5	220.3	20.6
Professional service fee	97.8	12.2	84.5	12.8	96.1	9.0
Taxes and surcharges	24.6	3.1	32.5	4.9	40.4	3.8
Licenses fee	13.2	1.7	18.1	2.7	40.3	3.8
Bank charges	10.0	1.3	7.0	1.1	22.9	2.1
Share-based payments	37.1	4.6	(6.1)	(0.9)	20.4	1.9
Office expenses	23.7	3.0	15.8	2.4	16.3	1.5
Others(1)	75.2	9.3	55.3	8.3	71.8	6.6
Total	**799.3**	**100.0**	**662.6**	**100.0**	**1,070.9**	**100.0**

Note:

(1) Primarily including utilities, lease expenses and travel expenses.

For the years ended December 31, 2022, 2023 and 2024, the general and administrative expenses represented 4.0%, 3.2% and 4.2% of our total revenue, respectively.

Research and Development Expenses

Our research and development expenses consist primarily of (i) employee benefits expenses related to R&D personnel, (ii) depreciation and amortization of intangible assets and R&D equipment, (iii) licenses fee we pay to support our R&D activities, (iv) professional services fees in relation to design, testing and technical consulting, (v) share-based payments related to R&D personnel, (vi) costs for materials used in our R&D activities, (vii) impairment of development expenditure, and (viii) others. The following table sets forth a breakdown of our research and development expenses, in amounts and as percentages of total research and development expenses, for the years indicated:

	For the year ended December 31,					
	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
	(in millions, except for percentages)					
Employee benefits expenses	1,049.3	41.7	989.4	44.2	1,238.4	46.1
Depreciation and amortization	554.7	22.0	593.3	26.5	605.8	22.6
Licenses fee	158.4	6.3	213.5	9.5	224.6	8.4
Professional service fee	247.8	9.8	229.0	10.2	204.6	7.6
Share-based payments	157.4	6.2	(13.6)	(0.6)	163.0	6.1
Material used for R&D	257.1	10.2	153.1	6.8	111.2	4.1
Impairment of development expenditure	23.0	0.9	5.3	0.2	63.7	2.4
Others(1)	70.8	2.9	69.4	3.2	74.5	2.7
Total	**2,518.5**	**100.0**	**2,239.4**	**100.0**	**2,685.8**	**100.0**

Notes:

(1) Primarily including lease expenses and utilities.

For the years ended December 31, 2022, 2023 and 2024, the research and development expenses represented 12.6%, 10.7% and 10.4% of our total revenue, respectively.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets primarily are in relation to bad debt losses on trade receivables as a result of some customers' impaired ability to make payments to us when they become due. The following table sets forth a breakdown of our net impairment losses on financial assets arise for the years indicated:

	For the year ended December 31,		
	2022	2023	2024
	RMB	RMB (in millions)	RMB
Loss allowance for trade receivables	34.8	(91.0)	(11.7)
Loss allowance for notes receivables	0.1	0.4	—
Loss allowance for other receivables	0.5	0.4	(0.4)
Loss allowance for long-term receivables	—	(0.7)	0.7
Total	**35.4**	**(90.9)**	**(11.4)**

Other Gains, Net

Our other gains, net primarily consists of deemed gain on disposal of subsidiaries and associates, net gain on disposal of financial assets at fair value through profit or loss ("**FVPL**") and net fair value losses / gains on financial assets at FVPL. The following table sets forth a breakdown of our other gains, net arise for the years indicated:

	For the year ended December 31,		
	2022	2023	2024
	RMB	RMB (in millions)	RMB
Net gain on disposal of financial assets at FVPL	117.4	103.1	140.1
Net fair value (losses)/gains on financial assets at FVPL	(221.2)	246.9	74.3
Net gain on disposal of subsidiaries and associates	234.2	—	50.1
Net foreign exchange (losses)/gains	(117.4)	(11.7)	32.3
Net gain on disposal of long-term assets	6.8	1.6	7.2
Deemed gain on disposal of subsidiaries and associates	722.5	—	—
Dilution gains/(losses) of associates	—	0.1	(5.7)
Net fair value losses on financial liabilities at FVPL	—	(15.5)	(16.3)
Others	3.0	24.8	9.2
Total	**745.3**	**349.3**	**291.2**

For the years ended December 31, 2022, 2023 and 2024, the other gains, net represented 3.7%, 1.7% and 1.1% of our total revenue, respectively.

Finance Costs, Net

Our finance costs, net primarily consist of interest expenses on the bank borrowings, including fixed-rate and variable-rate loans, and the Convertible Bonds we issued, and our interest income. The following table sets forth a breakdown of our finance costs, net for the years indicated:

	For the year ended December 31,		
	2022	2023	2024
	RMB	RMB (in millions)	RMB
Bank deposit interest income	27.3	95.9	330.3
Finance income	**27.3**	**95.9**	**330.3**
Interests on borrowing	(377.8)	(414.0)	(202.0)
Interests on convertible bonds	(107.4)	(112.0)	(116.7)
Interests on lease liabilities	(8.7)	(8.0)	(8.0)
Finance costs	**(493.9)**	**(534.0)**	**(326.7)**
Total	**(466.6)**	**(438.1)**	**3.6**

Share of Post-Tax Losses of Equity Accounted Associates

Our share of post-tax losses of equity accounted associates represents our investment losses from our long-term equity-accounted investments in the associates. We recorded our share of post-tax losses of equity accounted associates of RMB46.3 million, RMB38.8 million and RMB33.3 million for the years ended December 31, 2022, 2023 and 2024, respectively, representing 0.2%, 0.2% and 0.1% of our revenue in the respective years.

Income Tax Expenses / Benefit

Income tax expenses primarily represent our total current and deferred income tax expenses pursuant to the relevant income tax rules and regulations in the jurisdictions where we operate. In 2022 and 2023, we recorded income tax expense of RMB342.7 million and RMB147.6 million respectively. In 2024, we recognized income tax benefit of RMB5.8 million, primarily due to the reversal of provision for uncertain taxes. We are subject to varying tax rates in different jurisdictions. See Note 13 of the Accountants' Report set out in Appendix I to this document.

Our subsidiaries incorporated in the PRC are generally subject to PRC EIT of 25% whereas certain subsidiaries were subject to preferential tax treatments available to qualified enterprises in certain encouraged sectors of the economy. In Hong Kong, our subsidiaries are subject to Hong Kong profits tax at a rate of 16.5%. In U.S., our U.S. subsidiary is subject to U.S. federal corporate income tax of 21% and corporate income tax for the State of California of 8.84% under relevant laws and regulations. In Singapore, our subsidiary has obtained a preferential tax rate from the Singapore Economic Development Board, and was subject to enterprise income tax at a rate of 10% or 10.5% during the Track Record Period.

Profit For The Year

We recorded profit for the year of RMB951.0 million, RMB544.0 million and RMB3,278.6 million for the years ended December 31, 2022, 2023 and 2024, respectively, representing 4.8%, 2.6% and 12.7% of our revenue in the respective years.

This increase in profit for the year from 2023 to 2024 was mainly due to an increase in our revenue from advanced digital imaging solutions in semiconductor design and sales business as a result of our enhanced market penetration in the growing smartphone and automotive verticals and an increase in gross profit margin due to the increasing proportion of CIS applied in automotive in our sales with higher gross profit margin, partially offset by an increase in our expenses, largely driven by our business growth.

This decrease in profit for the year from 2022 to 2023 was mainly due to a decrease in gross profit margin as a result of the price pressure when we were reducing our inventory which was purchased at a higher cost.

For details, see "— Period to Period Comparison of Results of Operations."

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Revenue

Our revenue increased by 22.5% from RMB21.0 billion in 2023 to RMB25.7 billion in 2024. Specifically, our revenue from semiconductor design and sales business increased by 20.6% from RMB17.9 billion in 2023 to RMB21.6 billion in 2024, which was primarily due to (i) increased sales in advanced digital imaging solutions by 23.5% from RMB15.5 billion in 2023 to RMB19.2 billion in 2024, mainly in smartphone and automotive verticals, and (ii) increased sales in analog solutions by 23.2% from RMB1.2 billion in 2023 to RMB1.4 billion in 2024. Our revenue from semiconductor distribution business also increased by 32.6% from RMB3.0 billion in 2023 to RMB3.9 billion in 2024. The primary drivers are our enhanced market penetration in the growing smartphone and automotive verticals as our flagship high-end image sensor has been widely adopted as the main rear camera sensor in leading high-end smartphones and our advanced CIS solutions supporting smart vehicles such as ADAS application, and the increased market demand to analog ICs.

Cost of sales

Our cost of sales increased by 9.9% from RMB16.8 billion in 2023 to RMB18.5 billion in 2024, which was generally in line with our growth in revenue.

Gross profit

As a result of the foregoing, our gross profit increased by 73.0% from RMB4.2 billion in 2023 to RMB7.2 billion in 2024, and our overall gross profit margin increased from 19.9% in 2023 to 28.2% in 2024. The primary drivers are the rebound of demand and price in smartphone vertical, the optimized product mix, the introduction of more high-end products, increasing proportion of CIS applied in automotive in our sales with higher gross profit margin and the optimized supply chain management.

Other income

Our other income remained relatively stable at RMB95.9 million in 2023 and RMB96.9 million in 2024.

Selling and marketing expenses

Our selling and marketing expenses increased by 19.1% from RMB467.3 million in 2023 to RMB556.7 million in 2024, primarily because we recorded (i) an increase in employee benefits expenses from RMB349.3 million in 2023 to RMB392.5 million in 2024, because we expanded our sales team from 684 employees in 2023 to 702 employees in 2024 with the higher average salary, and (ii) a reversal of share-based payments of RMB8.9 million in 2023 as the business performance conditions of our Company in the share incentive plans were not met.

General and administrative expenses

Our general and administrative expenses increased by 61.6% from RMB0.7 billion in 2023 to RMB1.1 billion in 2024, primarily because we recorded (i) an impairment of goodwill of RMB237.5 million which was a non-recurring item, (ii) an increase in employee benefits expenses from RMB266.6 million in 2023 to RMB304.9 million in 2024 as we expanded the size of our administration team from 215 members in 2023 to 233 members in 2024 with the higher average salary, (iii) an increase in depreciation and amortization from RMB188.9 million to RMB220.3 million , and (iv) a reversal of share-based payments of RMB6.1 million in 2023 as the business performance conditions of our Company in the share incentive plans were not met.

Research and development expenses

Our research and development expenses increased by 19.9% from RMB2.2 billion in 2023 to RMB2.7 billion in 2024, primarily due to (i) the rise of employee benefits expenses from RMB989.4 million in 2023 to RMB1.2 billion in 2024 as a result of the expansion of our research and development team from 2,053 members in 2023 to 2,387 members in 2024 with the higher average salary, and (ii) the reversal of share-based payments of RMB13.6 million we recorded in 2023 as the business performance conditions of our Company in the share incentive plans were not met.

Net impairment losses on financial assets

Our net impairment losses on financial assets decreased by 87.5% from RMB90.9 million in 2023 to RMB11.4 million in 2024, primarily due to the decreased bad debt provision on trade receivables from RMB91.0 million in 2023 to RMB11.7 million.

Other gains, net

Our other gains, net decreased by 16.6% from RMB349.3 million in 2023 to RMB291.2 million in 2024, primarily due to the fluctuation of fair value of our investments.

Finance costs, net

We recorded finance costs of RMB438.1 million in 2023 and finance income of RMB3.6 million in 2024, primarily due to (i) an increase of interest income from RMB95.9 million in 2023 to RMB330.3 million in 2024 as a result of the increase in prevailing interest rate and the balance of our saving at bank, and (ii) a reduction of interest expenses from RMB534.0 million in 2023 to RMB326.7 million in 2024 as a result of the decrease in our borrowing.

Share of post-tax losses of equity accounted associates

Our share of post-tax losses of equity accounted associates decreased by 14.3% from RMB38.8 million in 2023 to RMB33.3 million in 2024, primarily due to the improving business performance of our invested associates.

Income tax expenses /benefit

We recorded income tax expense of RMB147.6 million in 2023 and income tax benefit of RMB5.8 million in 2024, respectively, primarily due to the reversal of provision we made for uncertain taxes as the relevant limitation period expired in 2024.

Profit for the year

As a result of the foregoing, our profit for the year increased from RMB544.0 million in 2023 to RMB3,278.6 million in 2024.

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenue

Our revenue increased slightly from RMB20.0 billion in 2022 to RMB21.0 billion in 2023. Specifically, our revenue from semiconductor design and sales business increased by 9.3% from RMB16.4 billion in 2022 to RMB17.9 billion in 2023, which was primarily due to increased sales in advanced digital imaging solutions by 13.6% from RMB13.7 billion in 2022 to RMB15.5 billion in 2023, mainly because we expanded our products in the smartphone vertical and enhanced our market penetration in the automotive vertical. This was partially offset by a decrease of our revenue from semiconductor distribution business from RMB3.6 billion in 2022 to RMB3.0 billion in 2023 due to market conditions.

Cost of sales

Our cost of sales increased by 9.8% from RMB15.3 billion in 2022 to RMB16.8 billion in 2023, which generally was in line with our revenue trend during the same period.

Gross profit

As a result of the foregoing, our gross profit decreased by 11.8% from RMB4.7 billion in 2022 to RMB4.2 billion in 2023, and our overall gross profit margin decreased from 23.7% in 2022 to 19.9% in 2023. The primary reason is the price pressure when we were reducing our stock so the increment in revenue was unable to entirely offset the increment in cost of sales accordingly.

Other income

Our other income decreased by 19.2% from RMB118.7 million in 2022 to RMB95.9 million in 2023, primarily due to a decrease in government grant we received from RMB82.5 million in 2022 to RMB59.7 million in 2023 as the government grants were generally temporary and one-off.

Selling and marketing expenses

Our selling and marketing expenses decreased by 9.5% from RMB516.2 million in 2022 to RMB467.3 million in 2023, primarily due to (i) a reversal of share-based payments of RMB8.9 million in 2023 as the business performance conditions of our Company in the share incentive plans were not met, and (ii) a decrease in employee benefits expenses from RMB351.7 million in 2022 to RMB349.3 million in 2023, because we optimized our sales team from 746 employees in 2022 to 684 employees in 2023.

General and administrative expenses

Our general and administrative expenses decreased by 17.1% from RMB799.3 million in 2022 to RMB662.6 million in 2023, primarily due to (i) a drop of employee benefits expenses from RMB350.2 million in 2022 to RMB266.6 million in 2023, attributable to our optimized administration team from 278 members in 2022 to 215 members in 2023 to improve efficiency, and (ii) a reversal of share-based payments of RMB6.1 million in 2023 as the business performance conditions of our Company in the share incentive plans were not met.

Research and development expenses

Our research and development expenses decreased by 11.1% from RMB2.5 billion in 2022 to RMB2.2 billion in 2023, primarily due to (i) a reversal of share-based payments of RMB13.6 million in 2023 as the business performance conditions of our Company in the share incentive plans were not met, and (ii) a reduction in material used for R&D from RMB257.1 million in 2022 to RMB153.1 million in 2023 primarily due to our efforts to enhance our R&D activities' efficiency.

Net impairment losses on financial assets

We recorded net reversal on impairment losses on financial assets of RMB35.4 million in 2022 and net impairment losses on financial assets of RMB90.9 million in 2023, primarily due to the bad debt losses on trade receivables of RMB91.0 million in 2023, which was in line with our increased trade receivables balance in 2023.

Other gains, net

Our other gains, net decreased by 53.1% from RMB745.3 million in 2022 to RMB349.3 million in 2023, primarily due to the fluctuation of fair value of our investments.

Finance costs, net

Our finance costs, net decreased by 6.1% from RMB466.6 million in 2022 to RMB438.1 million in 2023, primarily due to (i) an increase in our interest income from RMB27.3 million in 2022 to RMB95.9 million in 2023, partially offset by (ii) an increase in interest expense on borrowing from RMB377.8 million in 2022 to RMB414.0 million in 2023, as a result of the increase in the prevailing interest rate.

Share of post-tax losses of equity accounted associates

Our share of post-tax losses of equity accounted associates decreased by 16.1% from RMB46.3 million in 2022 to RMB38.8 million in 2023, primarily due to the improving business performance of our invested associates.

Income tax expenses / benefit

We recorded income tax expense of RMB342.7 million and RMB147.6 million in 2022 and 2023, respectively, which was generally in line with the trend of profit before income tax.

Profit for the year

As a result of the foregoing, our profit for the year decreased by 42.8% from RMB951.0 million in 2022 to RMB544.0 million in 2023.

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Current Assets and Current Liabilities

The following table sets forth the breakdown of our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of April 30,
	2022	2023	2024	2025
	RMB	RMB	RMB	RMB *(unaudited)*
		(in millions)		
Current assets				
Cash and cash equivalents	3,995.1	9,055.1	10,152.8	11,594.8
Inventories	12,356.3	6,321.6	6,956.2	7,574.3
Trade and other receivables	2,613.4	4,101.5	4,046.1	4,101.5
Prepayments, current	252.2	276.2	325.0	564.5
Financial assets at fair value through other comprehensive income ("**FVOCI**")	162.8	162.7	116.4	184.4
Other current assets	188.5	183.5	175.1	152.7
Restricted cash	31.0	30.8	32.6	57.0
Financial assets at FVPL	14.0	132.8	—	—
Total current assets	**19,613.3**	**20,264.2**	**21,804.2**	**24,229.2**
Current liabilities				
Borrowings, current	7,467.6	5,374.0	3,569.1	4,157.9
Trade and other payables	2,325.5	2,875.1	3,120.9	3,951.4
Employee benefit obligations	263.5	263.8	332.3	244.6
Contract liabilities	125.4	186.8	225.7	168.0
Current tax liabilities	100.9	183.5	176.4	158.9
Financial liabilities at FVPL	—	99.0	99.0	100.0
Lease liabilities, current	66.2	63.7	66.2	71.7
Other current liabilities	24.1	22.8	5.8	16.5
Convertible bonds, current	—	—	—	14.6
Total current liabilities	**10,373.2**	**9,068.7**	**7,595.4**	**8,883.6**
Net current assets	**9,240.1**	**11,195.5**	**14,208.8**	**15,345.6**

We had net current assets positions as of December 31, 2022, 2023 and 2024 and as of April 30, 2025.

Our net current assets increased from RMB14.2 billion as of December 31, 2024 to RMB15.3 billion as of April 30, 2025, mainly due to (i) an increase of cash and cash equivalents of RMB1.4 billion, and (ii) an increase of inventories of RMB618.1 million, partially offset by (iii) an increase in trade and other payables of RMB830.5 million.

Our net current assets increased from RMB11.2 billion as of December 31, 2023 to RMB14.2 billion as of December 31, 2024, mainly due to (i) a decrease in short-term borrowings of RMB1.8 billion, (ii) an increase of cash and cash equivalents of RMB1.1 billion, and (iii) an increase of inventories of RMB634.6 million.

Our net current assets increased from RMB9.2 billion as of December 31, 2022 to RMB11.2 billion as of December 31, 2023, mainly due to (i) an increase of cash and cash equivalents of RMB5.1 billion, (ii) a decrease in short-term borrowings of RMB2.1 billion, and (iii) an increase of trade and other receivables of RMB1.5 billion, partially offset by (iv) a decrease in inventories of RMB6.0 billion, and (v) an increase in trade and other payables of RMB549.6 million.

Non-Current Assets and Non-Current Liabilities

The following table sets forth the breakdown of our non-current assets and non-current liabilities as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB	RMB (in millions)	RMB
Non-current Assets			
Goodwill	3,169.4	3,860.7	3,632.2
Financial assets at FVPL	2,964.3	3,397.8	3,346.8
Property, plant and equipment	2,189.9	2,724.4	3,242.8
Intangible assets	1,698.7	1,975.0	1,886.5
Financial assets at FVOCI	1,703.3	1,564.5	1,648.7
Development expenditure	810.6	1,044.6	1,063.5
Assets under construction	493.1	903.8	533.8
Right-of-use assets	573.6	553.4	522.9
Investments accounted by equity method	534.1	518.4	464.0
Deferred tax assets	335.9	406.1	400.7
Investment properties	253.0	247.5	241.7
Prepayments, non-current	778.4	220.4	96.0
Other non-current assets	73.4	62.4	80.8
Total non-current assets	**15,577.7**	**17,479.0**	**17,160.4**
Non-current liabilities			
Borrowings, non-current	2,749.8	2,977.4	3,472.0
Convertible bonds	2,346.8	2,443.9	2,523.9
Deferred tax liabilities	422.9	495.0	529.8
Provision	1,011.5	943.6	433.3
Lease liabilities, non-current	145.3	122.1	96.9
Financial liabilities at FVPL	—	172.5	88.8
Other non-current liabilities	40.4	25.3	22.1
Total non-current liabilities	**6,716.7**	**7,179.8**	**7,166.8**

Inventories

Our inventories mainly include works in process, finished goods and technical service cost. The following table sets forth details of our inventories as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB	RMB (in millions)	RMB
Works in process	5,284.4	3,345.7	3,566.3
Finished goods	7,071.2	2,949.4	3,388.8
Technical service cost	0.7	26.5	1.1
Total	**12,356.3**	**6,321.6**	**6,956.2**

Our inventories increased from RMB6.3 billion as of December 31, 2023 to RMB7.0 billion as of December 31, 2024, primarily due to an increased market demand. Our inventories decreased from RMB12.4 billion as of December 31, 2022, to RMB6.3 billion as of December 31, 2023, primarily due to our continuous efforts in reducing the inventory level.

The following is an aging analysis of our inventories:

	As of December 31,		
	2022	2023	2024
	RMB	RMB (in millions)	RMB
Inventories			
Up to 1 year	5,484.4	3,058.0	5,018.2
Over 1 year	6,871.9	3,263.6	1,938.0
Total	**12,356.3**	**6,321.6**	**6,956.2**

The following table sets forth our inventory turnover days for the years indicated:

	As of December 31,		
	2022	2023	2024
Inventory turnover days(1)	252.1	202.9	131.2

Notes:

(1) Calculated as the average of beginning and ending balance of inventories for the year divided by cost of sales for that year and multiplied by 365 days

Our inventory turnover days were 252.1 days, 202.9 days and 131.2 days in 2022, 2023 and 2024, respectively, due to the increased market demand.

As of April 30, 2025, we had used or sold approximately RMB4.8 billion, or 68.9% of our balance of inventories as of December 31, 2024.

Trade and Other Receivables

The following table sets forth details of our trade and other receivable as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB	RMB (in millions)	RMB
Trade receivables	2,501.9	4,031.5	3,963.9
Other receivables	88.1	44.6	57.8
Note receivable	23.4	25.4	24.4
Total	**2,613.4**	**4,101.5**	**4,046.1**

Our trade and other receivables remained relatively stable at RMB4,101.5 million as of December 31, 2023 and RMB4,046.1 million as of December 31, 2024. Our trade and other receivables increased by 56.9% from RMB2,613.4 million as of December 31, 2022 to RMB4,101.5 million as of December 31, 2023, primarily due to our efforts to reduce our inventory level, resulting in an increase in sales of products towards the end of 2023.

As of April 30, 2025, approximately RMB3.8 billion, or 96.9% of trade receivables as of December 31, 2024 had been settled.

The following is an aging analysis of our trade receivables based on invoice date as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB	RMB (in millions)	RMB
Trade receivables			
Up to 1 year	2,498.1	3,981.0	3,909.8
Between 1 year and 2 years	0.5	47.1	29.0
Between 2 years and 3 years	3.1	0.4	22.7
Over 3 years	0.2	3.0	2.4
Total	**2,501.9**	**4,031.5**	**3,963.9**

During the Track Record Period, a majority of our trade receivables were outstanding for less than one year, which was largely in line with the credit period we granted.

The following table sets forth our trade receivables turnover days for the years indicated:

	As of December 31,		
	2022	2023	2024
Trade receivables turnover days(1)	49.0	56.8	56.8

Notes:

(1) Calculated as the average of beginning and ending balance of trade receivables for the year divided by revenue for that year and multiplied by 365 days

Our trade receivables turnover days increased from 49.0 days in 2022 to 56.8 days in 2023, and remained the same at 56.8 days in 2024, which generally aligned with the trend of our trade receivables.

Prepayments

Our prepayments mainly consist of the prepayments for long-term assets and goods or services for the course of our business. The following table sets forth details of our prepayments as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB	RMB (in millions)	RMB
Non-current:			
Prepayments for long-term assets	596.9	133.4	91.2
Prepayments for goods or services	130.5	87.0	4.8
Prepayments for business combination	51.0	—	—
	778.4	**220.4**	**96.0**
Current:			
Prepayments for goods or services	**252.2**	**276.2**	**325.0**
Total	**1,030.6**	**496.6**	**421.0**

Our prepayments, current increased from RMB252.2 million as of December 31, 2022 to RMB276.2 million as of December 31, 2023, and then further to RMB325.0 million as of December 31, 2024, which was primarily due to the re-classification of our prepayments for goods or services from the non-current portion to the current portion as the delivery or performance date of the goods or services approached.

Our prepayments, non-current decreased from RMB220.4 million as of December 31, 2023 to RMB96.0 million as of December 31, 2024, which was primarily due to the re-classification of our prepayments for goods or services from the non-current portion to the current portion as the delivery or performance date of the goods or services approached. Our prepayment, non-current decreased from RMB778.4 million as of December 31, 2022 to RMB220.4 million as of December 31, 2023, primarily because the prepaid long-term assets were delivered and recognized under either property, plant and equipment or assets under construction in 2023.

Financial Assets at Fair Value Through Other Comprehensive Income

Our financial assets at FVOCI mainly represent our investments in the listed securities and private companies, and the bank acceptance bill we hold. The following table sets forth details of our financial assets at FVOCI as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB	RMB (in millions)	RMB
Non-current:			
Listed securities	1,696.1	1,556.7	1,642.1
Private companies	7.2	7.8	6.6
	1,703.3	**1,564.5**	**1,648.7**
Current:			
Bank acceptance bill	**162.8**	**162.7**	**116.4**
Total	**1,866.1**	**1,727.2**	**1,765.1**

Our financial assets at FVOCI, current remained relatively stable at RMB162.8 million as of December 31, 2022, RMB162.7 million as of December 31, 2023 and RMB116.4 million as of December 31, 2024.

Our financial assets at FVOCI, non-current increased from RMB1,564.5 million as of December 31, 2023 to RMB1,648.7 million as of December 31, 2024, and decreased from RMB1,703.3 million as of December 31, 2022 to RMB1,564.5 million as of December 31, 2023, primarily due to the change of fair value of our investments in the listed securities.

Financial Assets at Fair Value Through Profit or Loss

Our financial assets at FVPL mainly represent our investments in equity instruments. The following table sets forth details of our financial assets at FVPL as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB	RMB	RMB
		(in millions)	
Non-current:			
Investment funds	2,037.1	2,607.6	2,698.2
Private companies	449.9	489.4	644.4
Listed securities	466.6	289.5	4.2
Convertible bonds	10.7	11.3	—
	2,964.3	**3,397.8**	**3,346.8**
Current:			
Structured deposits	—	120.5	—
Investment funds	14.0	12.3	—
	14.0	**132.8**	**—**
Total	**2,978.3**	**3,530.6**	**3,346.8**

Our financial assets at FVPL, current increased from RMB14.0 million as of December 31, 2022 to RMB132.8 million as of December 31, 2023, and then decreased from RMB132.8 million as of December 31, 2023 to nil as of December 31, 2024, primarily because we acquired structured deposits of RMB120.5 million in 2023 and disposed them in 2024.

Our financial assets at FVPL, non-current decreased from RMB3.4 billion as of December 31, 2023 to RMB3.3 billion as of December 31, 2024, largely due to a decrease in listed securities as a result of disposals, partially offset by an increase in investments in private companies. Our financial assets at FVPL, non-current increased from RMB3.0 billion as of December 31, 2022 to RMB3.4 billion as of December 31, 2023, primarily due to an increase in investments in semiconductor funds, partially offset by disposal of listed securities.

Other Current Assets

Our other current assets mainly represent VAT to be deducted or verified and prepaid corporate income tax. The following table sets forth a breakdown of our other current assets as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB	RMB (in millions)	RMB
VAT to be deducted or verified	93.5	125.7	163.5
Prepaid corporate income tax	26.3	6.1	8.8
Long-term receivables for disposal of long-term assets due within 1 year	2.1	2.4	2.8
Long-term receivables for disposal of subsidiaries due within 1 year	52.7	49.3	—
Issuance cost for GDR	13.9	—	—
Total	**188.5**	**183.5**	**175.1**

Our other current assets remained relatively stable at RMB188.5 million as of December 31, 2022, RMB183.5 million as of December 31, 2023, and RMB175.1 million as of December 31, 2024, respectively.

Property, Plant and Equipment

Our property, plant and equipment mainly represent the machinery, buildings, land, property and land improvements, equipment and vehicles. The following table sets forth details of our property, plant and equipment as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB	RMB (in millions)	RMB
Machinery	830.3	973.2	1,524.5
Buildings	911.0	1,310.3	1,295.9
Land	241.3	245.4	249.1
Property and land improvements	142.9	138.4	117.2
Equipment	62.0	55.3	54.5
Vehicles	2.4	1.8	1.6
Total	**2,189.9**	**2,724.4**	**3,242.8**

Our property, plant and equipment increased from RMB2.7 billion as of December 31, 2023 to RMB3.2 billion as of December 31, 2024, and increased from RMB2.2 billion as of December 31, 2022 to RMB2.7 billion as of December 31, 2023, primarily as a result of our acquisition and completion of the installation of the machinery for our business expansion which was generally in line with the growth of our revenue.

Assets under Construction

Our assets under construction mainly represents our assets under construction including the machinery, building, facilities, information systems, and decoration. The following table sets forth details of our assets under construction as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB	RMB (in millions)	RMB
Machinery	324.0	747.9	268.2
Building	40.2	47.6	177.6
Facilities	121.0	101.6	87.2
Information systems	7.3	6.6	0.7
Decoration	0.6	0.1	0.1
Total	**493.1**	**903.8**	**533.8**

Our assets under construction decreased from RMB903.8 million as of December 31, 2023 to RMB533.8 million as of December 31, 2024, primarily because the installation of our machinery was mostly completed in 2024 for our operation. Our assets under construction increased from RMB493.1 million as of December 31, 2022 to RMB903.8 million as of December 31, 2023, primarily due to the construction of a new R&D center in China (Shanghai) Pilot Free Trade Zone Lin-gang Special Area.

Right-of-use Assets

Our right-of-use assets mainly represent the land-use right, building, vehicle, and machinery. The following table sets forth details of our right-of-use assets as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB	RMB (in millions)	RMB
Land-use right	364.9	377.3	369.0
Building	204.8	171.3	150.3
Vehicle	2.8	4.0	3.3
Machinery	1.1	0.8	0.3
Total	**573.6**	**553.4**	**522.9**

Our right-of-use assets decreased from RMB553.4 million as of December 31, 2023 to RMB522.9 million as of December 31, 2024, and decreased from RMB573.6 million as of December 31, 2022 to RMB553.4 million as of December 31, 2023, primarily due to the depreciation recorded over time.

Investment Properties

Our investment properties mainly represent the properties and building held for the purpose of capital appreciation and/or rental income. Our investment properties decreased from RMB247.5 million as of December 31, 2023 to RMB241.7 million as of December 31, 2024, and decreased from RMB253.0 million as of December 31, 2022 to RMB247.5 million as of December 31, 2023, primarily as a result of the depreciation for the investment properties.

Intangible Assets

Our intangible assets primarily consist of internally generated technology, technology, trademark, software, and others. The following table sets forth details of our intangible assets as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB	RMB (in millions)	RMB
Internally generated technology	832.3	957.9	1,114.7
Technology	586.6	748.0	608.8
Trademark	190.9	185.5	94.2
Software	41.6	35.8	29.0
Others[(1)]	47.3	47.8	39.8
Total	**1,698.7**	**1,975.0**	**1,886.5**

Notes:

(1) Primarily including license, emission rights and distribution network.

Our intangible assets decreased from RMB2.0 billion as of December 31, 2023 to RMB1.9 billion as of December 31, 2024, largely due to the amortization of our intangible assets. Our intangible assets increased from RMB1.7 billion as of December 31, 2022 to RMB2.0 billion as of December 31, 2023, primarily because we expanded our investments in technology development, and the capitalized development expenditure was transferred to intangible assets from the point when the product is ready for mass production.

Development Expenditure

Our development expenditure primarily consists of capitalized development expenditure over our advanced digital imaging solutions and display solutions. Our development expenditure increased from RMB1,044.6 million as of December 31, 2023 to RMB1,063.5 million as of December 31, 2024, and increased from RMB810.6 million as of December 31, 2022 to RMB1,044.6 million as of December 31, 2023, which were largely in line with the trend of our business and our increased investment in the research and development.

For the years ended December 31, 2022, 2023 and 2024, development costs amounting to RMB683.8 million, RMB692.5 million and RMB623.2 million wasere capitalized in development expenditure. And development expenditure amounting to RMB589.7 million, RMB467.5 million and RMB556.2 million was transferred to internal generated technology as intangible assets and amortized from the point when the product is ready for mass production for the respective period.

Goodwill

Our goodwill primarily consists of goodwill allocated to our CGUs of advanced digital imaging solutions, display solutions and analog solutions. The following table sets forth details of our goodwill as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB	RMB (in millions)	RMB
Advanced digital imaging solutions	2,325.7	2,325.7	2,325.7
Display solutions	843.7	853.8	625.3
Analog solutions	—	681.2	681.2
Total	**3,169.4**	**3,860.7**	**3,632.2**

Our goodwill decreased from RMB3.9 billion as of December 31, 2023 to RMB3.6 billion as of December 31, 2024, primarily due to the impairment losses of RMB237.5 million we recorded for our display solutions as the recovery of the display ICs market fell short of our expectation. Our goodwill increased from RMB3.2 billion as of December 31, 2022 to RMB3.9 billion as of December 31, 2023, primarily due to the goodwill recognized in our acquisition of the equity interests in Hunan Silicon in 2023.

Investments accounted by equity method

Our investments accounted by equity method mainly represent the investments in our associate companies. Our long-term equity investments decreased from RMB518.4 million as of December 31, 2023 to RMB464.0 million as of December 31, 2024, and decreased from RMB534.1 million as of December 31, 2022 to RMB518.4 million as of December 31, 2023, primarily as a result of our investment losses recognized under the equity method.

Other Non-current Assets

Our other non-current assets primarily consist of deposits and long-term receivables for disposal of long-term assets. The following table sets forth details of our other non-current assets as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB	RMB (in millions)	RMB
Deposits	41.6	24.2	65.6
Long-term receivables for disposal of long-term assets	8.5	6.0	3.2
Others	23.3	32.2	12.0
Total	**73.4**	**62.4**	**80.8**

Our other non-current assets remained relatively stable at RMB73.4 million as of December 31, 2022, RMB62.4 million as of December 31, 2023, and RMB80.8 million as of December 31, 2024, respectively.

Trade and Other Payables

The following table sets forth details of our trade and other payables as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB	RMB (in millions)	RMB
Payables for rebate	540.8	799.8	929.2
Accruals	36.5	48.9	74.2
Payables for long-term assets	37.3	45.0	60.7
Payables for other taxes	44.4	45.5	52.7
Payables for commission	20.2	19.1	21.3
Obligation for repurchase of restricted shares	426.5	168.1	—
Others	92.2	85.6	47.4
Other payables	1,197.9	1,212.0	1,185.5
Trade payables	1,127.6	1,663.1	1,935.4
Total	**2,325.5**	**2,875.1**	**3,120.9**

Our trade and other payables increased from RMB2.9 billion as of December 31, 2023 to RMB3.1 billion as of December 31, 2024, and increased from RMB2.3 billion as of December 31, 2022 to RMB2.9 billion as of December 31, 2023, which largely aligned with the trend of our cost of sales.

As of April 30, 2025, approximately RMB1.9 billion, or 97.6% of our trade payables as of December 31, 2024 had been settled.

The following is an aging analysis of our trade payables based on the invoice date as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB	RMB (in millions)	RMB
Trade Payables			
Up to 1 year	1,122.8	1,658.7	1,932.6
Between 1 year and 2 years	3.1	3.7	0.4
Between 2 years and 3 years	1.7	—	2.4
Over 3 years	—	0.7	—
Total	**1,127.6**	**1,663.1**	**1,935.4**

During the Track Record Period, over 99% of our trade payables were outstanding for less than one year, which was largely in line with the credit period granted by supplier to us.

The following table sets forth our trade payables turnover days for the years indicated:

	As of December 31,		
	2022	2023	2024
Trade payables turnover days(1)	44.2	30.3	35.6

Notes:

(1) Calculated as the average of beginning and ending balance of trade payables for the year divided by cost of sales for that year and multiplied by 365 days

Our trade payables turnover days remained relatively stable at 44.2 days, 30.3 days and 35.6 days in 2022, 2023 and 2024, respectively, which were generally within our normal variance.

Contract Liabilities

Our contract liabilities represent the liabilities recognized when the measure of the remaining performance obligations of a contract exceeds the measure of the remaining rights, primarily consisting of advances on sales and services. The following table sets forth details of our contract liabilities as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB	RMB (in millions)	RMB
Semiconductor design and sales business	22.7	33.7	50.9
Semiconductor distribution business	6.7	3.4	1.6
Technical service	96.0	149.7	173.2
Total	**125.4**	**186.8**	**225.7**

Our contract liabilities increased from RMB186.8 million as of December 31, 2023 to RMB225.7 million as of December 31, 2024, and increased from RMB125.4 million as of December 31, 2022 to RMB186.8 million as of December 31, 2023, primarily due to our increased revenue.

As of April 30, 2025, approximately RMB86.7 million, or 38.4% of our contract liabilities as of December 31, 2024 were subsequently recognized as revenue.

Current Tax Liabilities

Our current tax liabilities consist of payables for corporate income tax. Our current tax liabilities slightly decreased from RMB183.5 million as of December 31, 2023 to RMB176.4 million as of December 31, 2024, and increased from RMB100.9 million as of December 31, 2022 to RMB183.5 million as of December 31, 2023, which was generally in line with the changes in our taxable income.

Employee Benefit Obligations

Our employee benefit obligations primarily consist of employee compensation and benefits. The following table sets forth details of our employee benefit obligations as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB	RMB (in millions)	RMB
Salaries, allowances and benefits	248.6	248.4	316.9
Post-employment benefits	7.9	8.2	8.9
Termination benefits	7.0	7.2	6.5
Total	**263.5**	**263.8**	**332.3**

Our employee benefit obligations remained relatively stable at RMB263.5 million as of December 31, 2022 and RMB263.8 million as of December 31, 2023. Our employee benefit obligations increased from RMB263.8 million as of December 31, 2023 to RMB332.3 million as of December 31, 2024, which was primarily due to the increase in our employee headcount in 2024.

Other Current Liabilities

Our other current liabilities primarily consist of long-term payables due within one year. The following table sets forth details of our other current liabilities as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB	RMB (in millions)	RMB
Long-term payables due within one year	18.5	17.5	3.9
Others	5.6	5.3	1.9
Total	**24.1**	**22.8**	**5.8**

Our other current liabilities decreased from RMB22.8 million as of December 31, 2023 to RMB5.8 million as of December 31, 2024, and decreased from RMB24.1 million as of December 31, 2022 to RMB22.8 million as of December 31, 2023, primarily because of the settlement of our long-term payables due within one year.

Provision

Our provision mainly consists of uncertain taxes incurred for our certain transfer pricing arrangements and onerous contracts. The following table sets forth details of our provision as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB	RMB (in millions)	RMB
Uncertain taxes	957.4	923.2	416.8
Onerous contracts	54.1	20.4	16.5
Total	**1,011.5**	**943.6**	**433.3**

Our provision decreased from RMB943.6 million as of December 31, 2023 to RMB433.3 million as of December 31, 2024, and decreased from RMB1,011.5 million as of December 31, 2022 to RMB943.6 million as of December 31, 2023, primarily due to the reversal of uncertain taxes as the relevant limitation period expired in 2024.

We claimed certain tax benefits related to US federal and California research and development credits and entered into some transfer pricing arrangements, such as intercompany loans and allocation of general and administrative expenses, foreign permanent establishments, the transfer of interest in certain intellectual properties, etc. For details, please refer to Note 32 of the Accountants' Report in Appendix I to this document.

Financial Liabilities at Fair Value Through Profit or Loss

Our financial liabilities at FVPL primarily consist of payables from the equity acquisition of Hunan Silicon in February 2023 for a consideration of not more than RMB1.2 billion (comprising a fixed consideration of RMB900.0 million and a contingent consideration of up to RMB300.0 million). The contingent consideration was determined based on the comprehensive achievements of a series of business indicators of the target in the next three years, including development progress, product performance, and stability of the core team. As of December 31, 2022, 2023 and 2024, the total amount of financial liabilities at FVPL were nil, RMB271.5 million and RMB187.8 million, respectively. The decrease in 2024 was due to the payment for part of the liabilities in accordance with the contract.

Other Non-current Liabilities

Our other non-current liabilities mainly consist of government grants and long-term payables. The following table sets forth details of our other non-current liabilities as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB	RMB (in millions)	RMB
Government grants	23.7	25.3	22.1
Long-term payables	16.7	—	—
Total	**40.4**	**25.3**	**22.1**

Our non-current liabilities decreased from RMB25.3 million as of December 31, 2023 to RMB22.1 million as of December 31, 2024, which was in accordance with the terms of the government grants to us. Our non-current liabilities decreased from RMB40.4 million as of December 31, 2022 to RMB25.3 million as of December 31, 2023, primarily because we settled the outstanding balances of the long-term payables.

KEY FINANCIAL RATIOS

	As of December 31,		
	2022	2023	2024
Net profit margin	4.7%	2.6%	12.8%
ROE(1)	5.7%	2.8%	14.5%
Inventory turnover days(2)	252.1	202.9	131.2
Trade receivables turnover days(3)	49.0	56.8	56.8
Gearing ratio(4)	48.7%	9.0%	Not applicable

Notes:

(1) ROE is calculated by dividing profit for the year attributable to the owners of our Company by the average balance of equity attributable to owners of our Company.

(2) Inventory turnover days is calculated as the average of beginning and ending balance of inventories for the year divided by cost of sales for that year and multiplied by 365 days.

(3) Trade receivables turnover days is calculated as the average of beginning and ending balance of trade receivables for the year divided by revenue for that year and multiplied by 365 days.

(4) Gearing ratio is calculated by dividing net debt by equity attributable to owners of our Company. Net debt equals the sum of borrowings, Convertible Bonds and lease liabilities, deducted by the amount of cash and cash equivalents. As of December 31, 2024, there was no net debt balance.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period and up to the Latest Practicable Date, we have funded our working capital primarily from cash generated from our business operation, and to a lesser extent, external financing. We do not anticipate any material changes to the availability of financing to fund our operations in the future.

Our Directors are of the view that, taking into account the financial resources available to us, including cash and cash equivalents, cash flows from operating activities and net **[REDACTED]** from the **[REDACTED]**, we have sufficient working capital for at least 12 months from the date of this document.

Our cash and cash equivalents primarily consist of cash at bank, cash at hand, and others. We had cash and cash equivalents of RMB4.0 billion, RMB9.1 billion and RMB10.2 billion as of December 31, 2022, 2023 and 2024, respectively.

The following table sets forth a summary of our cash flows for the years indicated.

	As of December 31,		
	2022	2023	2024
	RMB	RMB (in millions)	RMB
Net cash (used in)/generated from operating activities	(2,359.3)	7,067.5	4,522.6
Net cash used in investing activities	(4,017.1)	(2,463.8)	(810.6)
Net cash generated from/(used in) financing activities	2,621.2	405.5	(2,757.5)
Net (decrease)/increase in cash and cash equivalents	(3,755.2)	5,009.2	954.5
Cash and cash equivalents at the beginning of the year	7,630.2	3,995.1	9,055.1
Exchange gains on cash and cash equivalents	120.1	50.8	143.2
Cash and cash equivalents at the end of the year	**3,995.1**	**9,055.1**	**10,152.8**

Net cash used in/generated from operating activities

Net cash generated from operating activities for the year ended December 31, 2024 was RMB4.5 billion, which primarily was the result of profit before income tax of RMB3.3 billion, adjusted for (i) non-cash items such as depreciation and amortization of RMB1.3 billion, impairment of RMB659.0 million and share-based payments of RMB245.6 million; (ii) effects of movement in working capital such as increase in inventory of RMB873.5 million and increase in payables of RMB306.1 million; (iii) interest paid of RMB249.3 million; and (iv) income tax paid of RMB250.5 million.

Net cash generated from operating activities for the year ended December 31, 2023 was RMB7.1 billion, which primarily was the result of profit before income tax of RMB691.6 million, adjusted for (i) non-cash items such as depreciation and amortization of RMB1.2 billion, impairment of RMB460.0 million and finance costs of RMB438.1 million; (ii) effects of movement in working capital such as decrease in inventory of RMB5.9 billion and decrease in payables of RMB634.2 million; (iii) interest paid of RMB469.2 million; and (iv) income tax paid of RMB155.1 million.

Net cash used in operating activities for the year ended December 31, 2022 was RMB2.4 billion, which primarily was the result of profit before income tax of RMB1.3 billion, adjusted for (i) non-cash items such as impairment of RMB1.4 billion, depreciation and amortization of RMB1.0 billion and net gain on subsidiaries and associates of RMB956.7 million; (ii) effects of movement in working capital such as increase in inventory of RMB4.3 billion and decrease in payables of RMB663.6 million; (iii) interest paid of RMB366.0 million; and (iv) income tax paid of RMB371.6 million.

Net cash used in investing activities

Net cash used in investing activities for the year ended December 31, 2024 was RMB810.6 million, primarily due to (i) cash payments for property, plant and equipment of RMB579.4 million, (ii) cash payment of development costs of RMB623.2 million, and (iii) cash payments for financial assets of RMB208.8 million, partially offset by (iv) cash received from sale of financial assets of RMB601.3 million and (v) cash received from sale of associates of RMB64.8 million.

Net cash used in investing activities for the year ended December 31, 2023 was RMB2.5 billion, primarily due to (i) cash payments for acquiring subsidiaries of RMB1.3 billion, (ii) cash payments for financial assets of RMB846.4 million, (iii) cash payments of development costs of RMB691.9 million, and (iv) cash payments for property, plant and equipment of RMB277.4 million, partially offset by (v) cash received from sale of financial assets of RMB677.7 million, and (vi) cash received from sale of associates of RMB30.0 million.

Net cash used in investing activities for the year ended December 31, 2022 was RMB4.0 billion, primarily due to (i) cash payments for financial assets of RMB2.7 billion, (ii) cash payments for property, plant and equipment of RMB1.3 billion, and (iii) cash payments of development costs of RMB682.9 million, partially offset by (iv) cash received from sale of financial assets of RMB960.2 million, and (v) cash received from sale of subsidiaries of RMB152.0 million.

Net cash generated from/used in financing activities

Net cash used in financing activities for the year ended December 31, 2024 was RMB2.8 billion, primarily due to (i) cash repayments of borrowings of RMB6.6 billion, and (ii) cash payments for acquisition of shares and buy-back transaction cost of RMB1.0 billion, partially offset by (iii) proceeds from borrowings of RMB5.3 billion.

Net cash generated from financing activities for the year ended December 31, 2023 was RMB405.5 million, primarily due to (i) proceeds from borrowings of RMB6.1 billion, and (ii) net proceeds from issues of shares of RMB3.4 billion, partially offset by (iii) cash repayments of borrowings of RMB8.1 billion.

Net cash generated from financing activities for the year ended December 31, 2022 was RMB2.6 billion, primarily due to (i) proceeds from borrowings of RMB7.5 billion, partially offset by (ii) cash repayments of borrowings of RMB4.2 billion and (iii) cash dividend paid to owners of the Company of RMB456.1 million.

INDEBTEDNESS

Borrowings

Other than our operating cash flow, we also finance our working capital with borrowings. As of April 30, 2025, the latest date for determining our indebtedness, the aggregate balance of our borrowings was RMB7.7 billion.

The following table sets forth the breakdown of our borrowings as of the dates indicated:

	As of December 31,			As of April 30,
	2022	2023	2024	2025
	RMB	RMB	RMB	RMB *(unaudited)*
	(in millions)			
Borrowings, current	7,467.6	5,374.0	3,569.1	4,157.9
Borrowings, non-current	2,749.8	2,977.4	3,472.0	3,582.9
Total	**10,217.4**	**8,351.4**	**7,041.1**	**7,740.8**

During the Track Record Period, our borrowings bore effective interest rates in the range of 2.38% to 5.50% per annum. The majority of our bank borrowings were unsecured as of December 31,

2024. Additionally, we maintain facilities with a number of commercial banks in support of our operations. As of April 30, 2025, we had bank facilities of approximately RMB12.7 billion, of which RMB5.8 billion remained unutilized.

Borrowings, Non-current

Our borrowings, non-current primarily consist of unsecured and secured bank borrowings. The following table sets forth details of our borrowings, non-current as of the dates indicated:

	As of December 31,			As of April 30,
	2022	2023	2024	2025
	RMB	RMB	RMB	RMB *(unaudited)*
		(in millions)		
Unsecured bank borrowings	2,048.0	2,217.6	3,249.2	3,582.9
Secured bank borrowings	701.8	759.8	222.8	—
Total	**2,749.8**	**2,977.4**	**3,472.0**	**3,582.9**

Our borrowings, non-current increased from RMB2.7 billion as of December 31, 2022 to RMB3.0 billion as of December 31, 2023, and increased from RMB3.0 billion as of December 31, 2023 to RMB3.5 billion as of December 31, 2024.

Our borrowings, non-current remained relatively stable at RMB3.5 billion as of December 31, 2024 and RMB3.6 billion as of April 30, 2025.

The changes in our borrowings, non-current were in line with the needs of our working capital management in the ordinary course of our business.

Borrowings, Current

Our borrowings, current primarily consist of credit borrowings. The following table sets forth details of our borrowings, current as of the dates indicated:

	As of December 31,			As of April 30,
	2022	2023	2024	2025
	RMB	RMB	RMB	RMB *(unaudited)*
		(in millions)		
Unsecured bank borrowings	4,602.0	4,787.2	3,507.8	3,956.6
Discounting of acceptance bill	0.5	3.3	4.8	180.0
Interest accrual	29.2	10.8	7.0	21.3
Secured bank borrowings	2,835.9	572.7	49.5	—
Total	**7,467.6**	**5,374.0**	**3,569.1**	**4,157.9**

Our borrowings, current decreased from RMB5.4 billion as of December 31, 2023 to RMB3.6 billion as of December 31, 2024, and decreased from RMB7.5 billion as of December 31, 2022 to RMB5.4 billion as of December 31, 2023.

Our borrowings, current increased from RMB3.6 billion as of December 31, 2024 to RMB4.2 billion as of April 30, 2025.

The changes in our borrowings, current were in line with the needs of our working capital management in the ordinary course of our business.

Convertible Bonds

Our Convertible Bonds consist of convertible bonds issued on December 28, 2020. The Convertible Bonds have a maturity date of December 27, 2026 and carry varied interest rates from 0.20% in the first year to 2.00% in the sixth year. The effective interest rate of Convertible Bonds is 4.67%. Our Convertible Bonds amounted to RMB2.3 billion, RMB2.4 billion, RMB2.5 billion and RMB2.6 billion (including the current portion of RMB14.6 million) as of December 31, 2022, 2023 and 2024, and as of April 30, 2025 respectively, and the increase was primarily due to the accumulated interest for the Convertible Bonds.

Lease Liabilities

Our lease liabilities mainly represent the property and building, machine equipment, and motor vehicle. The following table sets forth the amounts of our lease liabilities as of the dates indicated:

	As of December 31,			As of April 30,
	2022	2023	2024	2025
	RMB	RMB	RMB	RMB *(unaudited)*
	(in millions)			
Non-current	145.3	122.1	96.9	91.8
Current	66.2	63.7	66.2	71.7
Total	**211.5**	**185.8**	**163.1**	**163.5**

Our lease liabilities, current decreased from RMB66.2 million as of December 31, 2022 to RMB63.7 million as of December 31, 2023, primarily due to our payments for the leased assets accordingly. Our lease liabilities, current increased from RMB63.7 million as of December 31, 2023 to RMB66.2 million as of December 31, 2024, and further increased to RMB71.7 million as of April 30, 2025, primarily because of the re-classification of certain lease liabilities from the non-current portion to the current portion according to the contract term, partially offset by our lease payments.

Our lease liabilities, non-current decreased from RMB145.3 million as of December 31, 2022 to RMB122.1 million as of December 31, 2023, to RMB96.9 million as of December 31, 2024, and further to RMB91.8 million as of April 30, 2025, primarily because of the combined effects of lease payments and re-classification from the non-current portion to the current portion in accordance with the contract term.

Contingent Liabilities

As of December 31, 2024, our contingent liabilities mainly relate to a lawsuit (Case No. 2:23-cv-00212) filed by Greenthread, LLC in the United States Eastern District Court of Texas against one of our subsidiary for infringement of six of its patents on May 10, 2023. As of the Latest Practicable Date, the case has been stayed in its early stages pending seven Inter Partes Review invalidity challenges at the USPTO, covering all six asserted patents. The six patents are all from a single family, and two of the patents have already been found invalid in the Inter Partes Review proceedings, while the remaining Inter Partes Reviews are still pending. Our management believes that the outcome of any of these existing legal proceedings, including the aforementioned cases, either individually or in the aggregate, will not have a material impact on our operating results, financial condition or cash flows. With respect to existing legal proceedings, our management has either determined that the existence of a material loss is not reasonably possible or that it is unable to estimate a reasonably possible loss or range of loss.

Our Directors confirm that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that we did not experience any difficulty in obtaining borrowings and debentures or default in payment of borrowings and debentures during the Track Record Period and up to the Latest Practicable Date.

Save as disclosed above, we did not have any bank loans and debentures, or any loan capital issued and outstanding or agreed to be issued, bank overdraft, borrowing or similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases or finance lease commitments, guarantees or other material contingent liabilities as of April 30, 2025, the latest date for determining our indebtedness. Our Directors confirm that there has not been any material change in our indebtedness since April 30, 2025, the latest date for determining our indebtedness, up to the date of this document.

CAPITAL COMMITMENTS

Our capital commitments are primarily related to the software royalties for our R&D activities and the acquisition of property, plant and equipment. The details of our capital commitments as of the dates indicated are set forth below:

	As of December 31,		
	2022	2023	2024
	RMB	RMB (in millions)	RMB
Property, plant and equipment	78.3	66.5	1,063.8
Intangible assets	164.3	113.3	60.0
Total	**242.6**	**179.8**	**1,123.8**

The increase in capital commitments in property, plant and equipment as of December 31, 2024, compared with that as of December 31, 2023, was primarily due to entry into a contract to build a R&D center in 2024.

CAPITAL EXPENDITURES

Our capital expenditures primarily comprise expenditures for the purchases of fixed assets, as well as the purchases of intangible assets and other long-term assets. In 2022, 2023 and 2024, our capital expenditures amounted to RMB2.3 billion, RMB1.0 billion and RMB1.2 billion, respectively. Particularly in 2022, 2023 and 2024, we paid RMB1.3 billion, RMB277.4 million and RMB579.4 million, respectively, to expand our property, plant and equipment. Our anticipated capital expenditures are subject to changes from time to time, based on a variety of factors including our business strategy, prevailing market conditions, regulatory environment and the outlook of our results of operations.

We funded these expenditures primarily with our operating cash flow, and we expect to fund our capital expenditures with our operating cash flow and **[REDACTED]** from the **[REDACTED]**.

RELATED PARTY TRANSACTIONS

We entered into transactions with our related parties in the ordinary course of our business from time to time, including: (i) purchase and sale of goods; (ii) provision of services; (iii) leasing and (iv) sales of equipment. For further details on our related party transactions, see Note 51 to Accountants' Report set out in Appendix I to this document. These related party transactions were conducted on an arm's length basis and on normal commercial terms between the relevant parties. We are expected to continue entering into contracts for related party transactions of the foregoing nature as part of our ordinary business from time to time.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted in the ordinary course of business and on an arm's length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any unconsolidated third parties. In addition, we have not entered into any derivative contracts that are indexed to our shares and classified as shareholders' equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. Moreover, we do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

Our activities expose ourselves to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk, and price risk), credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. Risk management is carried out by our senior management. For details, see Note 3.1 of the Accountants' Report set out in Appendix I to this document.

Credit Risk

We are exposed to credit risk in relation to our cash and cash equivalents, trade receivables and financial assets included in other receivables. The carrying amount of each class of the above financial assets represents our maximum exposure to credit risk in relation to the corresponding class of financial assets.

Risk management

Credit risk is managed on a group basis. All cash and cash equivalents were placed with state-owned banks and financial institutions in the PRC and reputable international banks and financial institutions in United States. For the other financial assets, we have policies in place to ensure that the credit period granted to the customers and the credit quality of these customers are assessed, which takes into account their financial position, past experience and available forward-looking information. In addition, we have policies in place to ensure that settlement of trade receivables is followed up on a timely basis. At the end of the Track Record Period, we review the recoverable amount of each material individual debt to ensure that adequate expected credit losses are made for irrecoverable amounts. We have no significant concentrations of credit risk.

Impairment of financial assets

Trade receivables

We applied the IFRS 9 simplified approach to measure ECLs which uses a lifetime expected loss allowance for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and aging periods.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before December 31, 2022, 2023 and 2024, respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. We have identified the gross domestic products and the unemployment rate of the countries in which we sell our goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors

As of December 31, the loss allowance that was collectively assessed for trade receivables was as follows:

	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	More than 3 years	Total
			(RMB in millions)		
December 31, 2022					
- Expected loss rate	5.00%	73.83%	80.34%	99.76%	8.18%
- Gross carrying amount	2,629.7	2.0	15.6	77.5	2,724.8
- Loss allowance	131.5	1.5	12.5	77.4	222.9
December 31, 2023					
- Expected loss rate	5.02%	21.92%	79.71%	96.74%	7.26%
- Gross carrying amount	4,191.5	60.3	1.8	93.4	4,347.0
- Loss allowance	210.5	13.2	1.4	90.3	315.5
December 31, 2024					
- Expected loss rate	5.00%	20.43%	50.44%	97.06%	7.42%
- Gross carrying amount	4,115.6	36.4	45.7	84.0	4,281.8
- Loss allowance	205.8	7.4	23.1	81.5	317.8

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with our Group, and a failure to make contractual payments for a period of greater than 1 year past due. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets at amortized cost

For other financial assets at amortized cost include notes receivables, other receivables and long-term receivables, we make periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experiences and available forward-looking information.

We apply the general approach in calculating ECL, where we consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the Track Record Period. To assess whether there is a significant increase in credit risk, we compare the risk of a default occurring on the asset as at the year-end date of each year during the Track Record Period with the risk of default as at the date of initial recognition. In addition, we consider that there has been a significant increase in credit risk when contractual payments are more than three months past due.

If the credit risk of the asset is in line with original expectations, we categorize the asset as performing and recognizes 12 month expected credit losses (Stage 1). If a significant credit risk of the asset has occurred compared to original expectations or the credit is impaired, the asset is categorized as underperforming or non-performing and lifetime expected credit losses are recognized (Stages 2 and 3).

As of December 31, 2022, 2023 and 2024, except for other receivables of RMB3 million, RMB3 million and nil are classified as Stage 3, other financial assets at amortized cost are classified as Stage 1. There is no change in stage during the Track Record Period.

Liquidity Risk

We aim to maintain sufficient cash and cash equivalents and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying businesses, we maintain flexibility in funding by maintaining adequate cash and cash equivalents.

Our management monitors rolling forecasts of our liquidity reserve and cash and cash equivalents on the basis of expected cash flows. This is generally carried out at local level in our operating companies, in accordance with practice and limits set by us. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, our liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring statements of financial position liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The tables below analyze our financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, because the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
			(RMB in millions)			
As of December 31, 2022						
Borrowings	7,685.2	2,713.0	85.3	—	10,483.5	10,217.4
Convertible bonds	14.6	36.5	2,769.0	—	2,820.1	2,346.8
Trade and other payables	2,157.4	168.1	—	—	2,325.5	2,325.5
Lease liabilities	71.4	54.6	80.9	22.2	229.1	211.5
Total	9,928.6	2,972.2	2,935.2	22.2	15,858.2	15,101.2
As of December 31, 2023						
Borrowings	5,541.6	2,269.5	733.0	77.1	8,621.2	8,351.4
Convertible bonds	36.5	43.8	2,724.9	—	2,805.2	2,443.9
Trade and other payables	2,875.1	—	—	—	2,875.1	2,875.1
Financial liabilities at FVPL	100.0	190.0	—	—	290.0	271.5
Lease liabilities	69.2	55.4	62.0	11.7	198.3	185.9
Total	8,622.4	2,558.7	3,519.9	88.8	14,789.8	14,127.8
As of December 31, 2024						
Borrowings	3,702.7	2,892.4	624.6	25.1	7,244.8	7,041.1
Convertible bonds	43.8	2,724.8	—	—	2,768.6	2,523.9
Trade and other payables	3,120.9	—	—	—	3,120.9	3,120.9
Financial liabilities at FVPL	100.0	95.0	—	—	195.0	187.8
Lease liabilities	72.5	46.4	54.3	5.3	178.5	163.1
Total	7,039.9	5,758.6	678.9	30.4	13,507.8	13,036.8

Market Risk

Market risk of financial instruments refers to the risk of fluctuations in the fair value or future cash flows of financial instruments due to changes in market prices, including foreign exchange risk, cash flow and fair value interest rate risk, and price risk.

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The functional currency of the Company is RMB whereas functional currency of the subsidiaries is determined based on the primary economic environment in which they operate. We manage our foreign exchange risk by performing regular reviews of our net foreign exchange exposures and tries to minimize these exposures through natural hedges, wherever possible.

Notwithstanding that we operate mainly in the PRC, United States and Singapore with most of the transactions settled in RMB and USD, our management considers that our business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of the Group are denominated in the currencies other than the respective functional currencies of the Group's entities.

Cash flow and fair value interest rate risk

Our income and operating cash flows are substantially independent from changes in market interest rates and we have no significant interest-bearing assets except for cash and cash equivalents and restricted cash, details of which have been disclosed in Note 28 of the Accountants' Report in Appendix I to this document, respectively.

Our exposure to changes in interest rates is more attributable to our borrowings, details of which have been disclosed in Note 29 of the Accountants' Report in Appendix I to this document. Borrowings carried at floating rates expose us to cash flow interest-rate risk whereas those carried at fixed rates expose the us to fair value interest-rate risk. As of December 31, 2022, 2023 and 2024, if the interest rates had been 50 basis point higher/lower and all other variables were held constant, our pre-tax profit for the years ended December 31, 2022, 2023 and 2024 would have been approximately RMB10.2 million, RMB0.6 million and RMB4.8 million lower/higher, respectively.

Price risk

Our exposure to equity securities price risk arises from investments held by us and classified in the statements of financial position either as at FVOCI or at FVPL. To manage our price risk arising from investments in equity securities, we diversify our portfolio. Diversification of the portfolio is done in accordance with the limits set by the board.

The table below summarizes the impact of increases/decreases of the equity instruments held by us on the equity and post-tax profit during the Track Record Period. The analysis is based on the assumption that the price of the equity instruments held by us had increased or decreased by 20% with all other variables held constant, and that all of our equity instruments moved in line with the change. The table shows what would be the impact on post-tax profit relating to equity securities at FVPL and the impact on other components of equity relating to equity securities at FVOCI.

	For the year ended December 31,		
	2022	2023	2024
	(RMB in millions)		
Increase or decrease by 20%			
Impact on post-tax profit	506.3	600.2	542.3
Impact on other components of equity	289.6	266.0	278.8

DIVIDEND POLICY

We may distribute dividends in the form of cash, stocks or a combination of cash and stocks. Any proposed distribution of dividends is subject to the discretion of the Board and the approval of our shareholders. The Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, business prospects, operating requirements, capital requirements, payments by our subsidiaries of cash dividends to us, statutory, regulatory and contractual considerations and any other factors that the Board may deem relevant. A decision to declare or to pay any dividends in the future, and the amount of such dividends, will hence depend on these factors. According to the applicable PRC laws and our Articles of Association, we may pay dividends out of our profit after tax only after we have made the (i) recovery of accumulated losses, if any; (ii) allocations to the statutory reserve equivalent to 10% of our Company's profit after tax, and, when the statutory reserve reaches and is maintained at or above 50% of our Company's total issued share capital, no further allocations to this statutory reserve will be required; and (iii) allocations, if any, to a discretionary common reserve as approved by our shareholders in a shareholders' meeting.

Furthermore, as set forth in our Articles of Association, the accumulated profits distributed in cash for the most recent three years shall not be less than 30% of our Company's average annual distributable profits realized for the same three-year period. For each year that we record profits and positive accumulated undistributed profit, we shall distribute dividends in cash and such cash dividends distributed shall not be less than 10% of our Company's distributable profits realized for the same period, except the (i) occurrence of significant investments (excluding fundraising activities) where the investment amount for the relevant year exceeds 10% of our Company's audited net assets as of the end of the most recent financial year; or (ii) occurrence of significant capital expenditures where we intend to invest, acquire assets or purchase equipment within the next 12 months and the accumulated expenditure of which is expected to reach or exceed 10% of our Company's audited net assets as of the end of the most recent financial period.

There can be no assurance that a dividend will be proposed or declared in any given year. The information on policies relating to dividends constitutes forward-looking statements, which are not guarantees of future financial performance. Our actual future dividends or capital distributions could differ materially from those expressed or implied by such forward-looking statements as a result of many factors, including those described under "Forward-Looking Statements" and "Risk Factors."

During the Track Record Period, the total dividends we provided for or paid were RMB456.1 million for the year ended December 31, 2022, RMB99.1 million for the year ended December 31, 2023, and RMB407.6 million for the year ended December 31, 2024, respectively.

Withholding taxes at a rate of 10% were levied on the aforementioned dividends paid to (i) QFIs, (ii) investors holding our A Shares through the Shanghai-Hong Kong Stock Connect regime, and (iii) investors holding our A Shares subject to selling restrictions pursuant to the Notice on Issues Relating to the Implementation of Differential Individual Income Tax Policies for Dividends from Listed Companies (《關於實施上市公司股利紅利差別化個人所得稅政策有關問題的通知》).

DISTRIBUTABLE RESERVES

As of December 31, 2024, we had approximately RMB11.9 billion of retained earnings available for distribution to our shareholders.

[REDACTED]

Assuming the **[REDACTED]** is not exercised, an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (which is the mid-point of the **[REDACTED]** range) and the full payment of the **[REDACTED]**, if any, we expect to incur approximately RMB**[REDACTED]** (equivalent to HK$ **[REDACTED]**) of **[REDACTED]** (including (i) **[REDACTED]**, including but not limited to **[REDACTED]**, fees, SFC transaction levy, AFRC transaction levy and Hong Kong Stock Exchange trading fee, amounting to approximately RMB**[REDACTED]**, (ii) fees and expenses of legal advisers and accountants amounting to approximately RMB**[REDACTED]** and (iii) other fees and expenses relating to the **[REDACTED]**, including but not limited to the **[REDACTED]** application fees, amounting to approximately RMB**[REDACTED]**), accounting for approximately **[REDACTED]**% of the gross **[REDACTED]** from the **[REDACTED]**. Approximately RMB**[REDACTED]** of our **[REDACTED]** is expected to be charged to our consolidated statements of comprehensive income and approximately RMB**[REDACTED]** is expected to be deducted from equity upon **[REDACTED]**. During the Track Record Period, we did not incur any **[REDACTED]**.

UNAUDITED [REDACTED] ADJUSTED NET TANGIBLE ASSETS

[REDACTED]

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

No Material Adverse Change

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our business, financial condition and results of operations since December 31, 2024, which is the end date of the years reported on in the Accountants' Report in Appendix I to this document, and there is no event since December 31, 2024 which would materially affect the information as set out in the Accountants' Report in Appendix I to this document.

DISCLOSURE REQUIRED UNDER THE HONG KONG LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Hong Kong Listing Rules.