

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report, prepared for the sole purpose of inclusion in this document received from the independent reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong.

[DRAFT]

[Letterhead of BDO]

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF OMNIVISION INTEGRATED CIRCUITS GROUP, INC. AND UBS SECURITIES HONG KONG LIMITED, CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED, PING AN OF CHINA CAPITAL (HONG KONG) COMPANY LIMITED AND GF CAPITAL (HONG KONG) LIMITED

Introduction

We report on the historical financial information of OmniVision Integrated Circuits Group, Inc. (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages [I-3] to [I-100], which comprises the consolidated statements of financial position as at December 31, 2022, 2023 and 2024, the statements of financial position of the Company as at December 31, 2022, 2023 and 2024, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2022, 2023 and 2024 (the “**Track Record Period**”) and material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages [I-3] to [I-100] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] **[REDACTED]** in connection with the **[REDACTED]** of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of the Company as at December 31, 2022, 2023 and 2024 and the consolidated financial position of the Group as at December 31, 2022, 2023 and 2024 and of Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [I-3] have been made.

Dividends

We refer to note 44 to the Historical Financial Information states which contains information about the dividends declared and paid by the Company in respect of the Track Record Period.

BDO Limited

Certified Public Accountants

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Practising Certificate no. P[]

Hong Kong

[Date]

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I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRS**”) Accounting Standards, which collective term includes all applicable individual IFRS, International Accounting Standards and Interpretations issued by International Accounting Standards Board (“**IASB**”) and were audited by BDO Limited in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (“**IAASB**”) (“**Underlying Financial Statements**”).

The Historical Financial Information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise stated.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Note | Year ended December 31, | | |
|--|---------|-------------------------|------------------|------------------|
| | | 2022 | 2023 | 2024 |
| | | RMB’000 | RMB’000 | RMB’000 |
| Revenue | 6 | 20,040,249 | 20,984,259 | 25,706,819 |
| Cost of sales | 8 | (15,298,952) | (16,800,763) | (18,467,629) |
| Gross profit | | 4,741,297 | 4,183,496 | 7,239,190 |
| Selling and marketing expenses | 8 | (516,284) | (467,329) | (556,749) |
| General and administrative expenses | 8 | (799,382) | (662,553) | (1,070,815) |
| Research and development expenses | 8 | (2,518,569) | (2,239,446) | (2,685,766) |
| Net impairment losses on financial assets | 3.1(ii) | 35,446 | (90,853) | (11,401) |
| Other income | 7 | 118,746 | 95,899 | 96,914 |
| Other gains, net | 10 | 745,346 | 349,287 | 291,151 |
| Finance income | 11 | 27,318 | 95,904 | 330,261 |
| Finance costs | 11 | (493,888) | (534,002) | (326,701) |
| Finance costs, net | 11 | (466,570) | (438,098) | 3,560 |
| Share of post-tax losses of equity accounted associates . . . | 12b | (46,286) | (38,830) | (33,277) |
| Profit before income tax | | 1,293,744 | 691,573 | 3,272,807 |
| Income tax (expense)/benefit | 13 | (342,748) | (147,623) | 5,834 |
| Profit for the year | | 950,996 | 543,950 | 3,278,641 |
| Profit is attributable to: | | | | |
| Owners of the Company | | 982,730 | 555,751 | 3,317,582 |
| Non-controlling interests | | (31,734) | (11,801) | (38,941) |
| Other comprehensive income | | | | |
| <i>Items that may be reclassified to profit or loss</i> | | | | |
| Share of other comprehensive income of investments accounted by equity method | 12b | (409) | (377) | (748) |
| Exchange differences on translation of foreign operations | | 1,224,722 | 299,751 | 282,966 |
| <i>Items that will not be reclassified to profit or loss</i> | | | | |
| Changes in the fair value of equity investments at fair value through other comprehensive income | 22 | (491,908) | (138,736) | 84,183 |
| Income tax impact | | 75,676 | 21,609 | (13,249) |
| Other comprehensive income for the year, net of tax . . | | 808,081 | 182,247 | 353,152 |
| Total comprehensive income for the year | | 1,759,077 | 726,197 | 3,631,793 |
| Total comprehensive income attributable to: | | | | |
| Owners of the Company | | 1,790,110 | 737,887 | 3,670,579 |
| Non-controlling interests | | (31,033) | (11,690) | (38,786) |
| Earnings per share (expressed in RMB per share) | | | | |
| Basic earnings per share | 14(i) | 0.83 | 0.47 | 2.77 |
| Diluted earnings per share | 14(i) | 0.83 | 0.47 | 2.76 |

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | Note | As of December 31, | | |
|---|------|--------------------|------------|------------|
| | | 2022 | 2023 | 2024 |
| | | RMB'000 | RMB'000 | RMB'000 |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 15 | 2,189,883 | 2,724,398 | 3,242,768 |
| Assets under construction | 16 | 493,136 | 903,794 | 533,792 |
| Right-of-use assets | 17 | 573,629 | 553,387 | 522,939 |
| Investment properties | 18 | 253,042 | 247,469 | 241,663 |
| Intangible assets | 19 | 1,698,662 | 1,975,042 | 1,886,539 |
| Development expenditure | 20 | 810,564 | 1,044,623 | 1,063,475 |
| Goodwill | 21 | 3,169,362 | 3,860,668 | 3,632,187 |
| Deferred tax assets | 31 | 335,906 | 406,074 | 400,677 |
| Prepayments, non-current | 26 | 778,388 | 220,364 | 95,992 |
| Investments accounted by equity method | 12b | 534,070 | 518,390 | 464,027 |
| Financial assets at fair value through other comprehensive income | 22 | 1,703,260 | 1,564,524 | 1,648,707 |
| Financial assets at fair value through profit or loss | 23 | 2,964,287 | 3,397,839 | 3,346,755 |
| Other non-current assets | 27 | 73,512 | 62,387 | 80,832 |
| | | 15,577,701 | 17,478,959 | 17,160,353 |
| Current assets | | | | |
| Inventories | 24 | 12,356,297 | 6,321,611 | 6,956,198 |
| Trade and other receivables | 25 | 2,613,429 | 4,101,477 | 4,046,135 |
| Prepayments, current | 26 | 252,203 | 276,199 | 325,019 |
| Financial assets at fair value through other comprehensive income | 22 | 162,829 | 162,682 | 116,383 |
| Financial assets at fair value through profit or loss | 23 | 14,010 | 132,750 | — |
| Cash and cash equivalents | 28 | 3,995,146 | 9,055,098 | 10,152,782 |
| Restricted cash | 28 | 31,000 | 30,776 | 32,566 |
| Other current assets | 27 | 188,409 | 183,612 | 175,138 |
| | | 19,613,323 | 20,264,205 | 21,804,221 |
| Total assets | | 35,191,024 | 37,743,164 | 38,964,574 |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| Borrowings, non-current | 29 | 2,749,776 | 2,977,396 | 3,471,950 |
| Convertible bonds | 30 | 2,346,778 | 2,443,920 | 2,523,927 |
| Lease liabilities, non-current | 17 | 145,313 | 122,132 | 96,932 |
| Deferred tax liabilities | 31 | 422,893 | 495,027 | 529,832 |
| Provision | 32 | 1,011,462 | 943,567 | 433,333 |
| Financial liabilities at fair value through profit or loss | 33 | — | 172,490 | 88,760 |
| Other non-current liabilities | 37 | 40,467 | 25,294 | 22,022 |
| | | 6,716,689 | 7,179,826 | 7,166,756 |

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION—continued

| | Note | As of December 31, | | |
|--|------|--------------------|-------------------|-------------------|
| | | 2022 | 2023 | 2024 |
| | | RMB’000 | RMB’000 | RMB’000 |
| Current liabilities | | | | |
| Trade and other payables | 34 | 2,325,480 | 2,875,089 | 3,120,852 |
| Contract liabilities | 6 | 125,370 | 186,781 | 225,673 |
| Current tax liabilities | 35 | 100,933 | 183,487 | 176,352 |
| Borrowings, current | 29 | 7,467,606 | 5,373,989 | 3,569,131 |
| Lease liabilities, current | 17 | 66,155 | 63,725 | 66,169 |
| Financial liabilities at fair value through profit or loss | 33 | — | 99,030 | 99,030 |
| Employee benefit obligations | 36 | 263,491 | 263,750 | 332,329 |
| Other current liabilities | 37 | 24,207 | 22,800 | 5,892 |
| | | <u>10,373,242</u> | <u>9,068,651</u> | <u>7,595,428</u> |
| Total liabilities | | <u>17,089,931</u> | <u>16,248,477</u> | <u>14,762,184</u> |
| EQUITY | | | | |
| Share capital | 38 | 1,185,382 | 1,215,775 | 1,216,123 |
| Capital reserves | 39 | 8,631,136 | 11,329,219 | 11,551,430 |
| Other equity instrument | 40 | 233,058 | 233,031 | 233,016 |
| Treasury shares | 41 | (769,112) | (704,717) | (1,439,898) |
| Other reserves | 42 | 166,694 | 369,936 | 778,586 |
| Retained earnings | 43 | 8,572,067 | 9,007,582 | 11,861,928 |
| Capital and reserves attributable to owners of the | | | | |
| Company | | 18,019,225 | 21,450,826 | 24,201,185 |
| Non-controlling interests | | 81,868 | 43,861 | 1,205 |
| Total equity | | <u>18,101,093</u> | <u>21,494,687</u> | <u>24,202,390</u> |
| Total equity and liabilities | | <u>35,191,024</u> | <u>37,743,164</u> | <u>38,964,574</u> |

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

| | | As of December 31, | | |
|---|------|--------------------|-------------------|-------------------|
| | Note | 2022 | 2023 | 2024 |
| | | RMB'000 | RMB'000 | RMB'000 |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 15 | 88,957 | 70,089 | 46,868 |
| Assets under construction | | 511 | — | — |
| Right-of-use assets | 17 | 34,702 | 21,589 | 33,094 |
| Investment properties | 18 | 136,793 | 132,789 | 128,785 |
| Intangible assets | 19 | 69,771 | 33,260 | 19,625 |
| Deferred tax assets | 31 | 49,231 | 90,897 | 147,709 |
| Prepayments, non-current | 26 | 55,335 | 6,622 | — |
| Investments accounted by equity method | | 1,474,325 | 1,467,221 | 1,442,026 |
| Investments accounted by cost method | 12c | 19,856,992 | 21,279,419 | 22,136,206 |
| Financial assets at fair value through profit or loss | 23 | 1,025,162 | 976,012 | 874,591 |
| Other non-current assets | | 8,958 | 6,121 | 3,233 |
| | | <u>22,800,737</u> | <u>24,084,019</u> | <u>24,832,137</u> |
| Current assets | | | | |
| Inventories | 24 | 184,156 | 147,126 | 116,771 |
| Trade and other receivables | 25 | 4,966,603 | 5,204,149 | 5,417,207 |
| Prepayments, current | 26 | 1,086,934 | 566,179 | 294,589 |
| Financial assets at fair value through other comprehensive income | 22 | 28,537 | 74,477 | 50,261 |
| Financial assets at fair value through profit or loss | 23 | 14,010 | 12,260 | — |
| Cash and cash equivalents | 28 | 557,026 | 2,303,375 | 114,400 |
| Restricted cash | 28 | 17,532 | 17,532 | 10,000 |
| Other current assets | | 18,035 | 2,475 | 3,402 |
| | | <u>6,872,833</u> | <u>8,327,573</u> | <u>6,006,630</u> |
| Total assets | | <u>29,673,570</u> | <u>32,411,592</u> | <u>30,838,767</u> |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| Borrowings, non-current | 29 | 2,749,776 | 2,595,029 | 3,249,200 |
| Convertible bonds | 30 | 2,346,778 | 2,443,920 | 2,523,927 |
| Lease liabilities, non-current | 17 | 20,883 | 11,200 | 17,557 |
| Financial liabilities at fair value through profit or loss | 33 | — | 172,318 | 88,671 |
| Other non-current liabilities | | 6,046 | 3,170 | 378 |
| | | <u>5,123,483</u> | <u>5,225,637</u> | <u>5,879,733</u> |
| Current liabilities | | | | |
| Trade and other payables | 34 | 757,870 | 575,284 | 495,657 |
| Contract liabilities | | 1,855 | 2,377 | 1,500 |
| Borrowings, current | 29 | 5,576,986 | 5,296,868 | 3,516,753 |
| Lease liabilities, current | 17 | 14,653 | 11,563 | 16,084 |
| Financial liabilities at fair value through profit or loss | 33 | — | 98,931 | 98,931 |
| Employee benefit obligations | | 8,075 | 6,686 | 7,612 |
| Other current liabilities | | 241 | 308 | 197 |
| | | <u>6,359,680</u> | <u>5,992,017</u> | <u>4,136,734</u> |
| Total liabilities | | 11,483,163 | 11,217,654 | 10,016,467 |

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY—continued

| | Note | As of December 31, | | |
|---|-------------|---------------------------|-------------------|-------------------|
| | | 2022 | 2023 | 2024 |
| | | RMB’000 | RMB’000 | RMB’000 |
| EQUITY | | | | |
| Share capital | 38 | 1,185,382 | 1,215,775 | 1,216,123 |
| Capital reserves | | 17,154,336 | 19,942,950 | 20,141,949 |
| Other equity instrument | 40 | 233,058 | 233,031 | 233,016 |
| Treasury shares | 41 | (769,112) | (704,717) | (1,439,898) |
| Other reserves | 42 | 133,812 | 154,541 | 209,447 |
| Retained earnings | | 252,931 | 352,358 | 461,663 |
| Total equity | | <u>18,190,407</u> | <u>21,193,938</u> | <u>20,822,300</u> |
| Total equity and liabilities | | <u>29,673,570</u> | <u>32,411,592</u> | <u>30,838,767</u> |

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Note | Attributable to owners of the Company | | | | | | | Non-controlling interests | Total equity |
|--|------|---------------------------------------|------------------|-------------------------|-----------------|----------------|-------------------|------------|---------------------------|--------------|
| | | Share capital | Capital reserves | Other equity instrument | Treasury shares | Other reserves | Retained earnings | Total | | |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| As of January 1, 2022 | | 875,724 | 8,427,025 | 233,117 | (741,689) | (651,917) | 982,730 | 16,198,933 | 106,062 | 16,304,995 |
| Comprehensive income | | | | | | | | | | |
| Profit for the year | | — | — | — | — | 807,379 | 982,730 | 982,730 | (31,734) | 950,996 |
| Other comprehensive income | | — | — | — | — | — | — | 807,379 | 702 | 808,081 |
| Total comprehensive income for the year | | — | — | — | — | 807,379 | 982,730 | 1,790,109 | (31,032) | 1,759,077 |
| Transaction with owners in their capacity as owners: | | | | | | | | | | |
| Exercise of share option | 45 | 2,662 | 263,682 | — | — | — | — | 266,344 | — | 266,344 |
| Conversion of convertible bonds | 30 | 3 | 624 | (59) | — | — | — | 568 | — | 568 |
| Vesting of restricted shares | 45 | — | — | — | 74,561 | — | — | 74,561 | — | 74,561 |
| Share-based payments | 45 | — | 269,415 | — | — | — | — | 269,415 | 1,902 | 271,317 |
| Non-controlling interests arising from disposal of subsidiaries | 50 | — | — | — | — | — | — | — | 14,283 | 14,283 |
| Transactions with non-controlling interests | 12a | — | (23,326) | — | — | — | — | (23,326) | (7,805) | (31,131) |
| Conversion of capital reserve into share capital | 38 | 306,993 | (306,993) | — | — | — | — | — | — | — |
| Repurchase of shares | 41 | — | — | — | (104,959) | — | — | (104,959) | — | (104,959) |
| Dividends provided for or paid | 44 | — | — | — | 2,975 | — | (456,104) | (453,129) | (1,542) | (454,671) |
| Appropriation to reserves | 42 | — | — | — | — | 11,232 | (11,232) | — | — | — |
| Tax impact of share-based payments | 13 | — | 709 | — | — | — | — | 709 | — | 709 |
| As of December 31, 2022 | | 309,658 | 204,111 | (59) | (27,423) | 11,232 | (467,336) | 30,183 | 6,838 | 37,021 |
| As of January 1, 2023 | | 1,185,382 | 8,631,136 | 233,058 | (769,112) | 166,694 | 8,572,067 | 18,019,225 | 81,868 | 18,101,093 |
| Comprehensive income | | | | | | | | | | |
| Profit for the year | | — | — | — | — | — | 555,751 | 555,751 | (11,801) | 543,950 |
| Other comprehensive income | | — | — | — | — | 182,136 | — | 182,136 | 111 | 182,247 |
| Total comprehensive income for the year | | — | — | — | — | 182,136 | 555,751 | 737,887 | (11,690) | 726,197 |
| Transaction with owners in their capacity as owners: | | | | | | | | | | |
| Issuance under Global Depositary Receipt (“GDR”), net of transaction costs | 38 | 31,000 | 3,076,606 | — | — | — | — | 3,107,606 | — | 3,107,606 |
| Exercise of share option | 45 | 3,694 | 251,434 | — | — | — | — | 255,128 | — | 255,128 |
| Conversion of convertible bonds | 30 | 2 | 306 | (27) | — | — | — | 281 | — | 281 |
| Repurchase of restricted shares | 45 | (4,303) | (491,800) | — | 496,103 | — | — | — | — | — |
| Employee stock ownership plan | 39 | — | (20,038) | — | 398,729 | — | — | 378,691 | — | 378,691 |
| Repurchase of shares | 41 | — | — | — | (830,437) | — | — | (830,437) | — | (830,437) |
| Share-based payments | 45 | — | (31,278) | — | — | — | — | (31,278) | (254) | (31,532) |
| Transactions with non-controlling interests | 12a | — | (66,385) | — | — | — | — | (66,385) | (19,435) | (85,820) |
| Dividends provided for or paid | 44 | — | — | — | — | — | (99,130) | (99,130) | (6,628) | (105,758) |
| Appropriation to reserves | 42 | — | — | — | — | 21,106 | (21,106) | — | — | — |
| Tax impact of share-based payments | 13 | — | (20,762) | — | — | — | — | (20,762) | — | (20,762) |
| As of December 31, 2023 | | 30,393 | 2,698,083 | (27) | 64,395 | 21,106 | (120,236) | 2,693,714 | (26,317) | 2,667,397 |
| | | 1,215,775 | 11,329,219 | 233,031 | (704,717) | 369,936 | 9,007,582 | 21,450,826 | 43,861 | 21,494,687 |

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued

| | Note | Attributable to owners of the Company | | | | | | | Non-controlling interests | Total equity |
|---|------|---------------------------------------|-------------------|-------------------------|--------------------|----------------|-------------------|-------------------|---------------------------|-------------------|
| | | Share capital | Capital reserves | Other equity instrument | Treasury shares | Other reserves | Retained earnings | Total | | |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| As of January 1, 2024 | | 1,215,775 | 11,329,219 | 233,031 | (704,717) | 369,936 | 9,007,582 | 21,450,826 | 43,861 | 21,494,687 |
| Comprehensive income | | | | | | | | | | |
| Profit for the year | | — | — | — | — | — | 3,317,582 | 3,317,582 | (38,941) | 3,278,641 |
| Other comprehensive income | | — | — | — | — | 352,997 | — | 352,997 | 155 | 353,152 |
| Total comprehensive income for the year | | — | — | — | — | 352,997 | 3,317,582 | 3,670,579 | (38,786) | 3,631,793 |
| Transaction with owners in their capacity as owners: | | | | | | | | | | |
| Exercise of share option | 45 | 1,696 | 121,164 | — | 96,715 | — | — | 219,575 | — | 219,575 |
| Conversion of convertible bonds | 30 | 1 | 173 | (15) | — | — | — | 159 | — | 159 |
| Repurchase of restricted shares | 45 | (1,349) | (166,701) | — | 168,050 | — | — | — | — | — |
| Repurchase of shares | 41 | — | — | — | (999,946) | — | — | (999,946) | — | (999,946) |
| Share-based payments | 45 | — | 244,364 | — | — | — | — | 244,364 | 1,192 | 245,556 |
| Dividends provided for or paid | 44 | — | — | — | — | — | (407,583) | (407,583) | (5,162) | (412,745) |
| Appropriation to reserves | 42 | — | — | — | — | 55,653 | (55,653) | — | — | — |
| Tax impact of share-based payments | 13 | — | 23,211 | — | — | — | — | 23,211 | 100 | 23,311 |
| | | 348 | 222,211 | (15) | (735,181) | 55,653 | (463,236) | (920,220) | (3,870) | (924,090) |
| As of December 31, 2024 | | 1,216,123 | 11,551,430 | 233,016 | (1,439,898) | 778,586 | 11,861,928 | 24,201,185 | 1,205 | 24,202,390 |

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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Note | Year ended December 31, | | |
|--|-------|-------------------------|--------------------|--------------------|
| | | 2022 | 2023 | 2024 |
| | | RMB’000 | RMB’000 | RMB’000 |
| Cash flows from operating activities | | | | |
| Cash (used in)/generated from operations | 46(i) | (1,650,426) | 7,597,474 | 4,703,706 |
| Interest received | | 28,679 | 94,336 | 318,661 |
| Interest paid | | (366,003) | (469,180) | (249,307) |
| Income tax paid | | (371,551) | (155,123) | (250,496) |
| Net cash (outflow)/inflow from operating activities . . . | | (2,359,301) | 7,067,507 | 4,522,564 |
| Cash flows from investing activities | | | | |
| Payment for acquisition of subsidiaries, net of cash acquired | 49 | (256,596) | (1,262,080) | (122,000) |
| Payments for associates | | (95,491) | (23,400) | — |
| Payments for financial assets | | (2,675,747) | (846,363) | (208,768) |
| Payments for property, plant and equipment | | (1,322,259) | (277,387) | (579,417) |
| Payments for land use right | | (87,482) | (77,222) | (45,996) |
| Payments for intangible assets | | (166,677) | (1,905) | — |
| Payment of development expenditure | | (682,922) | (691,887) | (623,206) |
| Restricted cash paid for investing activities | | (2,438) | (13,000) | — |
| Proceeds from sale of subsidiaries | 50 | 152,031 | 3,200 | 50,000 |
| Proceeds from sale of associates | | 145,500 | 30,000 | 64,768 |
| Proceeds from sale of financial assets | | 960,232 | 677,712 | 601,307 |
| Proceeds from sale of long-term assets | | 7,145 | 6,856 | 27,559 |
| Dividends from financial assets | | 7,585 | 9,254 | 25,161 |
| Restricted cash received from investing activities | | — | 2,438 | — |
| Net cash outflow from investing activities | | (4,017,119) | (2,463,784) | (810,592) |
| Cash flows from financing activities | | | | |
| Proceeds from issues of shares, net of issuance cost | | 259,218 | 3,385,821 | 208,679 |
| Proceeds from employee stock ownership plan | | — | 378,690 | — |
| Proceeds from borrowings | | 7,451,543 | 6,109,297 | 5,320,725 |
| Restricted cash received from financing activities | | 30,127 | 10,719 | — |
| Repurchase of shares and repurchase transaction cost | | (104,959) | (830,437) | (999,946) |
| Repurchase of restricted shares | | (237,633) | (258,469) | (168,050) |
| Repayment of borrowings | | (4,209,456) | (8,117,857) | (6,618,036) |
| Payments of lease liabilities (principal) | | (79,480) | (80,364) | (83,284) |
| Payments of purchase by installment | | (878) | (1,112) | (2,607) |
| Transaction with non-controlling interests | 12a | (31,131) | (85,820) | — |
| Dividends paid to owners of the Company | | (456,104) | (99,129) | (407,583) |
| Dividends paid to non-controlling interests in subsidiaries | | — | (5,888) | (7,368) |
| Net cash inflow/(outflow) from financing activities . . . | | 2,621,247 | 405,451 | (2,757,470) |
| Net (decrease)/increase in cash and cash equivalents | | (3,755,173) | 5,009,174 | 954,502 |
| Cash and cash equivalents at beginning of the year | | 7,630,233 | 3,995,146 | 9,055,098 |
| Effects of exchange rate changes on cash and cash equivalents | | 120,086 | 50,778 | 143,182 |
| Cash and cash equivalents at end of year | 28 | 3,995,146 | 9,055,098 | 10,152,782 |

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information

OmniVision Integrated Circuits Group, Inc. (previously known as Will Semiconductor Co., Ltd. Shanghai) (the “**Company**”) was incorporated in Shanghai, People’s Republic of China (the “**PRC**”) on May 15, 2007 as a joint stock company under the laws of the PRC with limited liability. The address of its registered office is 7/F, Building C, Block 1, No. 3000 Longdong Avenue, China (Shanghai) Pilot Free Trade Zone. The Company has its primary listing on The Shanghai Stock Exchange with the stock code of 603501.

The Company and its subsidiaries (collectively, the “**Group**”), are principally engaged in design, development and sale of high-performance integrated circuits (“**ICs**”).

2 Material accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with all applicable IFRSs Accounting Standards, which collective term includes all applicable individual IFRS, International Accounting Standards and Interpretations issued by IASB.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has consistently adopted all applicable new and revised IFRSs that are effective during the Track Record Period, except for any new standards or interpretations that are not yet effective for the Track Record Period. 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).

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The accounting policies have been applied consistently to all periods presented in the Historical Financial Information.

(i) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities – measured at fair value, and
- contingent consideration – measured at fair value.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Material accounting policies—continued

2.1 Basis of preparation—continued

(ii) New and amended standards and interpretations not yet adopted

The Group plans to adopt these new standards, amendments to standards and annual improvements when they become effective:

New and amendments to IFRS Accounting Standards issued but not yet effective

| | |
|---|--|
| Amendment to IAS 21 | Lack of Exchangeability ¹ |
| Amendments to IFRS 9 and IFRS 7 | Amendments to the Classification and Measurement of Financial Instruments ² |
| Amendments to IFRS 9 and IFRS 7 | Contracts Referencing Nature-dependent Electricity ² |
| Amendments to IFRS Accounting Standards | Annual Improvements to IFRS Accounting Standards ² |
| IFRS 18 | Presentation and Disclosure in Financial Statements ³ |
| IFRS 19 | Subsidiaries without Public Accountability: Disclosures ³ |
| Amendments to IFRS 10 and IAS 28 | Sale or contribution of Assets between an Investor and its Associate or Joint Venture ⁴ |

¹ Effective for annual periods beginning on or after January 1, 2025

² Effective for annual periods beginning on or after January 1, 2026

³ Effective for annual periods beginning on or after January 1, 2027

⁴ The amendments shall be applied prospectively to sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

The Group is in the process of making an assessment of the impact of these new and amended standards upon initial application, IFRS 18 introduces new requirements for presentation within the statements of comprehensive income, including specified totals and subtotals. Entities are required to classify all income and expenses within the statements of comprehensive income into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. The new requirements are expected to impact the Group’s presentation of the statements of comprehensive income and disclosures of the Group’s financial performance. So far, the Group considers that the new and amended standards are unlikely to have a significant impact on the Group’s results of operations and financial position.

2.2 Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Material accounting policies—continued

2.2 Principles of consolidation and equity accounting—continued

(i) Subsidiaries—continued

involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.3).

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests (“**NCI**”) in the results and equity of subsidiaries are shown separately in the consolidated statements of comprehensive income, statements of changes in equity and statements of financial position, respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting (see (iii) below), after initially being recognized at cost.

(iii) Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group’s share of the post-acquisition profits or losses of the investee in profit or loss, and the Group’s share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

Where the Group’s share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group’s interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

APPENDIX I**ACCOUNTANTS’ REPORT**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Material accounting policies—continued****2.2 Principles of consolidation and equity accounting—continued****(iii) Equity method—continued**

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.11.

(iv) Changes in ownership interests

The Group treats transactions with NCI that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and NCI to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to NCI and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified permitted by applicable IFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any NCI in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the NCI’s proportionate share of the acquired entity’s net identifiable assets.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Material accounting policies—continued

2.3 Business combinations—continued

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any NCI in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as of the date of exchange. The discount rate used is the entity’s incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee’s net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Material accounting policies—continued

2.6 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Renminbi (RMB), which is the Company’s functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statements of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income on a net basis within other gains, net.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss (“**FVPL**”) are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income (“**FVOCI**”) are recognized in other comprehensive income.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and borrowings are recognized in other comprehensive income. When a foreign

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Material accounting policies—continued

2.6 Foreign currency translation—continued

(iii) Group companies—continued

operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group’s entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to NCI and are not recognized in profit or loss. For all other partial disposals (that is, reductions in the Group’s ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.7 Property, plant and equipment

All property, plant and equipment are stated at historical costs less accumulated depreciation and accumulated impairment charge. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

| | |
|--------------------------------------|--|
| Freehold land | Indefinite |
| Buildings | 20-40 years |
| Machinery | 2-10 years |
| Vehicles | 3-5 years |
| Equipment | 3-5 years |
| Property and land improvements | Over the shorter of the lease term or the estimated useful life - 1-5 years |

APPENDIX I**ACCOUNTANTS’ REPORT**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Material accounting policies—continued****2.7 Property, plant and equipment—continued**

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount (note 2.11).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

2.8 Investment properties

Investment properties, principally freehold office buildings, are held for long-term rental yields and are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are measured using the cost model.

2.9 Goodwill

Goodwill is measured as described in note 2.3. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units (“CGUs”) that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (note 5).

2.10 Intangible assets**(i) Trademarks, licenses and others**

Separately acquired trademarks, licenses and others are shown at historical cost. Trademarks, licenses and others acquired in a business combination are recognized at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortization and impairment losses.

(ii) Internally generated technology

Costs associated with fundamental research and improvement of the existing products are recognized as an expense as incurred. Development costs that are directly attributable to the design of new products are recognized as development expenditure where the following criteria are met:

- it is technically feasible to complete the technology so that it will be available for use

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Material accounting policies—continued

2.10 Intangible assets—continued

(ii) Internally generated technology—continued

- management intends to complete the technology and use or sell it
- there is an ability to use or sell the product
- it can be demonstrated how the product will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the product are available, and
- the expenditure attributable to the product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the chip mainly include employee costs and materials used for development.

Development expenditure is recorded as intangible assets and amortized from the point at which the product is ready for mass production.

(iii) Research and development

Research and development expenditure that do not meet the criteria in (ii) above are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

(iv) Amortization methods and periods

The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

| | |
|---------------------------------------|------------|
| Software | 3-10 years |
| Technology | 1-10 years |
| Trademark | 10 years |
| Internally generated technology | 3-10 years |
| Distribution network | 5 years |
| Emission | 5 years |
| Licenses | 3-5 years |

2.11 Impairment of non-financial assets

Goodwill and 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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Material accounting policies—continued

2.11 Impairment of non-financial assets—continued

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 reporting period.

2.12 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (“OCI”) or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

APPENDIX I**ACCOUNTANTS’ REPORT**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Material accounting policies—continued****2.12 Investments and other financial assets—continued****(iii) Measurement—continued***Debt instruments*

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains, net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statements of comprehensive income.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains, net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains, net and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.
- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains, net in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group’s management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group’s right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other gains, net in the statements of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Material accounting policies—continued

2.12 Investments and other financial assets—continued

(iv) Impairment loss on financial assets

The Group recognizes a loss allowance for expected credit loss (“**ECL**”) (as defined on note 3.1 (ii)) on financial assets which are subject to impairment under IFRS 9 “Financial Instruments”. The amount of ECL is updated at the end of each reporting 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. Assessment are done based on the Group’s 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.

The Group has 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 the Group’s 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, the Group measures 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 the Group recognizes 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.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as of the reporting date with the risk of a default occurring in the financial instrument as of the date of initial recognition. In making the assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group’s debtors operate obtained from economic expert reports, financial analysts and governmental bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Group’s core operations.

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

- An actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Material accounting policies—continued

2.12 Investments and other financial assets—continued

(iv) Impairment loss on financial assets—continued

Significant increase in credit risk—continued

- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, or the credit default swap prices for the debtor;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Definition of default

For internal credit risk management, the Group considers an event of default to have occurred when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that defaults has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice where appropriate. A Write-off constitutes a derecognition event. Any subsequent recoveries made are recognized in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the relevant weighting.

APPENDIX I**ACCOUNTANTS’ REPORT**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Material accounting policies—continued****2.12 Investments and other financial assets—continued****(iv) Impairment loss on financial assets—continued****Measurement and recognition of ECL—(Continued)**

Generally, the ECL is the difference between all contractual cash flow that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis to cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group’s trade receivables, other receivables are each assessed as a separate group. Note receivables are assessed for ECL on an individual basis);
- Past-due status;
- Mature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continued to share similar credit risk characteristics.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position where the Group currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.14 Inventories

Work in progress and finished goods are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory related to analog ICs and other ICs on the basis of weighted average costs and individual items of inventory related to complementary metal oxide semiconductor image sensor (“CIS”) and display ICs on the basis of first-in first-out method. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Material accounting policies—continued

2.15 Trade receivables

A receivable is recognized when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment if that consideration is due. If revenue has been recognized before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortized cost, using the effective interest method less allowance for credit losses.

2.16 Cash and cash equivalents

For the purpose of presentation in the statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.17 Share capital and shares held by the Company

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or share options are shown in equity as a deduction from the proceeds.

Where any group company purchases the Company’s equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are canceled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

2.18 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 180 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.19 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence

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ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Material accounting policies—continued

2.19 Borrowings—continued

that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognized and included in shareholders’ equity, net of income tax effects.

Borrowings are derecognized when the obligation specified in the contract is extinguished, canceled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as finance costs.

Borrowings are classified as current liabilities unless, at the end of the reporting period, the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Covenants that the Group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Group is required to comply with after the reporting period do not affect the classification at the reporting date.

Borrowing costs are expensed in the period in which they are incurred.

2.20 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period’s taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Material accounting policies—continued

2.20 Current and deferred income tax—continued

Deferred income tax—(Continued)

financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.21 Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees’ services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statements of financial position.

(ii) Post-employment obligations

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions. Defined benefit plans are post-employment benefit plans other than defined

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ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Material accounting policies—continued

2.21 Employee benefits—continued

(ii) Post-employment obligations—continued

contribution plans. During the reporting period, the Group’s post-employment benefits mainly include the premiums or contributions on basic pensions and unemployment insurance, both of which are under the defined contribution plans.

(a) Subsidiaries in Mainland China

The Group’s employees of companies in Mainland China participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to the bases and percentage prescribed by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognized as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to profit or loss for the current period or the cost of relevant assets.

(b) Subsidiaries in United States of America (“USA”)

As for the pension insurance for Group’s employees of companies in USA, according to the 401(k) Plan, the subsidiaries may, at its discretion, pay the basic pension insurance for employees at a rate not exceeding 3% of the employees’ eligible remuneration, provided that the employees’ contribution is not less than 1% of the employees’ eligible remuneration. The Group calculates the amount of contribution payable, recognizes it as employee benefits payable and includes it in profit or loss according to the provisions of the 401(k) Plan in the period in which the service has been rendered by the employees. In addition, the USA subsidiaries bear no other payment obligations.

(c) Subsidiaries in Singapore and other countries

The Group pays fixed contributions into a local separate fund which is responsible to pay pensions and other post-retirement benefits to the retired employees. The amount of contribution payable calculated based on the defined contribution plan is recognized as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss or the cost of relevant assets.

(iii) Profit-sharing and bonus plans

The Group recognizes a liability and an expense for profit-sharing and bonuses based on a formula that takes into consideration the profit attributable to the company’s shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iv) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these

APPENDIX I**ACCOUNTANTS’ REPORT**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Material accounting policies—continued****2.21 Employee benefits—continued***(iv) Termination benefits—continued*

benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

2.22 Share-based payments

Share-based compensation benefits are provided to employees via the Company’s share-based incentive plan including share options and restricted shares. Information relating to these schemes is set out in note 45.

Share options

The fair value of the options granted under the Company’s 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 period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes 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 reporting 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. The Company has obligation to repurchase the restricted shares at the grant price if the restricted shares are forfeited.

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ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Material accounting policies—continued

2.23 Provisions

Provisions for legal claims, uncertain taxes and make goods obligations are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2.24 Revenue recognition

Revenue is recognized to depict the transfer of goods to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. Specifically, the Group uses 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 the Group expects 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 the Group 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 the Group and the customer at

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ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Material accounting policies—continued

2.24 Revenue recognition—continued

contract inception. When the contract contains a financing component which provides the Group 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 the Group satisfies performance obligations by transferring the promised goods or services to its customers.

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

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which Group has received consideration (or an amount of consideration is due) from the customer.

Further details of the Group’s revenue recognition policies are as follows:

(i) Sales of goods

The Group designs, develops and sells 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 the Group has objective evidence that all criteria for acceptance have been satisfied.

Some of the contracts between the Group and its 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 reporting period.

As 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.

(ii) Provision of services

The Group provides IC design or development service to external parties. For those contracts that the Group does not has 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.

APPENDIX I**ACCOUNTANTS’ REPORT**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Material accounting policies—continued****2.24 Revenue recognition—continued***(iii) Financing components*

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

2.25 Earnings per share*(i) Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.26 Dividend income

Dividends are received from financial assets measured at FVPL and at FVOCI. Dividends are recognized as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognized in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

2.27 Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as of the commencement date

APPENDIX I**ACCOUNTANTS’ REPORT**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Material accounting policies—continued****2.27 Leases—continued**

- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

2.28 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.29 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.30 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see note 7 below.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see note 11 below. Any other interest income is included in other income.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Material accounting policies—continued

2.30 Interest income—continued

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

3 Financial risk management

The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group’s financial performance. Risk management is carried out by the senior management of the Group.

3.1 Financial risk factors

(i) *Market risk*

(a) *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. The Group manages its foreign exchange risk by performing regular reviews of the Group’s net foreign exchange exposures and tries to minimize these exposures through natural hedges, wherever possible.

The Group operates mainly in the PRC, USA and Singapore with most of the transactions settled in RMB and USD, management considers that the 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.

(b) *Cash flow and fair value interest rate risk*

The Group’s income and operating cash flows are substantially independent from changes in market interest rates and the Group has no significant interest-bearing assets except for cash and cash equivalents and restricted cash, details of which have been disclosed in note 28, respectively.

The Group’s exposure to changes in interest rates is more attributable to its borrowings, details of which have been disclosed in note 29. Borrowings carried at floating rates expose the Group to cash flow interest-rate risk whereas those carried at fixed rates expose the Group 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, the Group’s pre-tax profit for the years ended December 31, 2022, 2023 and 2024 would have been approximately RMB10.22 million, RMB0.59 million and RMB4.80 million lower/higher, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.1 Financial risk factors—continued

(c) Price risk

The Group’s exposure to equity securities price risk arises from investments held by the Group and classified in the statements of financial position either as at FVOCI (note 22) or at FVPL (note 23).

To manage its price risk arising from investments in equity securities, the Group diversifies its 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 the Group on the equity and post-tax profit for the period. The analysis is based on the assumption that the price of the equity instruments held by the Group had increased or decreased by 20% with all other variables held constant, and that all of the Group’s equity instruments moved in line with the change.

| <u>Increase or decrease by 20%</u> | <u>Year ended December 31,</u> | | |
|--|--------------------------------|----------------|----------------|
| | <u>2022</u> | <u>2023</u> | <u>2024</u> |
| | <u>RMB’000</u> | <u>RMB’000</u> | <u>RMB’000</u> |
| Impact on post-tax profit | 506,311 | 600,200 | 542,250 |
| Impact on other components of equity | 289,554 | 265,969 | 278,835 |

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.

(ii) Credit risk

The Group is exposed to credit risk in relation to its 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 the Group’s 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 US. For other financial assets, the Group has 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, The Group has policies in place to ensure that settlement of trade receivables is followed up on a timely basis. At the end of the reporting period, the Group reviews the recoverable amount of each material individual debt to ensure that adequate expected credit losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.1 Financial risk factors—continued

(ii) Credit risk—continued

Impairment of financial assets

Trade receivables

The Group 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. The Group has identified the gross domestic products and the unemployment rate of the countries in which it sells its 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’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| December 31, 2022 | | | | | |
| —Expected loss rate | 5.00% | 73.83% | 80.34% | 99.76% | 8.18% |
| —Gross carrying amount | 2,629,659 | 1,983 | 15,590 | 77,537 | 2,724,769 |
| —Loss allowance | 131,521 | 1,464 | 12,525 | 77,353 | 222,863 |
| December 31, 2023 | | | | | |
| —Expected loss rate | 5.02% | 21.92% | 79.71% | 96.74% | 7.26% |
| —Gross carrying amount | 4,191,503 | 60,328 | 1,799 | 93,355 | 4,346,985 |
| —Loss allowance | 210,547 | 13,226 | 1,434 | 90,307 | 315,514 |
| December 31, 2024 | | | | | |
| —Expected loss rate | 5.00% | 20.43% | 50.44% | 97.06% | 7.42% |
| —Gross carrying amount | 4,115,628 | 36,404 | 45,718 | 84,021 | 4,281,771 |
| —Loss allowance | 205,796 | 7,436 | 23,058 | 81,549 | 317,839 |

The loss allowances for trade receivables as of December 31, reconcile to the opening loss allowances as follows:

| | 2022 | 2023 | 2024 |
|--|----------|---------|----------|
| | RMB’000 | RMB’000 | RMB’000 |
| Opening loss allowance of January 1, | 257,164 | 222,863 | 315,514 |
| Change in the allowance recognized in profit or loss | (34,841) | 90,968 | 11,666 |
| Receivables written off during the year as uncollectible | (6,124) | (63) | (11,467) |
| Business combination | — | 216 | — |
| Disposal of subsidiaries | (1,940) | — | — |
| Exchange differences | 8,604 | 1,530 | 2,126 |
| Closing loss allowance of December 31, | 222,863 | 315,514 | 317,839 |

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.1 Financial risk factors—continued

(ii) Credit risk—continued

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 the 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, the Group makes 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.

The Group applies the general approach in calculating ECLs, where the Group considers 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 each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as of the reporting date with the risk of default as of the date of initial recognition. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 3 months past due.

If the credit risk of the asset is in line with original expectations, the Group categorizes 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 RMB3,000,000, RMB3,000,000 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.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.1 Financial risk factors—continued

(ii) Credit risk—continued

The loss allowances for financial assets at amortized cost as of December 31, reconcile to the opening loss allowances as follows:

| | Notes receivables | Other receivables | Long-term receivables | Total |
|--|----------------------|----------------------|--------------------------|---------|
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Opening loss allowance of January 1, 2022 | 731 | 8,251 | — | 8,982 |
| Change in the allowance recognized in profit or loss | (64) | (541) | — | (605) |
| Disposal of subsidiaries | — | (12) | — | (12) |
| Exchange differences | — | 285 | — | 285 |
| Closing loss allowance of December 31, 2022 | 667 | 7,983 | — | 8,650 |
| Change in the allowance recognized in profit or loss | (427) | (401) | 713 | (115) |
| Business combination | — | 35 | — | 35 |
| Exchange differences | — | 45 | — | 45 |
| Closing loss allowance of December 31, 2023 | 240 | 7,662 | 713 | 8,615 |
| Change in the allowance recognized in profit or loss | 11 | 436 | (713) | (266) |
| Receivables written off during the year as uncollectible | — | (3,000) | — | (3,000) |
| Exchange differences | — | 25 | — | 25 |
| Closing loss allowance of December 31, 2024 | 251 | 5,123 | — | 5,374 |

Net impairment losses on financial and contract assets recognised in profit or loss

During the year, the following gains/(losses) were recognized in profit or loss in relation to impaired financial assets:

| | Year ended December 31, | | |
|---|-------------------------|----------|----------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Loss allowance for trade receivables | 34,841 | (90,968) | (11,666) |
| Loss allowance for financial assets at amortized cost | 605 | 115 | 265 |
| | 35,446 | (90,853) | (11,401) |

(iii) Liquidity risk

The Group aims 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, the Group maintains flexibility in funding by maintaining adequate cash and cash equivalents.

Management monitors rolling forecasts of the Group’s liquidity reserve and cash and cash equivalents (note 28) on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the Group, in accordance with practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.1 Financial risk factors—continued

(iii) Liquidity risk—continued

addition, the Group’s 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 the Group’s 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’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| As of December 31, 2022 | | | | | | |
| Borrowings | 7,685,241 | 2,712,986 | 85,324 | — | 10,483,551 | 10,217,382 |
| Convertible bonds | 14,600 | 36,499 | 2,769,049 | — | 2,820,148 | 2,346,778 |
| Trade and other payables | 2,157,429 | 168,051 | — | — | 2,325,480 | 2,325,480 |
| Lease liabilities | 71,372 | 54,556 | 80,904 | 22,216 | 229,048 | 211,468 |
| Total | <u>9,928,642</u> | <u>2,972,092</u> | <u>2,935,277</u> | <u>22,216</u> | <u>15,858,227</u> | <u>15,101,108</u> |
| As of December 31, 2023 | | | | | | |
| Borrowings | 5,541,608 | 2,269,509 | 732,971 | 77,100 | 8,621,188 | 8,351,385 |
| Convertible bonds | 36,495 | 43,794 | 2,724,934 | — | 2,805,223 | 2,443,920 |
| Trade and other payables | 2,875,089 | — | — | — | 2,875,089 | 2,875,089 |
| Financial liabilities at FVPL | 100,000 | 190,000 | — | — | 290,000 | 271,520 |
| Lease liabilities | 69,225 | 55,359 | 62,027 | 11,665 | 198,276 | 185,857 |
| Total | <u>8,622,417</u> | <u>2,558,662</u> | <u>3,519,932</u> | <u>88,765</u> | <u>14,789,776</u> | <u>14,127,771</u> |
| As of December 31, 2024 | | | | | | |
| Borrowings | 3,702,738 | 2,892,434 | 624,611 | 25,125 | 7,244,908 | 7,041,081 |
| Convertible bonds | 43,791 | 2,724,760 | — | — | 2,768,551 | 2,523,927 |
| Trade and other payables | 3,120,852 | — | — | — | 3,120,852 | 3,120,852 |
| Financial liabilities at FVPL | 100,000 | 95,000 | — | — | 195,000 | 187,790 |
| Lease liabilities | 72,474 | 46,387 | 54,321 | 5,267 | 178,449 | 163,101 |
| Total | <u>7,039,855</u> | <u>5,758,581</u> | <u>678,932</u> | <u>30,392</u> | <u>13,507,760</u> | <u>13,036,751</u> |

3.2 Capital risk management

The Group’s objectives on managing capital are to safeguard their ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group could adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.2 Capital risk management—continued

Consistent with others in the industry, the Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt as per note 46 divided by equity attributable to owners of the Company.

As of December 31, 2022, 2023 and 2024, the gearing ratio of the Group is as follows:

| | As of December 31, | | |
|--|--------------------|------------|------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Net debt | 8,780,482 | 1,926,064 | (424,673) |
| Equity attributable to owners of the Company | 18,019,225 | 21,450,826 | 24,201,185 |
| Gearing ratio (%) | | | Not |
| | 48.73% | 8.98% | applicable |

The net debt to equity ratio decreased as a result of the issuance under GDR (see note 38) and tighter monitoring of inventories, which has resulted in an increase of operating cash flows and cash held by the Group at the end of the reporting period.

3.3 Fair value estimation

The following table presents the Group’s assets and liabilities that are measured at fair value as of December 31, 2022, 2023 and 2024:

| As of December 31, 2022 | Level 1 | Level 2 | Level 3 | Total |
|----------------------------------|-----------|---------|-----------|-----------|
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Financial assets | | | | |
| Financial assets at FVPL | | | | |
| —Listed securities | 217,746 | 248,850 | — | 466,596 |
| —Private companies | — | — | 449,946 | 449,946 |
| —Investment funds | — | — | 2,051,063 | 2,051,063 |
| —Convertible bonds | — | — | 10,692 | 10,692 |
| Financial assets at FVOCI | | | | |
| —Listed securities | 1,696,089 | — | — | 1,696,089 |
| —Private companies | — | — | 7,171 | 7,171 |
| —Bank acceptance bill | — | 162,829 | — | 162,829 |
| Total financial assets | 1,913,835 | 411,679 | 2,518,872 | 4,844,386 |

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.3 Fair value estimation—continued

| As of December 31, 2023 | Level 1 RMB’000 | Level 2 RMB’000 | Level 3 RMB’000 | Total RMB’000 |
|-------------------------------------|--------------------|--------------------|--------------------|------------------|
| Financial assets | | | | |
| Financial assets at FVPL | | | | |
| —Listed securities | 243,154 | 46,396 | — | 289,550 |
| —Private companies | — | — | 489,371 | 489,371 |
| —Investment funds | — | — | 2,619,846 | 2,619,846 |
| —Convertible bonds | — | — | 11,332 | 11,332 |
| —Structured deposits | — | — | 120,490 | 120,490 |
| Financial assets at FVOCI | | | | |
| —Listed securities | 1,556,674 | — | — | 1,556,674 |
| —Private companies | — | — | 7,850 | 7,850 |
| —Bank acceptance bill | — | 162,682 | — | 162,682 |
| Total financial assets | <u>1,799,828</u> | <u>209,078</u> | <u>3,248,889</u> | <u>5,257,795</u> |
| Financial liabilities | | | | |
| Financial liabilities at FVPL | | | | |
| —Contingent consideration | — | — | 271,520 | 271,520 |
| As of December 31, 2024 | Level 1 RMB’000 | Level 2 RMB’000 | Level 3 RMB’000 | Total RMB’000 |
| Financial assets | | | | |
| Financial assets at FVPL | | | | |
| —Listed securities | 4,205 | — | — | 4,205 |
| —Private companies | — | — | 644,445 | 644,445 |
| —Investment funds | — | — | 2,698,106 | 2,698,106 |
| Financial assets at FVOCI | | | | |
| —Listed securities | 1,642,153 | — | — | 1,642,153 |
| —Private companies | — | — | 6,554 | 6,554 |
| —Bank acceptance bill | — | 116,383 | — | 116,383 |
| Total financial assets | <u>1,646,358</u> | <u>116,383</u> | <u>3,349,105</u> | <u>5,111,846</u> |
| Financial liabilities | | | | |
| Financial liabilities at FVPL | | | | |
| —Contingent consideration | — | — | 187,790 | 187,790 |

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.3 Fair value estimation—continued

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities and for instruments where climate risk gives rise to a significant unobservable adjustment.

The carrying amounts of the Group’s financial assets including cash and cash equivalents, trade and other receivables and the Group’s financial liabilities, including borrowing, trade and other payables approximate to their fair values due to their short maturities.

The level 3 instruments mainly include investments in private companies, investment funds, convertible bonds, structured deposits and contingent consideration. As these instruments are not traded in an active market, their fair values have been determined using various applicable methodologies.

The following table presents the changes in level 3 financial instruments for the years ended December 31, 2022, 2023 and 2024:

| | Financial assets | | | | | Financial liabilities |
|-------------------------|-------------------|------------------|-------------------|---------------------|-----------|--------------------------|
| | Private companies | Investment funds | Convertible bonds | Structured deposits | Total | Contingent consideration |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| As of January 1, 2022 | 179,758 | 1,432,617 | — | — | 1,612,375 | — |
| Addition | 366,780 | 918,500 | 10,518 | — | 1,295,798 | — |
| Disposal | (185,502) | (376,322) | — | — | (561,824) | — |
| Changes in fair value | 96,081 | 76,268 | 174 | — | 172,523 | — |
| As of December 31, 2022 | 457,117 | 2,051,063 | 10,692 | — | 2,518,872 | — |
| Addition | 1,500 | 412,900 | — | 381,963 | 796,363 | 256,000 |
| Business combination | — | — | — | 25,130 | 25,130 | — |
| Disposal | (14,990) | (22,923) | — | (287,811) | (325,724) | — |
| Changes in fair value | 53,593 | 178,807 | 640 | 1,208 | 234,248 | 15,520 |
| As of December 31, 2023 | 497,220 | 2,619,847 | 11,332 | 120,490 | 3,248,889 | 271,520 |
| Addition | 64,768 | 114,000 | — | 30,000 | 208,768 | — |
| Disposal | — | (52,436) | — | (151,359) | (203,795) | (100,000) |
| Changes in fair value | 89,010 | 16,696 | (11,332) | 869 | 95,243 | 16,270 |
| As of December 31, 2024 | 650,998 | 2,698,107 | — | — | 3,349,105 | 187,790 |

For investments in private companies, investment funds, convertible bonds, structured deposits, the Group determines the fair value through counterparties’ quotations and valuation techniques, etc. Valuation techniques include discounted cash flow analysis and the market comparison approach, etc. The fair value measurement of these financial instruments may involve important unobservable inputs such as liquidity discount, etc. For contingent consideration, the Group determines the fair value based on estimation of completion of performance condition.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4 Critical accounting estimates and judgments

The preparation of financial statements requires the use of accounting estimates which, by definition, will likely differ from actual results. Management also needs to exercise judgement in applying the Group’s accounting policies.

Estimates and judgments 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.

(i) Estimation of the fair value of certain financial assets

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see note 3.3.

(ii) Estimation of goodwill impairment

The Group tests goodwill for impairment on an annual basis. For the reporting periods, the recoverable amount of 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. 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.

(iii) Income tax and deferred tax asset

The Group is 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 judgement is required from the Group 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. The Group needs to apply estimates and judgement 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.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4 Critical accounting estimates and judgments—continued

(iv) Valuation of inventories – estimation of obsolescence provision

Inventories are stated at the lower of cost or net realizable value, and the Group uses judgment and estimate to determine the net realizable value of inventory at the end of each reporting period. Due to the rapid technological changes, the Group estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of reporting period and then writes 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, therefore it may cause material adjustments.

(v) Revenue recognition – estimation of variable consideration

The Group estimates variable consideration related to sales discounts, sales rebates and sales return based on historical experience and other known factors at the time of sale, which reduces the revenue. In assessing the aforementioned variable consideration, on the basis of highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

5 Segment information

The Group’s business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the chief executive officers and the vice presidents of the Group that make strategic decisions.

The Group has the following reportable segments of semiconductor design and sale (“**Design**”) and semiconductor distribution (“**Distribution**”) for the years ended December 31, 2022, 2023 and 2024.

The CODM assess the performance of the operating segments mainly based on revenue, gross profit and net profit of each operating segment. The revenues from external customers reported to the CODM are measured in a manner consistent with that applied in the consolidated statements of comprehensive income. Other information, together with the segment information, provided to the CODM, is measured in a manner consistent with that applied in these consolidated financial statements. There was no segment assets or segment liabilities information provided to the CODM.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

5 Segment information—continued

The segment information provided to the CODM for the reportable segments for the years ended December 31, 2022, 2023 and 2024 is as follows:

| | Year ended December 31, 2022 | | | |
|---|------------------------------|--------------|---------------------------|-------------|
| | Design | Distribution | Inter-segment elimination | Total |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Revenue | 15,697,315 | 5,104,067 | (761,133) | 20,040,249 |
| Gross profit | 4,460,631 | 284,243 | (3,577) | 4,741,297 |
| Net profit | 917,415 | 35,584 | (2,002) | 950,997 |
| Depreciation and amortization | (995,020) | (39,235) | — | (1,034,255) |
| Share-based payments | (263,498) | (7,818) | — | (271,316) |
| Finance costs | (480,151) | (15,863) | 2,126 | (493,888) |
| Finance income | 27,617 | 1,827 | (2,126) | 27,318 |
| Share of post-tax losses of equity accounted associates | (46,286) | — | — | (46,286) |
| Income tax (expense)/benefit | (337,334) | (5,767) | 353 | (342,748) |

| | Year ended December 31, 2023 | | | |
|---|------------------------------|--------------|---------------------------|-------------|
| | Design | Distribution | Inter-segment elimination | Total |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Revenue | 17,982,921 | 4,684,872 | (1,683,534) | 20,984,259 |
| Gross profit | 3,971,982 | 244,739 | (33,224) | 4,183,497 |
| Net profit | 467,504 | 48,428 | 28,019 | 543,951 |
| Depreciation and amortization | (1,118,399) | (35,884) | — | (1,154,283) |
| Share-based payments | 28,778 | 2,754 | — | 31,532 |
| Finance costs | (524,786) | (11,163) | 1,947 | (534,002) |
| Finance income | 90,799 | 7,053 | (1,948) | 95,904 |
| Share of post-tax losses of equity accounted associates | (38,830) | — | — | (38,830) |
| Income tax (expense)/benefit | (147,553) | 4,874 | (4,944) | (147,623) |

| | Year ended December 31, 2024 | | | |
|---|------------------------------|--------------|---------------------------|-------------|
| | Design | Distribution | Inter-segment elimination | Total |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Revenue | 21,755,950 | 6,477,310 | (2,526,441) | 25,706,819 |
| Gross profit | 6,959,047 | 275,539 | 4,604 | 7,239,190 |
| Net profit | 3,210,487 | 60,889 | 7,266 | 3,278,642 |
| Depreciation and amortization | (1,256,998) | (25,696) | — | (1,282,694) |
| Share-based payments | (237,630) | (7,925) | — | (245,555) |
| Goodwill impairment | (237,495) | — | — | (237,495) |
| Finance costs | (322,194) | (3,314) | (1,193) | (326,701) |
| Finance income | 322,884 | 6,184 | 1,193 | 330,261 |
| Share of post-tax losses of equity accounted associates | (33,277) | — | — | (33,277) |
| Income tax (expense)/benefit | 16,667 | (9,551) | (1,282) | 5,834 |

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

6 Revenues

The Group derives revenues from the sale of goods and provision of services at a point in time in the following revenue streams:

| | Year ended December 31, | | |
|-----------------------------------|-------------------------|-------------------|-------------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Product type | | | |
| —Semiconductor design and sales | 16,407,485 | 17,940,324 | 21,640,361 |
| Advanced digital imaging solution | 13,674,521 | 15,535,502 | 19,190,118 |
| Display solution | 1,470,539 | 1,250,431 | 1,028,218 |
| Analog solution | 1,262,425 | 1,154,391 | 1,422,025 |
| —Semiconductor distribution | 3,564,810 | 2,970,084 | 3,938,917 |
| —Technical service | 62,477 | 56,057 | 90,515 |
| —Others | 5,477 | 17,794 | 37,026 |
| | <u>20,040,249</u> | <u>20,984,259</u> | <u>25,706,819</u> |
| Revenue recognition point: | | | |
| —At a point in time | <u>20,040,249</u> | <u>20,984,259</u> | <u>25,706,819</u> |

- (i) The major customers which contributed more than 10% of total revenue are listed as below:

| | Year ended December 31, | | |
|------------|-------------------------|-----------------------|-----------------------|
| | 2022 | 2023 | 2024 |
| Customer A | 24.80% | 29.98% | 27.76% |
| Customer B | <u>10.01%</u> | <u>Not applicable</u> | <u>Not applicable</u> |

All the revenues derived from other single customer were less than 10% of the Group’s total revenues during the reporting period.

- (ii) The amount of its revenue breakdown by location is shown in the table below:

| | Year ended December 31, | | |
|-----------------------------|-------------------------|-------------------|-------------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Mainland China | 3,353,680 | 2,920,323 | 3,844,407 |
| Hong Kong | 2,446,852 | 3,081,081 | 5,672,789 |
| Singapore | 13,377,652 | 14,081,254 | 15,239,222 |
| Other countries and regions | 862,065 | 901,601 | 950,401 |
| | <u>20,040,249</u> | <u>20,984,259</u> | <u>25,706,819</u> |

- (iii) Liabilities related to contracts with customers

| Contract liabilities | As of December 31, | | |
|--------------------------------|--------------------|----------------|----------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Semiconductor design and sales | 22,664 | 33,667 | 50,906 |
| Semiconductor distribution | 6,708 | 3,389 | 1,595 |
| Technical service | 95,998 | 149,725 | 173,172 |
| Total contract liabilities | <u>125,370</u> | <u>186,781</u> | <u>225,673</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

6 Revenues—continued

(iv) Revenue recognized in relation to contract liabilities

| | Year ended December 31, | | |
|---|-------------------------|---------------|---------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Revenue recognized that was included in the contract liabilities balance at the beginning of the period | | | |
| Semiconductor design and sales | 54,463 | 13,902 | 25,602 |
| Semiconductor distribution | 3,752 | 6,067 | 3,164 |
| Technical service | 33,148 | 17,584 | 25,228 |
| | <u>91,363</u> | <u>37,553</u> | <u>53,994</u> |

7 Other income

| | Year ended December 31, | | |
|------------------------------|-------------------------|----------------|-----------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Rental income | 37,931 | 36,382 | 23,819 |
| Rental cost | <u>(13,597)</u> | <u>(9,434)</u> | <u>(11,646)</u> |
| Rental income, net | 24,334 | 26,948 | 12,173 |
| Dividend (i) | 11,915 | 9,254 | 25,549 |
| Government grants | 82,497 | 59,697 | 59,192 |
| | <u>118,746</u> | <u>95,899</u> | <u>96,914</u> |

(i) Dividends are received from financial assets measured at FVPL and at FVOCI.

8 Expenses by nature

| | Note | Year ended December 31, | | |
|---|-------|-------------------------|-----------|------------|
| | | 2022 | 2023 | 2024 |
| | | RMB’000 | RMB’000 | RMB’000 |
| Changes in inventories of finished goods and work in progress | | (4,276,675) | 5,901,909 | (873,487) |
| Materials used for production and processing charges . . . | | 17,265,079 | 9,596,750 | 17,831,182 |
| Write-down of inventory to net realizable value | 24,32 | 1,409,229 | 363,800 | 324,872 |
| Employee benefits expenses | 9 | 2,839,115 | 2,424,002 | 3,153,932 |
| Depreciation and amortization | | 1,022,882 | 1,146,411 | 1,275,485 |
| Professional service fee | | 375,813 | 321,415 | 320,982 |
| Audit fee | | 2,780 | 2,780 | 2,780 |
| Licenses fee | | 172,336 | 232,056 | 265,048 |
| Material used for research and development | | 527,963 | 396,477 | 247,784 |
| Impairment of goodwill | 21 | — | — | 237,495 |
| Impairment of development expenditure | 20 | 22,982 | 5,312 | 63,679 |
| Impairment of intangible assets | 19 | — | — | 21,566 |
| Office expenses | | 94,569 | 64,776 | 91,534 |
| Utilities | | 48,137 | 72,420 | 78,544 |
| Lease expenses | | 39,776 | 38,150 | 46,961 |
| Taxes and surcharges | | 24,579 | 32,522 | 40,368 |
| Bank charges | | 9,953 | 6,977 | 22,941 |

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

8 Expenses by nature—continued

| | Year ended December 31, | | |
|------------------------------|-------------------------|-------------------|-------------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Travel expenses | 17,536 | 37,630 | 35,085 |
| Marketing expenses | 24,077 | 25,558 | 27,039 |
| Entertainment expenses | 22,884 | 27,303 | 22,950 |
| Other expenses | 173,935 | 166,372 | 167,426 |
| | <u>19,816,950</u> | <u>20,862,620</u> | <u>23,404,166</u> |

For the years ended December 31, 2022, 2023 and 2024, development costs amounting to RMB683.8 million, RMB692.5 million and RMB623.2 million were capitalized in development expenditure, respectively.

9 Employee benefits expenses

| | Note | Year ended December 31, | | |
|---|------|-------------------------|------------------|------------------|
| | | 2022 | 2023 | 2024 |
| | | RMB’000 | RMB’000 | RMB’000 |
| Salaries, allowances and benefits in kind | | 2,567,799 | 2,455,534 | 2,908,377 |
| Share-based payments | 45 | 271,316 | (31,532) | 245,555 |
| | | <u>2,839,115</u> | <u>2,424,002</u> | <u>3,153,932</u> |

As the performance condition in third tranche of 2020 share option and restricted shares and second tranche of 2021 share option and restricted shares and first tranche of 2022 share option was not expected to be met, the related share-based payments were not recognized since January 1, 2022 and previously recognized shared-based payments amounting to RMB54,547,000 was reversed in the year ended December 31, 2022.

As the performance condition in third tranche of 2021 share option and restricted shares and second and third tranche of 2022 share option was not expected to be met, the related share-based payments were not recognized since January 1, 2023 and previously recognized shared-based payments amounting to RMB91,968,000 was reversed in the year ended December 31, 2023.

(i) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 1, nil and nil director for the years ended December 31, 2022, 2023 and 2024, respectively, and their emoluments are reflected in the analysis shown in note 9(ii). The emoluments payable to the remaining 4, 5 and 5 individuals during the Track Record Period are as follows:

| | Year ended December 31, | | |
|---|-------------------------|---------------|---------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Salaries, allowances and benefits in kind | 13,128 | 23,865 | 26,585 |
| Share-based payments | 12,379 | (431) | 6,235 |
| | <u>25,507</u> | <u>23,434</u> | <u>32,820</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

9 Employee benefits expenses—continued

(i) Five highest paid individuals—continued

The emoluments fell within the following bands:

| | Number of individuals | | |
|----------------------------------|-----------------------|----------|----------|
| | 2022 | 2023 | 2024 |
| Emolument bands (in RMB): | | | |
| RMB2,000,001—RMB4,000,000 | — | 2 | — |
| RMB4,000,001—RMB6,000,000 | 1 | 1 | 2 |
| RMB6,000,001—RMB8,000,000 | 3 | 2 | 2 |
| RMB8,000,001—RMB10,000,000 | — | — | 1 |
| | <u>4</u> | <u>5</u> | <u>5</u> |

(ii) Benefits and interests of directors

The emoluments in respect of each of the directors paid/payable by the Group for the years ended December 31, 2022, 2023 and 2024 are as follows:

| | Year ended December 31, 2022 | | | |
|-------------------------------------|------------------------------|---|----------------------|---------------|
| | Director’s fee | Salaries, allowances and benefits in kind | Share-based payments | Total |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Executive directors | | | | |
| Mr. Yu Renrong | — | 1,106 | — | 1,106 |
| Mr. Jia Yuan | — | 1,126 | 233 | 1,359 |
| Mr. Yang Hongli (a) | — | 4,362 | 8,211 | 12,573 |
| Mr. Wu Xiaodong (b) | — | 142 | 141 | 283 |
| Mr. Ji Gang | — | 1,842 | 185 | 2,027 |
| Mr. Lyu Dalong | — | — | — | — |
| Mr. Chen Zhibin | — | — | — | — |
| Independent non-executive directors | | | | |
| Mr. Wang Haifeng (c) | 62 | — | — | 62 |
| Mr. Wu Xingjun | 120 | — | — | 120 |
| Mr. Hu Renyu | 120 | — | — | 120 |
| Mr. Zhu Liting (d) | <u>59</u> | <u>—</u> | <u>—</u> | <u>59</u> |
| | <u>361</u> | <u>8,578</u> | <u>8,770</u> | <u>17,709</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

9 Employee benefits expenses—continued

(ii) Benefits and interests of directors—continued

| | Year ended December 31, 2023 | | | |
|-------------------------------------|------------------------------|---|----------------------|---------------|
| | Director’s fee | Salaries, allowances and benefits in kind | Share-based payments | Total |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Executive directors | | | | |
| Mr. Yu Renrong | — | 1,112 | — | 1,112 |
| Mr. Jia Yuan | — | 589 | 111 | 700 |
| Mr. Wu Xiaodong | — | 1,307 | (522) | 785 |
| Mr. Ji Gang (e) | — | 839 | (239) | 600 |
| Ms. Qiu Huanping (f) | — | 275 | 60 | 335 |
| Mr. Lyu Dalong | — | — | — | — |
| Mr. Chen Zhibin | — | — | — | — |
| Independent non-executive directors | | | | |
| Mr. Wu Xingjun | 120 | — | — | 120 |
| Mr. Hu Renyu | 120 | — | — | 120 |
| Mr. Zhu Liting | 120 | — | — | 120 |
| | <u>360</u> | <u>4,122</u> | <u>(590)</u> | <u>3,892</u> |
| Year ended December 31, 2024 | | | | |
| | Director’s fee | Salaries, allowances and benefits in kind | Share-based payments | Total |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Executive directors | | | | |
| Mr. Yu Renrong | — | 2,267 | — | 2,267 |
| Mr. Jia Yuan | — | 589 | 1,606 | 2,195 |
| Mr. Wu Xiaodong | — | 2,871 | 803 | 3,674 |
| Ms. Qiu Huanping | — | 1,477 | 241 | 1,718 |
| Mr. Lyu Dalong | — | — | — | — |
| Mr. Chen Zhibin | — | — | — | — |
| Independent non-executive directors | | | | |
| Mr. Wu Xingjun | 135 | — | — | 135 |
| Mr. Hu Renyu | 135 | — | — | 135 |
| Mr. Zhu Liting | 135 | — | — | 135 |
| | <u>405</u> | <u>7,204</u> | <u>2,650</u> | <u>10,259</u> |

- (a) Mr. Yang Hongli resigned as an executive director of the Company on November 18, 2022
- (b) Mr. Wu Xiaodong was appointed as an executive director of the Company on November 18, 2022
- (c) Mr. Wang Haifeng resigned as an independent non-executive director of the Company on June 27, 2022
- (d) Mr. Zhu Liting was appointed as an independent non-executive director of the Company on June 27, 2022
- (e) Mr. Ji Gang resigned as an executive director of the Company on October 10, 2023
- (f) Ms. Qiu Huanping was appointed as an executive director of the Company on October 10, 2023

Except for benefits of directors disclosed above, there is no other benefit offered to the other directors.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

9 Employee benefits expenses—continued

(iii) Directors’ retirement benefits and termination benefits

No director’s retirement or termination benefit subsisted at the end of each period disclosed or at any time during the Track Record Period.

(iv) Consideration provided to third parties for making available directors’ services

No consideration provided to third parties for making available director’s services subsisted at the end of each period disclosed or at any time during the Track Record Period.

(v) Information about borrowings, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and controlled entities with such directors

No borrowings, quasi-borrowings and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors subsisted at the end of each year disclosed or at any time during the Track Record Period.

(vi) Directors’ material interest in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group’s business to which the Company was a party and in which a director of the Company had a material interest whether directly or indirectly, subsisted at the end of each period disclosed or at any time during the Track Record Period.

10 Other gains, net

| | Note | Year ended December 31, | | |
|---|------|-------------------------|----------------|----------------|
| | | 2022 | 2023 | 2024 |
| | | RMB’000 | RMB’000 | RMB’000 |
| Net gain on disposal of long-term assets | | 6,786 | 1,582 | 7,166 |
| Net gain on disposal of financial assets at FVPL | | 117,424 | 103,053 | 140,097 |
| Net gain on disposal of subsidiaries and associates | | 234,188 | — | 50,091 |
| Deemed gain on disposal of subsidiaries and associates | i | 722,548 | — | — |
| Dilution gains/(losses) of associates | | — | 128 | (5,660) |
| Net fair value (losses)/gains on financial assets at FVPL | | (221,236) | 246,852 | 74,260 |
| Net fair value losses on financial liabilities at FVPL | | — | (15,520) | (16,270) |
| Net foreign exchange (losses)/gains | | (117,431) | (11,736) | 32,306 |
| Others | | 3,067 | 24,928 | 9,161 |
| | | <u>745,346</u> | <u>349,287</u> | <u>291,151</u> |

- (i) Deemed gain was due to the remeasurement of retained interest in the investment to its fair value as the Groups loss control or significant influence of its subsidiaries or associates. Details of deemed gain on disposal of subsidiaries and associates were set out in note 12b and note 50.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

11 Finance income and costs

| | Year ended December 31, | | |
|---|-------------------------|-----------|---------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Finance income | | | |
| —Bank deposit interest income | 27,318 | 95,904 | 330,261 |
| Finance costs | | | |
| —Interests on borrowing | 377,850 | 413,951 | 201,977 |
| —Interests on convertible bonds | 107,375 | 112,022 | 116,662 |
| —Interests on lease liabilities | 8,663 | 8,029 | 8,062 |
| | 493,888 | 534,002 | 326,701 |
| Finance costs, net | (466,570) | (438,098) | 3,560 |

12a Subsidiaries

As of December 31, 2024, particulars of the principal subsidiaries are as follows:

| Name of entity | % of ownership interest | Date of incorporation | Place of incorporation | Principal activities |
|---|-------------------------|-----------------------|------------------------|---|
| OmniVision IC Group Co., Ltd. Shanghai | 100% | July 2, 2021 | PRC | Semiconductor design and sales |
| WILL Semiconductor Limited | 100% | August 12, 2008 | Hong Kong | Semiconductor design and sales |
| Zhejiang Will Equity Investment Co., Ltd. | 100% | June 15, 2020 | PRC | Investment holding |
| Shaoxing Weihao Business Management Partnership (Limited Partnership) | 100% | June 24, 2021 | PRC | Investment holding |
| Hunan Silicon Internet of Things Technology Co., Ltd. | 100% | December 31, 2020 | PRC | Semiconductor design and sales |
| Shenzhen Jinghongzhi Logistics Co., Ltd. | 100% | May 15, 2014 | PRC | Agency and sales of electronic components |
| Beijing Jinghongzhi Technology Co., Ltd. | 100% | September 10, 2001 | PRC | Agency and sales of electronic components |
| HK Waching Electronic (Group) Limited | 100% | September 5, 2006 | Hong Kong | Agency and sales of electronic components |
| OmniVision Technology (Beijing) Limited Corp. | 96.12% | September 28, 2004 | PRC | Semiconductor design and sales |
| Superpix Technology (Hong Kong) Limited | 96.12% | March 25, 2019 | Hong Kong | Semiconductor design and sales |
| OmniVision Touch and Display Technologies Pte. Ltd. | 100% | June 8, 2021 | Singapore | Semiconductor design and sales |
| OmniVision TDDI Ontario Limited Partnership | 100% | June 9, 2021 | Canada | Semiconductor design and sales |
| Beijing OmniVision Technologies Company Limited | 100% | July 15, 2015 | PRC | Semiconductor design and sales |

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

12a Subsidiaries—continued

| Name of entity | % of ownership interest | Date of incorporation | Place of incorporation | Principal activities |
|--|-------------------------|-----------------------|------------------------|--------------------------------|
| OmniVision Semiconductor (Shanghai) Co., Ltd. | 100% | January 19, 2001 | PRC | Semiconductor design and sales |
| OmniVision Technologies, Inc. | 100% | February 28, 2000 | USA | Semiconductor design and sales |
| OmniVision Technologies Singapore Pte. Ltd. | 100% | March 30, 2012 | Singapore | Semiconductor design and sales |
| OmniVision International Ontario Limited Partnership | 100% | January 10, 2020 | Canada | Semiconductor design and sales |

The English names of certain subsidiaries referred herein represent the management’s best effort at translating the Chinese names of these companies as no English names have been registered.

(i) *Non-controlling interests (NCI)*

There is no subsidiary that has NCI that are material to the Group.

(ii) *Transaction with NCI*

During the year ended December 31, 2022 and 2023, the Group acquired an additional 6.12% and 20.38% equity interests of OmniVision Celepixel Sensor (Shanghai) Co., Ltd. for RMB31.13 million and RMB85.82 million, respectively. The effect on the equity attributable to the owners of the Company during the Track Record Period is summarized as follows:

| | Year ended December 31, | | |
|---|-------------------------|---------------|----------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Consideration paid to NCI | 31,131 | 85,820 | — |
| Carrying amount of NCI acquired | (7,805) | (19,435) | — |
| Excess of consideration paid recognized in capital reserves within equity | <u>23,326</u> | <u>66,385</u> | <u>—</u> |

There were no transactions with NCI during the year ended December 31, 2024.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

12b Investments accounted by equity method

There is no associate of the Group as of December 31, 2022, 2023 and 2024 which, in the opinion of the directors, are material to the Group. Set out below are the associates of the Group as of December 31, 2022, 2023 and 2024.

| Name of entity | Place of incorporation | % of ownership interest | | | Carrying amount | | |
|--|------------------------|-------------------------|-------|-------|-----------------|-----------------|-----------------|
| | | 2022 | 2023 | 2024 | 2022 RMB'000 | 2023 RMB'000 | 2024 RMB'000 |
| Jiangsu Weida Semiconductor Co., Ltd. | PRC | 25.00 | 25.00 | 25.00 | 24,006 | 23,343 | 21,164 |
| Shanghai Xinkai Integrated Circuit Co., Ltd. | PRC | 39.00 | 39.00 | 39.00 | 24,507 | 31,698 | 28,491 |
| Ningbo Xijiu Microelectronics Co., Ltd. | PRC | 42.50 | 39.23 | 37.01 | 100,340 | 97,593 | 94,876 |
| Xinghao Communication Technology (Zhejiang) Co., Ltd. | PRC | 48.44 | 48.44 | 48.44 | 360,785 | 330,182 | 298,685 |
| Shanghai Jingxin Haotong Semiconductor Technology Co., Ltd. | PRC | 36.80 | 36.80 | — | 18,162 | 14,677 | — |
| Shanghai Weicheng Apartment Management Co., Ltd. | PRC | 30.00 | 30.00 | 30.00 | 715 | 2,625 | 2,771 |
| Shanghai Pudong Haiwang Private Investment Funds Management Co., Ltd. | PRC | 26.00 | 26.00 | 26.00 | 5,555 | 18,272 | 18,040 |
| Total investments accounted by equity method | | | | | 534,070 | 518,390 | 464,027 |

Reconciliation of the aggregate carrying amounts from opening to closing balances for equity-accounted investments.

| The Group | Note | 2022 RMB'000 | 2023 RMB'000 | 2024 RMB'000 |
|--|------|-----------------|-----------------|-----------------|
| Opening balance as of January 1, | | 51,077 | 534,069 | 518,389 |
| Addition | i | 552,381 | 23,400 | — |
| Disposal | ii | (22,693) | — | (14,677) |
| Share of operating loss | | (46,286) | (38,830) | (33,277) |
| Share of other comprehensive loss | | (409) | (377) | (748) |
| Dilution gains/(losses) | | — | 128 | (5,660) |
| Closing balance as of December 31, | | 534,070 | 518,390 | 464,027 |

- (i) During the year ended December 31, 2022, the Group lost control over certain subsidiaries which were re-classified as investment accounted by equity method, based on fair value of remaining equity interests on the date that the Group lost control. Details of disposal of subsidiaries were set out in note 50.
- (ii) During the year ended December 31, 2022, the Group lost significant influence over an associate by transferring partial equity interests held by the Group to other investors and capital injection by new investors and the retained interest was remeasured to its fair value on disposal date. The disposal gain of RMB169,639,000 and the deemed disposal gain of RMB308,826,000 were recognized.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

12c Investments accounted by cost method

| The Company | As of December 31, | | |
|---|--------------------|-------------------|-------------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| OmniVision IC Group Co., Ltd. Shanghai | 369,986 | 565,028 | 617,013 |
| WILL Semiconductor Limited | 134,672 | 135,431 | 141,641 |
| Zhejiang Will Equity Investment Co., Ltd. | 500,000 | 500,000 | 500,000 |
| Shaoxing Weihao Business Management Partnership (Limited Partnership) | 475,000 | 475,000 | 475,000 |
| Hunan Silicon Internet of Things Technology Co., Ltd. | — | 1,154,844 | 1,161,894 |
| Beijing Jinghongzhi Technology Co., Ltd. | 657,827 | 655,101 | 662,710 |
| Beijing OmniVision Technologies Company Limited | 13,695,322 | 13,683,312 | 13,840,083 |
| Other subsidiaries | 4,024,185 | 4,110,703 | 4,737,865 |
| | <u>19,856,992</u> | <u>21,279,419</u> | <u>22,136,206</u> |

Reconciliation of the aggregate carrying amounts from opening to closing balances for cost-accounted investments.

| | 2022 | 2023 | 2024 |
|--|-------------------|-------------------|-------------------|
| | RMB’000 | RMB’000 | RMB’000 |
| Opening balance as of January 1, | 19,429,840 | 19,856,992 | 21,279,419 |
| Addition | 337,622 | 1,452,334 | 627,177 |
| Share-based payments | 260,994 | (29,907) | 229,610 |
| Disposal | (171,464) | — | — |
| Closing balance as of December 31, | <u>19,856,992</u> | <u>21,279,419</u> | <u>22,136,206</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

13 Income tax expense/(benefit)

(i) PRC corporate income tax (“CIT”)

Provision made on the estimated assessable profits of entities within the Group incorporated in the PRC, calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The Company’s subsidiaries incorporated in the Mainland China are generally to corporate income tax rate.

Certain subsidiaries of the Company in the Mainland China were approved as High and New Technology Enterprise or Advanced Technology Service Enterprise, and they were subject to a preferential corporate income tax rate of 15% for the reporting periods.

Moreover, according to announcement and circular issued by relevant government authorities, a subsidiary enjoys preferential tax for IC enterprises that from the profit-making year, the enterprise income tax will be exemptible for the first two years and half rate reduction for the next subsequent three years.

In addition, certain subsidiaries of the Company were entitled to other tax concessions, mainly including the preferential tax rate of 15% applicable to some subsidiaries located in certain areas of the Mainland China upon fulfillment of certain requirements of the respective local governments.

(ii) Hong Kong

The subsidiaries of the Company incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5%.

(iii) USA

A subsidiary of the Company incorporated in Delaware, USA is subject to the federal corporate income tax rate of 21.00% and the corporate income tax rate applicable in California of 8.84%.

In accordance with the income tax law of the USA, the income obtained by a foreign subsidiary controlled by an US-based company that exceeds the regular rate of return on certain tangible assets is subject to the global intangible low-taxed income tax (“**GILTI Tax**”). GILTI Tax is an anti-tax avoidance measure, which levies tax on “low-taxed” income obtained outside the USA by a foreign subsidiary controlled by a US-based parent company at the federal corporate income tax rate of 21.00% as per the new tax law. Considering other tax preferential policies, the effective tax rate of GILTI tax is between 10.50% and 21.00%.

(iv) Singapore

Entities incorporated in Singapore are subject to Singapore corporate income tax rate of 17%. As approved by the Singapore Economic Development Board, subsidiaries of the Company incorporated in Singapore can enjoy the reduced income tax rate of 10% or 10.5% for the reporting periods.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

13 Income tax expense/(benefit)—continued

(v) CIT in other jurisdictions

The subsidiaries of the Company incorporated in other countries and regions calculate their corporate income tax according to relevant local tax laws.

(a) Income tax expense

| | Year ended December 31, | | |
|--|-------------------------|----------|----------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Current income tax | 291,627 | 213,389 | (28,902) |
| Deferred income tax | 51,121 | (65,766) | 23,068 |
| Income tax expense/(benefit) | 342,748 | 147,623 | (5,834) |

(b) Reconciliation of income tax expense

The tax on the Group’s profit before income tax differs from the theoretical amount that would arise using the tax rate of 15% for the years ended December 31, 2022, 2023 and 2024, being the tax rate of the major subsidiaries of the Group. The difference is analyzed as follows:

| | Note | Year ended December 31, | | |
|--|------|-------------------------|----------|-----------|
| | | 2022 | 2023 | 2024 |
| | | RMB’000 | RMB’000 | RMB’000 |
| Profit before income tax | | 1,293,744 | 691,573 | 3,272,807 |
| Tax calculated at a tax rate of 15% | | 194,062 | 103,736 | 490,921 |
| Difference in subsidiaries’ tax rates | | 105,850 | 98,548 | (176,597) |
| Effect of change in the tax rates | | 15,537 | — | — |
| Research and development tax credit | 1 | (113,362) | (96,669) | (126,946) |
| Income not subject to tax | | (47,852) | 1,253 | (1,018) |
| Costs, expenses and losses not deductible for tax purposes | | 20,507 | 10,526 | 47,583 |
| GILTI Tax | | 80,125 | 59,510 | 168,122 |
| Uncertain taxes | | 47,635 | (53,885) | (504,426) |
| Adjustments for current tax of prior periods | | 11,360 | 21,879 | 7,951 |
| Utilization of previously unrecognized tax losses | | (333) | (8,539) | (2,263) |
| Deductible temporary differences or tax losses for which no deferred tax asset was recognized | | 32,175 | 23,518 | 27,262 |
| Others | | (2,956) | (12,254) | 63,577 |
| Income tax expense/(benefit) | | 342,748 | 147,623 | (5,834) |

1) Accounting for research and development tax credit

Companies within the Group are entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure under the research and development tax incentive regime. The Group accounts for these allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognized for unclaimed tax credits that are carried forward as deferred tax assets.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

13 Income tax expense/(benefit)—continued

(v) CIT in other jurisdictions—continued

(b) Reconciliation of income tax expense—continued

Certain subsidiaries of the Company located in the Mainland China are eligible to claim super research and development tax deductions which provide permanent tax benefits to those entities.

(c) Amounts recognized directly in equity

Aggregate current and deferred tax arising in the reporting period and not recognized in net profit or loss or other comprehensive income but directly debited or credited to equity:

| | Year ended December 31, | | |
|----------------------|-------------------------|----------|--------|
| | 2022 | 2023 | 2024 |
| | RMB | RMB | RMB |
| Share-based payments | 709 | (20,762) | 23,311 |

The share-based payments could be deducted as employees’ benefit for tax purpose. The tax impact related to the share-based payments deducted for tax exceed the share-based payments recognized in profit or loss is directly recognized in equity.

(d) Unrecognized deferred tax assets

| | Note | As of December 31, | | |
|----------------------------------|------|--------------------|------------------|------------------|
| | | 2022 | 2023 | 2024 |
| | | RMB | RMB | RMB |
| Unused tax losses | 1 | 859,610 | 968,031 | 1,348,064 |
| Deductible temporary differences | | 662,382 | 725,003 | 803,337 |
| | | <u>1,521,992</u> | <u>1,693,034</u> | <u>2,151,401</u> |

1) Unused tax losses

The unused tax losses were incurred by certain subsidiaries that is not likely to generate taxable income in the foreseeable future, and the following table sets out the expiring date of unused tax losses. See note 31 for information about recognized tax losses and note 4(iii) for related significant judgments applied.

| | As of December 31, | | |
|-----------------|--------------------|----------------|------------------|
| | 2022 | 2023 | 2024 |
| | RMB | RMB | RMB |
| 2023 | 191 | — | — |
| 2024 | 4,622 | 3,290 | — |
| 2025 | 101,453 | 97,515 | 103,735 |
| 2026 | 101,891 | 103,068 | 135,459 |
| 2027 | 65,350 | 71,140 | 63,614 |
| 2028 | 92,428 | 132,211 | 156,085 |
| 2029 | 89,153 | 89,153 | 134,334 |
| 2030 and beyond | 404,522 | 471,654 | 754,837 |
| | <u>859,610</u> | <u>968,031</u> | <u>1,348,064</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

14 Earnings per share

(i) Earnings per share

| | Year ended December 31, | | |
|----------------------------------|-------------------------|-------------|-------------|
| | 2022 | 2023 | 2024 |
| | RMB | RMB | RMB |
| Basic earnings per share | 0.83 | 0.47 | 2.77 |
| Diluted earnings per share | <u>0.83</u> | <u>0.47</u> | <u>2.76</u> |

(ii) Reconciliations of earnings used in calculating earnings per share

| | Year ended December 31, | | |
|--|-------------------------|----------------|------------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| <i>Basic earnings per share</i> | | | |
| Profit as presented in the consolidated statements of comprehensive income | 950,996 | 543,950 | 3,278,641 |
| Less: profit attributable to NCI | 31,734 | 11,801 | 38,941 |
| Less: dividends paid to restricted shares | <u>(475)</u> | <u>(189)</u> | <u>—</u> |
| Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share | <u>982,255</u> | <u>555,562</u> | <u>3,317,582</u> |
| <i>Diluted earnings per share</i> | | | |
| Profit attributable to the ordinary shareholders of the Company used in calculating basic earnings per share | 982,255 | 555,562 | 3,317,582 |
| Add: dividends paid to restricted shares | <u>79</u> | <u>—</u> | <u>—</u> |
| Profit attributable to the ordinary shareholders of the Company used in calculating diluted earnings per share | <u>982,334</u> | <u>555,562</u> | <u>3,317,582</u> |

(iii) Weighted average number of shares used as the denominator

| | Year ended December 31, | | |
|--|-------------------------|------------------|------------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 1,176,854 | 1,182,443 | 1,198,506 |
| Adjustments for calculation of diluted earnings per share: | | | |
| Share option | <u>1,345</u> | <u>270</u> | <u>2,069</u> |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share | <u>1,178,199</u> | <u>1,182,713</u> | <u>1,200,575</u> |

In July 2022, the Company adopted stock dividend by issuing 3.5 share per 10 shares to all shareholders of the Company, and the earnings per share was calculated as if the stock dividend occurred as of January 1, 2022.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

14 Earnings per share—continued

(iii) Weighted average number of shares used as the denominator—continued

Share options and restricted shares

Share options granted to employees under the 2019 and 2023 share-based incentive plan are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share if the required index would have been met based on the Company’s performance up to the reporting date, and to the extent to which they are dilutive. The share options and restricted shares have not been included in the determination of basic earnings per share.

Other share options and restricted shares are not included in the calculation of diluted earnings per share because they are antidilutive for the reporting period. These share options and restricted shares could potentially dilute basic earnings per share in the future.

Convertible bonds

The convertible bonds are not included in the calculation of diluted earnings per share because they are antidilutive for the reporting periods. The convertible bonds could potentially dilute basic earnings per share in the future.

15 Property, plant and equipment

The Group

| | Freehold land | Buildings | Machinery | Vehicles | Equipment | Property and land improvements | Total |
|-------------------------------------|---------------|-----------|-------------|----------|-----------|--------------------------------|-------------|
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| As of January 1, 2022 | | | | | | | |
| Cost | 220,918 | 973,627 | 1,588,734 | 6,936 | 139,619 | 198,781 | 3,128,615 |
| Accumulated depreciation | — | (104,762) | (833,001) | (3,866) | (81,877) | (71,258) | (1,094,764) |
| Impairment | — | — | (41,637) | (6) | (2,152) | — | (43,795) |
| Net book amount | 220,918 | 868,865 | 714,096 | 3,064 | 55,590 | 127,523 | 1,990,056 |
| Year ended December 31, 2022 | | | | | | | |
| Opening net book amount | 220,918 | 868,865 | 714,096 | 3,064 | 55,590 | 127,523 | 1,990,056 |
| Additions | — | — | 39,477 | — | 22,619 | 3,344 | 65,440 |
| Transfer | — | 5,918 | 314,633 | — | 9,459 | 39,241 | 369,251 |
| Business combinations | — | — | 1,190 | — | — | — | 1,190 |
| Disposal | — | — | (13,313) | — | (642) | (129) | (14,084) |
| Disposal of subsidiaries | — | — | (4,605) | (14) | (354) | — | (4,973) |
| Depreciation charge | — | (29,296) | (277,517) | (819) | (27,669) | (32,457) | (367,758) |
| Exchange differences | 20,405 | 65,511 | 56,334 | 182 | 2,932 | 5,397 | 150,761 |
| Closing net book amount | 241,323 | 910,998 | 830,295 | 2,413 | 61,935 | 142,919 | 2,189,883 |
| As of December 31, 2022 | | | | | | | |
| Cost | 241,323 | 1,054,116 | 2,007,117 | 6,928 | 176,689 | 251,665 | 3,737,838 |
| Accumulated depreciation | — | (143,118) | (1,135,194) | (4,509) | (112,622) | (108,746) | (1,504,189) |
| Impairment | — | — | (41,628) | (6) | (2,132) | — | (43,766) |
| Net book amount | 241,323 | 910,998 | 830,295 | 2,413 | 61,935 | 142,919 | 2,189,883 |

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

15 Property, plant and equipment—continued

| | Freehold land | Buildings | Machinery | Vehicles | Equipment | Property and land improvements | Total |
|-------------------------------------|----------------|------------------|------------------|--------------|---------------|--------------------------------|------------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Year ended December 31, 2023 | | | | | | | |
| Opening net book amount | 241,323 | 910,998 | 830,295 | 2,413 | 61,935 | 142,919 | 2,189,883 |
| Additions | — | — | 44,790 | — | 14,698 | 3,695 | 63,183 |
| Transfer | — | 418,444 | 405,920 | 157 | 8,736 | 28,243 | 861,500 |
| Business combinations | — | — | 1,121 | 29 | 969 | — | 2,119 |
| Disposal | — | — | (684) | (30) | (391) | — | (1,105) |
| Depreciation charge | — | (32,329) | (320,025) | (757) | (31,136) | (37,562) | (421,809) |
| Exchange differences | 4,092 | 13,140 | 11,855 | 30 | 397 | 1,113 | 30,627 |
| Closing net book amount | <u>245,415</u> | <u>1,310,253</u> | <u>973,272</u> | <u>1,842</u> | <u>55,208</u> | <u>138,408</u> | <u>2,724,398</u> |
| As of December 31, 2023 | | | | | | | |
| Cost | 245,415 | 1,487,900 | 2,459,779 | 6,581 | 200,713 | 264,964 | 4,665,352 |
| Accumulated depreciation | — | (177,647) | (1,444,880) | (4,733) | (143,375) | (126,556) | (1,897,191) |
| Impairment | — | — | (41,627) | (6) | (2,130) | — | (43,763) |
| Net book amount | <u>245,415</u> | <u>1,310,253</u> | <u>973,272</u> | <u>1,842</u> | <u>55,208</u> | <u>138,408</u> | <u>2,724,398</u> |
| Year ended December 31, 2024 | | | | | | | |
| Opening net book amount | 245,415 | 1,310,253 | 973,272 | 1,842 | 55,208 | 138,408 | 2,724,398 |
| Additions | — | — | 33,198 | 472 | 16,644 | 7,231 | 57,545 |
| Transfer | — | 16,212 | 929,215 | — | 14,797 | 2,325 | 962,549 |
| Disposal | — | — | (14,749) | (81) | (1,601) | — | (16,431) |
| Depreciation charge | — | (42,565) | (411,510) | (668) | (30,947) | (31,864) | (517,554) |
| Exchange differences | 3,663 | 11,992 | 15,115 | 21 | 350 | 1,120 | 32,261 |
| Closing net book amount | <u>249,078</u> | <u>1,295,892</u> | <u>1,524,541</u> | <u>1,586</u> | <u>54,451</u> | <u>117,220</u> | <u>3,242,768</u> |
| As of December 31, 2024 | | | | | | | |
| Cost | 249,078 | 1,518,674 | 3,373,167 | 6,782 | 223,069 | 264,788 | 5,635,558 |
| Accumulated depreciation | — | (222,782) | (1,807,081) | (5,190) | (166,545) | (147,568) | (2,349,166) |
| Impairment | — | — | (41,545) | (6) | (2,073) | — | (43,624) |
| Net book amount | <u>249,078</u> | <u>1,295,892</u> | <u>1,524,541</u> | <u>1,586</u> | <u>54,451</u> | <u>117,220</u> | <u>3,242,768</u> |

Refer to note 48 for information on non-current assets pledged as security by the Group.

As of December 31, 2022, 2023 and 2024, certain machineries were used for lease and the rental income of RMB6,763,000, RMB2,306,000 and RMB244,000 along with related depreciation charge of RMB4,403,000, RMB782,000 and RMB98,000 for the years ended December 31, 2022, 2023 and 2024 were recognized in other income on a net basis, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

15 Property, plant and equipment—continued

The Company

| | <u>Machinery</u> | <u>Vehicles</u> | <u>Equipment</u> | <u>Property and land improvements</u> | <u>Total</u> |
|-------------------------------------|------------------|-----------------|------------------|---------------------------------------|----------------|
| | <u>RMB’000</u> | <u>RMB’000</u> | <u>RMB’000</u> | <u>RMB’000</u> | <u>RMB’000</u> |
| As of January 1, 2022 | | | | | |
| Cost | 84,272 | 402 | 16,199 | 26,380 | 127,253 |
| Accumulated depreciation | (36,324) | (350) | (6,720) | (15,867) | (59,261) |
| Net book amount | <u>47,948</u> | <u>52</u> | <u>9,479</u> | <u>10,513</u> | <u>67,992</u> |
| Year ended December 31, 2022 | | | | | |
| Opening net book amount | 47,948 | 52 | 9,479 | 10,513 | 67,992 |
| Additions | 41,118 | — | 373 | 22,801 | 64,292 |
| Disposal | (11,689) | — | (30) | — | (11,719) |
| Depreciation charge | (17,698) | (32) | (2,827) | (11,051) | (31,608) |
| Closing net book amount | <u>59,679</u> | <u>20</u> | <u>6,995</u> | <u>22,263</u> | <u>88,957</u> |
| As of December 31, 2022 | | | | | |
| Cost | 111,251 | 402 | 15,965 | 49,181 | 176,799 |
| Accumulated depreciation | (51,572) | (382) | (8,970) | (26,918) | (87,842) |
| Net book amount | <u>59,679</u> | <u>20</u> | <u>6,995</u> | <u>22,263</u> | <u>88,957</u> |
| Year ended December 31, 2023 | | | | | |
| Opening net book amount | 59,679 | 20 | 6,995 | 22,263 | 88,957 |
| Additions | 13,029 | — | 23 | — | 13,052 |
| Disposal | — | (20) | — | — | (20) |
| Depreciation charge | (19,921) | — | (2,518) | (9,461) | (31,900) |
| Closing net book amount | <u>52,787</u> | <u>—</u> | <u>4,500</u> | <u>12,802</u> | <u>70,089</u> |
| As of December 31, 2023 | | | | | |
| Cost | 124,282 | — | 15,987 | 31,737 | 172,006 |
| Accumulated depreciation | (71,494) | — | (11,488) | (18,935) | (101,917) |
| Net book amount | <u>52,788</u> | <u>—</u> | <u>4,499</u> | <u>12,802</u> | <u>70,089</u> |
| Year ended December 31, 2024 | | | | | |
| Opening net book amount | 52,788 | — | 4,499 | 12,802 | 70,089 |
| Additions | 11,825 | — | 73 | — | 11,898 |
| Disposal | (4,980) | — | (374) | — | (5,354) |
| Depreciation charge | (17,758) | — | (1,919) | (10,088) | (29,765) |
| Closing net book amount | <u>41,875</u> | <u>—</u> | <u>2,279</u> | <u>2,714</u> | <u>46,868</u> |
| As of December 31, 2024 | | | | | |
| Cost | 127,360 | — | 12,811 | 31,737 | 171,908 |
| Accumulated depreciation | (85,485) | — | (10,532) | (29,023) | (125,040) |
| Net book amount | <u>41,875</u> | <u>—</u> | <u>2,279</u> | <u>2,714</u> | <u>46,868</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

16 Assets under construction

| | Building | Facilities | Information system | Decoration | Machinery | Total |
|--|----------------|---------------|-----------------------|------------|----------------|----------------|
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| As of January 1, 2022 | 12,863 | 4,742 | 2,505 | 22,246 | 139,688 | 182,044 |
| Additions | 25,330 | 125,957 | 20,481 | 10,186 | 482,179 | 664,133 |
| Transfer to property, plant and equipment | — | (14,441) | (7,120) | (31,861) | (315,829) | (369,251) |
| Transfer to others | — | — | (8,964) | — | (611) | (9,575) |
| Exchange differences | 2,052 | 4,700 | 399 | — | 18,634 | 25,785 |
| As of December 31, 2022 | 40,245 | 120,958 | 7,301 | 571 | 324,061 | 493,136 |
| Additions | 413,488 | 18,744 | 12,108 | — | 822,860 | 1,267,200 |
| Transfer to property, plant and equipment | (406,639) | (40,048) | (8,736) | — | (406,077) | (861,500) |
| Transfer to others | — | — | (4,173) | (477) | (152) | (4,802) |
| Exchange differences | 540 | 1,940 | 120 | — | 7,160 | 9,760 |
| As of December 31, 2023 | 47,634 | 101,594 | 6,620 | 94 | 747,852 | 903,794 |
| Additions | 129,254 | 2,863 | 10,684 | — | 449,189 | 591,990 |
| Transfer to property, plant and equipment | — | (18,637) | (12,205) | — | (931,707) | (962,549) |
| Transfer to others | — | — | (4,389) | — | (1,995) | (6,384) |
| Exchange differences | 662 | 1,338 | 32 | — | 4,909 | 6,941 |
| As of December 31, 2024 | <u>177,550</u> | <u>87,158</u> | <u>742</u> | <u>94</u> | <u>268,248</u> | <u>533,792</u> |

17 Leases

(i) Amounts recognized in the consolidated statements of financial position

The Group

| | As of December 31, | | |
|----------------------------|--------------------|----------------|----------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Right-of-use assets | | | |
| —Land use right | 364,946 | 377,286 | 368,997 |
| —Building | 204,828 | 171,268 | 150,268 |
| —Machinery | 1,072 | 839 | 309 |
| —Vehicle | 2,783 | 3,994 | 3,365 |
| | <u>573,629</u> | <u>553,387</u> | <u>522,939</u> |
| Lease liabilities | | | |
| —Non-current | 145,313 | 122,132 | 96,932 |
| —Current | 66,155 | 63,725 | 66,169 |
| | <u>211,468</u> | <u>185,857</u> | <u>163,101</u> |

Additions to the right-of-use assets for the years ended December 31, 2022, 2023 and 2024 were RMB216,762,000, RMB60,004,000 and RMB54,409,000, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

17 Leases—continued

(i) Amounts recognized in the consolidated statements of financial position—continued

The Company

| | As of December 31, | | |
|----------------------------|--------------------|---------|---------|
| | 2022 | 2023 | 2024 |
| | RMB'000 | RMB'000 | RMB'000 |
| Right-of-use assets | | | |
| —Building | 34,702 | 21,589 | 33,094 |
| Lease liabilities | | | |
| —Non-current | 20,883 | 11,200 | 17,557 |
| —Current | 14,653 | 11,563 | 16,084 |
| | 35,536 | 22,763 | 33,641 |

Additions to the right-of-use assets for the years ended December 31, 2022, 2023 and 2024 were RMB2,184,000, RMB2,208,000 and RMB27,031,000, respectively.

(ii) Amounts recognized in the consolidated statements of comprehensive income

| | Year ended December 31, | | |
|--|-------------------------|---------|---------|
| | 2022 | 2023 | 2024 |
| | RMB'000 | RMB'000 | RMB'000 |
| Depreciation charge of right-of-use assets | | | |
| —Land use right | 6,967 | 11,505 | 11,772 |
| —Building | 76,136 | 90,853 | 72,247 |
| —Machinery | 234 | 250 | 70 |
| —Vehicle | 585 | 1,095 | 1,232 |
| | 83,922 | 103,703 | 85,321 |
| Interest expense (included in finance costs) | 8,663 | 8,029 | 8,062 |
| Expense relating to short-term or low value leases not included in lease liabilities | 39,776 | 38,150 | 46,961 |

As of December 31, 2022, 2023 and 2024, the land use right with cost of RMB170,758,000, RMB171,795,000 and RMB172,723,000 were under construction for building and factory, and the related depreciation charge of RMB1,222,000, RMB5,286,000 and RMB5,313,000 for the years ended December 31, 2022, 2023 and 2024 were recognized as assets under construction, respectively.

The total cash outflow in respect of lease payments for the years ended December 31, 2022, 2023 and 2024 were RMB79,480,000, RMB80,364,000 and RMB83,284,000, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

18 Investment properties

The Group

| | 2022 | 2023 | 2024 |
|---------------------------------------|----------------|----------------|----------------|
| | RMB'000 | RMB'000 | RMB'000 |
| Opening balance of January 1, | 252,272 | 253,042 | 247,469 |
| Depreciation charge | (6,970) | (7,091) | (7,112) |
| Exchange differences | 7,740 | 1,518 | 1,306 |
| Closing balance of December 31, | <u>253,042</u> | <u>247,469</u> | <u>241,663</u> |

Amounts recognized in profit or loss for investment properties

| | Year ended December 31, | | |
|--|-------------------------|---------------|---------------|
| | 2022 | 2023 | 2024 |
| | RMB'000 | RMB'000 | RMB'000 |
| Rental income from operating leases | 31,168 | 34,076 | 23,575 |
| Direct operating expenses for properties | (9,194) | (8,653) | (11,548) |
| | <u>21,974</u> | <u>25,423</u> | <u>12,027</u> |

The following fair value has been determined at the end of reporting period based on market approach, which were performed by an independent valuer. The fair value was as follows:

| | As of December 31, | | |
|------------------|--------------------|----------------|----------------|
| | 2022 | 2023 | 2024 |
| | RMB'000 | RMB'000 | RMB'000 |
| Fair value | <u>495,741</u> | <u>495,250</u> | <u>491,228</u> |

The Company

| | 2022 | 2023 | 2024 |
|---------------------------------------|----------------|----------------|----------------|
| | RMB'000 | RMB'000 | RMB'000 |
| Opening balance of January 1, | 140,797 | 136,793 | 132,789 |
| Depreciation charge | (4,004) | (4,004) | (4,004) |
| Closing balance of December 31, | <u>136,793</u> | <u>132,789</u> | <u>128,785</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

19 Intangible assets

The Group

| | Software RMB'000 | Technology RMB'000 | Trademark RMB'000 | Internally generated technology RMB'000 | Distribution network RMB'000 | Emission RMB'000 | License RMB'000 | Total RMB'000 |
|-------------------------------------|---------------------|-----------------------|----------------------|--|------------------------------------|---------------------|--------------------|------------------|
| As of January 1, 2022 | | | | | | | | |
| Cost | 98,268 | 2,039,029 | 460,966 | 863,791 | 5,133 | — | 160,409 | 3,627,596 |
| Accumulated amortization | (56,247) | (1,365,466) | (234,178) | (393,245) | (1,711) | — | (108,343) | (2,159,190) |
| Net book amount | 42,021 | 673,563 | 226,788 | 470,546 | 3,422 | — | 52,066 | 1,468,406 |
| Year ended December 31, 2022 | | | | | | | | |
| Opening net book amount | 42,021 | 673,563 | 226,788 | 470,546 | 3,422 | — | 52,066 | 1,468,406 |
| Additions | 10,371 | 15,389 | — | — | — | — | 27,463 | 53,223 |
| Transfer | 9,013 | — | — | — | — | — | — | 9,013 |
| Business combinations | — | 64,790 | — | — | — | — | — | 64,790 |
| Development expenditure | — | — | — | 589,704 | — | — | — | 589,704 |
| Disposal | — | (10,271) | — | — | — | — | — | (10,271) |
| Disposal of subsidiaries | — | — | — | (203) | — | — | — | (203) |
| Amortization charge | (20,722) | (187,190) | (47,973) | (281,241) | (1,787) | — | (37,914) | (576,827) |
| Exchange differences | 924 | 30,320 | 12,116 | 53,513 | 223 | — | 3,731 | 100,827 |
| Closing net book amount | 41,607 | 586,601 | 190,931 | 832,319 | 1,858 | — | 45,346 | 1,698,662 |
| As of December 31, 2022 | | | | | | | | |
| Cost | 118,701 | 2,255,190 | 494,180 | 1,530,859 | 5,575 | — | 201,925 | 4,606,430 |
| Accumulated amortization | (77,094) | (1,668,589) | (303,249) | (698,540) | (3,717) | — | (156,579) | (2,907,768) |
| Net book amount | 41,607 | 586,601 | 190,931 | 832,319 | 1,858 | — | 45,346 | 1,698,662 |
| Year ended December 31, 2023 | | | | | | | | |
| Opening net book amount | 41,607 | 586,601 | 190,931 | 832,319 | 1,858 | — | 45,346 | 1,698,662 |
| Additions | 6,947 | 1,585 | — | — | — | 703 | 30,007 | 39,242 |
| Transfer | 4,325 | — | — | — | — | — | — | 4,325 |
| Business combinations | 2,026 | 321,740 | 46,430 | — | — | — | — | 370,196 |
| Development expenditure | — | — | — | 467,458 | — | — | — | 467,458 |
| Amortization charge | (19,310) | (167,102) | (53,747) | (356,131) | (1,858) | (47) | (28,771) | (626,966) |
| Exchange differences | 245 | 5,218 | 1,847 | 14,204 | — | — | 611 | 22,125 |
| Closing net book amount | 35,840 | 748,042 | 185,461 | 957,850 | — | 656 | 47,193 | 1,975,042 |

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

19 Intangible assets—continued

| | Software | Technology | Trademark | Internally generated technology | Distribution network | Emission | License | Total |
|-------------------------------------|-----------|-------------|-----------|---------------------------------|----------------------|----------|-----------|-------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| As of December 31, 2023 | | | | | | | | |
| Cost | 132,648 | 2,609,663 | 547,271 | 2,025,738 | 5,650 | 703 | 232,871 | 5,554,544 |
| Accumulated amortization | (96,808) | (1,861,621) | (361,810) | (1,067,888) | (5,650) | (47) | (185,678) | (3,579,502) |
| Net book amount | 35,840 | 748,042 | 185,461 | 957,850 | — | 656 | 47,193 | 1,975,042 |
| As of December 31, 2023 | | | | | | | | |
| Cost | 132,648 | 2,609,663 | 547,271 | 2,025,738 | 5,650 | 703 | 232,871 | 5,554,544 |
| Accumulated amortization | (96,808) | (1,861,621) | (361,810) | (1,067,888) | (5,650) | (47) | (185,678) | (3,579,502) |
| Net book amount | 35,840 | 748,042 | 185,461 | 957,850 | — | 656 | 47,193 | 1,975,042 |
| Year ended December 31, 2024 | | | | | | | | |
| Opening net book amount | 35,840 | 748,042 | 185,461 | 957,850 | — | 656 | 47,193 | 1,975,042 |
| Additions | 10,973 | 8,942 | — | — | — | — | 10,306 | 30,221 |
| Transfer | 4,389 | — | — | — | — | — | — | 4,389 |
| Development expenditure | — | — | — | 556,149 | — | — | — | 556,149 |
| Disposal | (50) | — | — | — | — | — | — | (50) |
| Amortization charge | (22,332) | (151,293) | (92,052) | (393,441) | — | (141) | (18,761) | (678,020) |
| Impairment loss | — | — | — | (21,566) | — | — | — | (21,566) |
| Exchange differences | 170 | 3,069 | 784 | 15,743 | — | — | 608 | 20,374 |
| Closing net book amount | 28,990 | 608,760 | 94,193 | 1,114,735 | — | 515 | 39,346 | 1,886,539 |
| As of December 31, 2024 | | | | | | | | |
| Cost | 147,035 | 2,646,599 | 485,253 | 2,617,560 | — | 703 | 243,770 | 6,140,920 |
| Accumulated amortization | (118,045) | (2,037,839) | (391,060) | (1,481,015) | — | (188) | (204,424) | (4,232,571) |
| Impairment | — | — | — | (21,810) | — | — | — | (21,810) |
| Net book amount | 28,990 | 608,760 | 94,193 | 1,114,735 | — | 515 | 39,346 | 1,886,539 |

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

19 Intangible assets—continued

The Company

| | Software RMB’000 | Technology RMB’000 | Internally generated technology RMB’000 | License RMB’000 | Total RMB’000 |
|-------------------------------------|---------------------|-----------------------|--|--------------------|------------------|
| As of January 1, 2022 | | | | | |
| Cost | 40,958 | 365,920 | 15,321 | 3,867 | 426,066 |
| Accumulated amortization | (18,042) | (244,400) | (9,448) | (1,182) | (273,072) |
| Net book amount | 22,916 | 121,520 | 5,873 | 2,685 | 152,994 |
| Year ended December 31, 2022 | | | | | |
| Opening net book amount | 22,916 | 121,520 | 5,873 | 2,685 | 152,994 |
| Additions | 707 | — | — | 16,294 | 17,001 |
| Development expenditure | — | — | 42,122 | — | 42,122 |
| Disposal | — | (10,271) | — | — | (10,271) |
| Amortization charge | (7,653) | (104,697) | (14,686) | (5,039) | (132,075) |
| Closing net book amount | 15,970 | 6,552 | 33,309 | 13,940 | 69,771 |
| As of December 31, 2022 | | | | | |
| Cost | 41,665 | 353,718 | 57,443 | 20,161 | 472,987 |
| Accumulated amortization | (25,695) | (347,166) | (24,134) | (6,221) | (403,216) |
| Net book amount | 15,970 | 6,552 | 33,309 | 13,940 | 69,771 |
| Year ended December 31, 2023 | | | | | |
| Opening net book amount | 15,970 | 6,552 | 33,309 | 13,940 | 69,771 |
| Amortization charge | (4,866) | (3,381) | (14,431) | (13,833) | (36,511) |
| Closing net book amount | 11,104 | 3,171 | 18,878 | 107 | 33,260 |
| As of December 31, 2023 | | | | | |
| Cost | 41,665 | 353,718 | 57,443 | 18,867 | 471,693 |
| Accumulated amortization | (30,561) | (350,547) | (38,565) | (18,760) | (438,433) |
| Net book amount | 11,104 | 3,171 | 18,878 | 107 | 33,260 |
| Year ended December 31, 2024 | | | | | |
| Opening net book amount | 11,104 | 3,171 | 18,878 | 107 | 33,260 |
| Additions | 7,159 | — | — | — | 7,159 |
| Amortization charge | (7,542) | (1,523) | (11,622) | (107) | (20,794) |
| Closing net book amount | 10,721 | 1,648 | 7,256 | — | 19,625 |
| As of December 31, 2024 | | | | | |
| Cost | 48,824 | 353,718 | 57,443 | 18,867 | 478,852 |
| Accumulated amortization | (38,103) | (352,070) | (50,187) | (18,867) | (459,227) |
| Net book amount | 10,721 | 1,648 | 7,256 | — | 19,625 |

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

20 Development expenditure

| | Advanced digital imaging solution | Display solution | Analog solution | Total |
|--|--|---------------------|--------------------|-----------|
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| As of January 1, 2022 | 616,977 | 19,048 | 42,122 | 678,147 |
| Additions | 646,094 | 37,669 | — | 683,763 |
| Transfer to intangible assets ⁽ⁱ⁾ | (534,261) | (13,321) | (42,122) | (589,704) |
| Impairment loss | (22,982) | — | — | (22,982) |
| Exchange differences | 60,385 | 955 | — | 61,340 |
| As of December 31, 2022 | 766,213 | 44,351 | — | 810,564 |
| Additions | 647,838 | 44,691 | — | 692,529 |
| Transfer to intangible assets ⁽ⁱ⁾ | (467,458) | — | — | (467,458) |
| Impairment loss | (5,312) | — | — | (5,312) |
| Exchange differences | 13,905 | 395 | — | 14,300 |
| As of December 31, 2023 | 955,186 | 89,437 | — | 1,044,623 |
| Additions | 586,119 | 37,088 | — | 623,207 |
| Transfer to intangible assets ⁽ⁱ⁾ | (513,089) | (43,060) | — | (556,149) |
| Impairment loss | (9,437) | (54,242) | — | (63,679) |
| Exchange differences | 14,974 | 499 | — | 15,473 |
| As of December 31, 2024 | 1,033,753 | 29,722 | — | 1,063,475 |

(i) Development expenditure is transferred to internal generated technology as intangible assets and amortised from the point at which the product is ready for mass production.

21 Goodwill

| | Advanced digital imaging solution | Display solution | Analog solution | Total |
|--------------------------|--|---------------------|--------------------|-----------|
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| As of January 1, 2022 | 2,325,653 | 639,980 | 32,725 | 2,998,358 |
| Business combination | — | 162,372 | — | 162,372 |
| Disposal of subsidiaries | — | — | (32,725) | (32,725) |
| Exchange differences | — | 41,357 | — | 41,357 |
| As of December 31, 2022 | 2,325,653 | 843,709 | — | 3,169,362 |
| Business combination | — | — | 681,235 | 681,235 |
| Exchange differences | — | 10,071 | — | 10,071 |
| As of December 31, 2023 | 2,325,653 | 853,780 | 681,235 | 3,860,668 |
| Impairment loss | — | (237,495) | — | (237,495) |
| Exchange differences | — | 9,014 | — | 9,014 |
| As of December 31, 2024 | 2,325,653 | 625,299 | 681,235 | 3,632,187 |

The Company’s goodwill allocated to each of CGUs is expected to benefit from synergies of the business combination. Key assumptions used in impairment testing are as follows:

The recoverable amount of the CGUs is determined based on the value-in-use calculated using cash flow projections discounted by the pre-tax discount rate from financial budgets approved by management covering a five-year period. The projected cash flows reflect the change in demand for products and services.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

21 Goodwill—continued

Key assumptions

The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them:

| | <u>Advanced digital imaging solution</u> | <u>Display solution</u> | <u>Analog solution</u> |
|--|--|-------------------------|------------------------|
| 2022 | | | |
| Revenue (% annual growth rate) | 6.33%-12.74% | -22.10%-38.33% | Not applicable |
| Terminal growth rate (%) | 0% | 0% | Not applicable |
| Pre-tax discount rate (%) | 14.17% | 11.96% | Not applicable |
| 2023 | | | |
| Revenue (% annual growth rate) | 6.15%-18.42% | 6.18%-24.56% | 9.73%- 42.41% |
| Terminal growth rate (%) | 0% | 0% | 0% |
| Pre-tax discount rate (%) | 14.12% | 10.49% | 11.87% |
| 2024 | | | |
| Revenue (% annual growth rate) | 3.76%-6.48% | 6.93%-25.49% | 12.89%-32.09% |
| Terminal growth rate (%) | 0% | 0% | 0% |
| Pre-tax discount rate (%) | 13.60% | 10.44% | 13.14% |

Management has determined the values assigned to each of the above key assumptions as follows:

| Assumption | Approach used to determine values |
|------------------------|---|
| Revenue | Average annual growth rate over the five-year forecast period; based on past performance and management’s expectations of market development. |
| Terminal growth rate | This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. |
| Pre-tax discount rates | Reflect specific risks relating to the relevant segments and the countries in which they operate. |

Impairment charge

The impairment charge of RMB237.49 million arose in the display solution CGU. This was primarily because the recovery progress of the display ICs market did not meet the management’s expectation. The Group reassessed the depreciation and amortization policies of its long-term assets for this CGU, and it estimated that their useful lives will not be affected. No class of asset other than goodwill was impaired. As of December 31, 2024, the recoverable amount of the display solution CGU was RMB1.10 billion.

Sensitivity to changes in assumptions

For advanced digital imaging and analog solution, with regard to the assessment of value-in-use of the CGUs, the Group believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

22 Financial assets at fair value through other comprehensive income

The Group

| | As of December 31, | | |
|-----------------------|--------------------|------------------|------------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Non-current assets | | | |
| —Listed securities | 1,696,089 | 1,556,674 | 1,642,153 |
| —Private companies | 7,171 | 7,850 | 6,554 |
| | <u>1,703,260</u> | <u>1,564,524</u> | <u>1,648,707</u> |
| Current assets | | | |
| —Bank acceptance bill | <u>162,829</u> | <u>162,682</u> | <u>116,383</u> |

During the reporting period, the following gains/(losses) were recognized in profit or loss and other comprehensive income:

| | Year ended December 31, | | |
|--|-------------------------|-----------|---------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Fair value (losses)/gains recognized in other comprehensive income | (491,908) | (138,736) | 84,183 |
| Dividends recognized in other income | 4,793 | 2,200 | 5,053 |

Information about the Group’s exposure to price risk is set out in note 3.1. Information about the methods and assumptions used in determining fair value is set out in note 3.3.

The Company

| | As of December 31, | | |
|-----------------------|--------------------|---------------|---------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Current assets | | | |
| —Bank acceptance bill | <u>28,537</u> | <u>74,477</u> | <u>50,261</u> |

23 Financial assets at fair value through profit or loss

The Group

| | As of December 31, | | |
|----------------------|--------------------|------------------|------------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Non-current assets | | | |
| —Listed securities | 466,596 | 289,550 | 4,205 |
| —Private companies | 449,946 | 489,371 | 644,445 |
| —Investment funds | 2,037,053 | 2,607,586 | 2,698,105 |
| —Convertible bonds | 10,692 | 11,332 | — |
| | <u>2,964,287</u> | <u>3,397,839</u> | <u>3,346,755</u> |
| Current assets | | | |
| —Structured deposits | — | 120,490 | — |
| —Investment funds | 14,010 | 12,260 | — |
| | <u>14,010</u> | <u>132,750</u> | <u>—</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

23 Financial assets at fair value through profit or loss—continued

During the reporting period, the following gains/(losses) were recognized in profit or loss:

| | Year ended December 31, | | |
|--|-------------------------|---------|---------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Fair value (losses)/gains recognized in other gains, net | (221,236) | 246,852 | 74,260 |
| Disposal gain recognized in other gains, net | 117,424 | 103,053 | 140,097 |
| Dividends recognized in other income | 7,122 | 7,054 | 20,496 |

Information about the Group’s exposure to price risk is set out in note 3.1. Information about the methods and assumptions used in determining fair value is set out in note 3.3.

The Company

| | As of December 31, | | |
|--------------------|--------------------|----------------|----------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Non-current assets | | | |
| —Listed securities | 362,780 | 237,351 | — |
| —Private companies | 397,432 | 438,261 | 579,611 |
| —Investment funds | 264,950 | 300,400 | 294,980 |
| | <u>1,025,162</u> | <u>976,012</u> | <u>874,591</u> |
| Current assets | | | |
| —Investment funds | <u>14,010</u> | <u>12,260</u> | <u>—</u> |

24 Inventories

The Group

| | As of December 31, | | |
|------------------------|--------------------|------------------|------------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Work-in-progress | 5,284,400 | 3,345,701 | 3,566,328 |
| Finished goods | 7,071,199 | 2,949,366 | 3,388,795 |
| Technical service cost | 698 | 26,544 | 1,075 |
| | <u>12,356,297</u> | <u>6,321,611</u> | <u>6,956,198</u> |

Write-downs of inventories to net realisable value amounted to RMB1,359,346,000, RMB398,232,000 and RMB328,874,000 and were recognized as an expense included in cost of sales in profit or loss for the years ended December 31, 2022, 2023 and 2024, respectively.

The Company

| | As of December 31, | | |
|------------------|--------------------|----------------|----------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Work-in-progress | 181,175 | 144,273 | 111,034 |
| Finished goods | 2,981 | 2,853 | 5,737 |
| | <u>184,156</u> | <u>147,126</u> | <u>116,771</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

25 Trade and other receivables

The Group

| | Note | As of December 31, | | |
|-------------------------|------|--------------------|------------------|------------------|
| | | 2022 | 2023 | 2024 |
| | | RMB’000 | RMB’000 | RMB’000 |
| Notes receivable | i | 23,417 | 25,430 | 24,402 |
| Trade receivables | ii | 2,501,906 | 4,031,471 | 3,963,932 |
| Other receivables | iii | 88,106 | 44,576 | 57,801 |
| | | <u>2,613,429</u> | <u>4,101,477</u> | <u>4,046,135</u> |

(i) Notes receivable

| | As of December 31, | | |
|--------------------------------------|--------------------|---------------|---------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Bank acceptance bill | 10,737 | 20,870 | 19,633 |
| Commercial acceptance bill | 13,347 | 4,800 | 5,020 |
| | <u>24,084</u> | <u>25,670</u> | <u>24,653</u> |
| Less: allowance for impairment | (667) | (240) | (251) |
| | <u>23,417</u> | <u>25,430</u> | <u>24,402</u> |

(ii) Trade receivables

| | Note | As of December 31, | | |
|--|------|--------------------|------------------|------------------|
| | | 2022 | 2023 | 2024 |
| | | RMB’000 | RMB’000 | RMB’000 |
| Trade receivables from third parties | | 2,571,380 | 4,259,241 | 4,192,301 |
| Trade receivables from related parties | 51 | 153,389 | 87,744 | 89,470 |
| | | <u>2,724,769</u> | <u>4,346,985</u> | <u>4,281,771</u> |
| Less: allowance for impairment | | (222,863) | (315,514) | (317,839) |
| | | <u>2,501,906</u> | <u>4,031,471</u> | <u>3,963,932</u> |

An aging analysis of trade receivables based on invoice date is as follows:

| | As of December 31, | | |
|---------------------|--------------------|------------------|------------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| —Up to 1 year | 2,498,137 | 3,980,957 | 3,909,831 |
| —1 to 2 years | 519 | 47,102 | 28,968 |
| —2 to 3 years | 3,065 | 365 | 22,660 |
| —Over 3 years | 185 | 3,047 | 2,473 |
| | <u>2,501,906</u> | <u>4,031,471</u> | <u>3,963,932</u> |

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

The Group applies the simplified approach under IFRS 9 to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Details of the impairment of trade receivables and the Group’s exposure to credit risk are disclosed in note 3.1.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

25 Trade and other receivables—continued

(iii) Other receivables

| | As of December 31, | | |
|--|--------------------|---------------|---------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Receivables from third parties | 96,089 | 52,238 | 62,913 |
| Receivables from related parties | — | — | 11 |
| | 96,089 | 52,238 | 62,924 |
| Less: allowance for impairment | (7,983) | (7,662) | (5,123) |
| | <u>88,106</u> | <u>44,576</u> | <u>57,801</u> |

Other receivables by nature is as follows:

| | As of December 31, | | |
|--|--------------------|---------------|---------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Deposits | 16,608 | 15,830 | 29,741 |
| Tax recoverable | 21,539 | 12,197 | 13,507 |
| Temporary payments | 7,109 | 3,727 | 5,232 |
| Receivables for disposal of subsidiaries | 30,000 | — | — |
| Receivables for disposal of long-term assets | 14,380 | 14,380 | 10,764 |
| Others | 6,453 | 6,104 | 3,680 |
| | 96,089 | 52,238 | 62,924 |
| Less: allowance for impairment | (7,983) | (7,662) | (5,123) |
| | <u>88,106</u> | <u>44,576</u> | <u>57,801</u> |

The Company

| | Note | As of December 31, | | |
|-----------------------------|------|--------------------|------------------|------------------|
| | | 2022 | 2023 | 2024 |
| | | RMB’000 | RMB’000 | RMB’000 |
| Notes receivable | | 2,215 | 11,137 | 12,749 |
| Trade receivables | i | 347,477 | 731,393 | 1,052,873 |
| Other receivables | ii | 4,616,911 | 4,461,619 | 4,351,585 |
| | | <u>4,966,603</u> | <u>5,204,149</u> | <u>5,417,207</u> |

(i) Trade receivables

| | As of December 31, | | |
|--|--------------------|----------------|------------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Trade receivables from subsidiaries | 156,065 | 600,554 | 914,755 |
| Trade receivables from third parties | 46,969 | 51,292 | 75,044 |
| Trade receivables from related parties | 154,517 | 96,799 | 101,718 |
| | 357,551 | 748,645 | 1,091,517 |
| Less: allowance for impairment | (10,074) | (17,252) | (38,644) |
| | <u>347,477</u> | <u>731,393</u> | <u>1,052,873</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

25 Trade and other receivables—continued

(ii) Other receivables

| | As of December 31, | | |
|--|--------------------|------------------|------------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Receivables from subsidiaries | 4,565,461 | 4,441,104 | 4,336,170 |
| Receivables from related parties | — | — | 11 |
| Deposits | 2,114 | 2,135 | 2,079 |
| Tax recoverable | 4,172 | 5,233 | 3,116 |
| Receivables for disposal of subsidiaries | 30,000 | — | — |
| Receivables for disposal of long-term assets | 14,380 | 14,380 | 10,764 |
| Others | 3,802 | 2,145 | 2,331 |
| | 4,619,929 | 4,464,997 | 4,354,471 |
| Less: allowance for impairment | (3,018) | (3,378) | (2,886) |
| | <u>4,616,911</u> | <u>4,461,619</u> | <u>4,351,585</u> |

26 Prepayment

The Group

| | As of December 31, | | |
|---|--------------------|----------------|----------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Non-current: | | | |
| —Prepayments for goods or services | 130,488 | 87,036 | 4,746 |
| —Prepayments for long-term assets | 596,900 | 133,328 | 91,246 |
| —Prepayments for business combination | 51,000 | — | — |
| | 778,388 | 220,364 | 95,992 |
| Current: | | | |
| —Prepayments for goods or services | 252,203 | 276,199 | 325,019 |
| | <u>1,030,591</u> | <u>496,563</u> | <u>421,011</u> |

The Company

| | As of December 31, | | |
|---|--------------------|----------------|----------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Non-current: | | | |
| —Prepayments for long-term assets | 4,335 | 6,622 | — |
| —Prepayments for business combination | 51,000 | — | — |
| | 55,335 | 6,622 | — |
| Current: | | | |
| —Prepayments to subsidiaries | 1,062,650 | 550,578 | 280,692 |
| —Prepayments for goods or services | 24,284 | 15,601 | 13,897 |
| | <u>1,086,934</u> | <u>566,179</u> | <u>294,589</u> |
| | <u>1,142,269</u> | <u>572,801</u> | <u>294,589</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

27 Other assets

| | As of December 31, | | |
|---|--------------------|----------------|----------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Non-current: | | | |
| —Deposits | 41,630 | 24,180 | 65,588 |
| —Long-term receivables for disposal of long-term assets | 8,500 | 6,043 | 3,233 |
| —Others | 23,382 | 32,164 | 12,011 |
| | <u>73,512</u> | <u>62,387</u> | <u>80,832</u> |
| Current: | | | |
| —Value added tax (“VAT”) to be deducted or verified | 93,493 | 125,799 | 163,485 |
| —Prepaid CIT | 26,297 | 6,095 | 8,843 |
| —Long-term receivables for disposal of subsidiaries due within 1 year | 52,673 | 50,000 | — |
| —Long-term receivables for disposal of long-term assets due within 1 year | 2,066 | 2,431 | 2,810 |
| —Issuance cost for GDR | 13,880 | — | — |
| | <u>188,409</u> | <u>184,325</u> | <u>175,138</u> |
| Less: allowance for impairment | — | (713) | — |
| | <u>188,409</u> | <u>183,612</u> | <u>175,138</u> |
| | <u>261,921</u> | <u>245,999</u> | <u>255,970</u> |

28 Cash and cash equivalents and restricted cash

The Group

| | As of December 31, | | |
|--|--------------------|------------------|-------------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Cash on hand | 207 | 156 | 141 |
| Cash at bank | 3,918,531 | 9,049,468 | 10,155,019 |
| Others | 107,408 | 36,250 | 30,188 |
| Less: pledged for deposit or guarantee | (31,000) | (30,776) | (32,566) |
| | <u>3,995,146</u> | <u>9,055,098</u> | <u>10,152,782</u> |

The Company

| | As of December 31, | | |
|--|--------------------|------------------|----------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Cash on hand | 4 | 4 | 4 |
| Cash at bank | 480,881 | 2,301,450 | 114,394 |
| Others | 93,673 | 19,453 | 10,002 |
| Less: pledged for deposit or guarantee | (17,532) | (17,532) | (10,000) |
| | <u>557,026</u> | <u>2,303,375</u> | <u>114,400</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

29 Borrowings

The Group

| | As of December 31, 2022 | | | As of December 31, 2023 | | | As of December 31, 2024 | | |
|----------------------------|-------------------------|------------------|-------------------|-------------------------|------------------|------------------|-------------------------|------------------|------------------|
| | Current | Non-current | Total | Current | Non-current | Total | Current | Non-current | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Bank borrowings | | | | | | | | | |
| —Secured | 2,835,853 | 701,816 | 3,537,669 | 572,729 | 759,796 | 1,332,525 | 49,500 | 222,750 | 272,250 |
| —Unsecured | 4,601,968 | 2,047,960 | 6,649,928 | 4,787,160 | 2,217,600 | 7,004,760 | 3,507,800 | 3,249,200 | 6,757,000 |
| Discounting of | | | | | | | | | |
| acceptance bill | 519 | — | 519 | 3,323 | — | 3,323 | 4,806 | — | 4,806 |
| Interest accrual | 29,266 | — | 29,266 | 10,777 | — | 10,777 | 7,025 | — | 7,025 |
| Total borrowings | <u>7,467,606</u> | <u>2,749,776</u> | <u>10,217,382</u> | <u>5,373,989</u> | <u>2,977,396</u> | <u>8,351,385</u> | <u>3,569,131</u> | <u>3,471,950</u> | <u>7,041,081</u> |

The bank borrowings bear annual interest rates at a range of 2.50%-5.50%, 2.50%-4.15% and 2.38%-3.00% as of December 31, 2022, 2023 and 2024, respectively. The Group has complied with the financial covenants of its bank borrowings during the reporting periods presented.

The fair values of borrowings are not materially different to their carrying amounts, since either:

- the interest payable on those borrowings is close to current market rates, or
- the borrowings are of a short-term nature.

Details of the Group’s exposure to risks arising from borrowings are set out in note 3.1.

As of December 31, 2023, the bank borrowing with principal amount of RMB142,117,000 was secured by mortgages over the Group’s land use right and buildings. The carrying amounts of financial and non-financial assets pledged as security for borrowings are disclosed in note 48. Other than that, certain borrowings were guaranteed by the ultimate beneficial owner of the Company or pledged with equity interests of certain subsidiaries of the Company.

The Company

| | As of December 31, 2022 | | | As of December 31, 2023 | | | As of December 31, 2024 | | |
|----------------------------|-------------------------|------------------|------------------|-------------------------|------------------|------------------|-------------------------|------------------|------------------|
| | Current | Non-current | Total | Current | Non-current | Total | Current | Non-current | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Bank borrowings | | | | | | | | | |
| —Secured | 963,085 | 701,816 | 1,664,901 | 499,479 | 377,429 | 876,908 | — | — | — |
| —Unsecured | 4,601,967 | 2,047,960 | 6,649,927 | 4,787,160 | 2,217,600 | 7,004,760 | 3,507,800 | 3,249,200 | 6,757,000 |
| Discounting of | | | | | | | | | |
| acceptance bill | — | — | — | — | — | — | 2,194 | — | 2,194 |
| Interest accrual | 11,934 | — | 11,934 | 10,229 | — | 10,229 | 6,759 | — | 6,759 |
| Total borrowings | <u>5,576,986</u> | <u>2,749,776</u> | <u>8,326,762</u> | <u>5,296,868</u> | <u>2,595,029</u> | <u>7,891,897</u> | <u>3,516,753</u> | <u>3,249,200</u> | <u>6,765,953</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

30 Convertible bonds

| | 2022 | 2023 | 2024 |
|--|------------------|------------------|------------------|
| | RMB'000 | RMB'000 | RMB'000 |
| Opening balance as of January 1, | 2,249,715 | 2,346,778 | 2,443,920 |
| Interest accrual | 107,375 | 112,022 | 116,662 |
| Interest payment | (9,733) | (14,598) | (36,494) |
| Conversion | (579) | (282) | (161) |
| Closing balance as of December 31, | <u>2,346,778</u> | <u>2,443,920</u> | <u>2,523,927</u> |

As approved by the relevant regulatory authorities in China, the Company made a public offering of RMB2,440.00 million A shares convertible bonds on December 28, 2020. The convertible bonds have a term of six years from December 28, 2020 to December 27, 2026, at coupon rates of 0.2% for the first year, 0.4% for the second year, 0.6% for the third year, 1.5% for the fourth year, 1.8% for the fifth year and 2.0% for the sixth year. The conversion of the convertible bonds begins on the first trading day (July 5, 2021) after six months upon the completion date of the offering, until the maturity date (December 27, 2026).

In accordance with formulas set out in the document of the convertible bonds, the initial conversion price of the convertible bonds is RMB222.83 per share, and the conversion price will be adjusted to reflect the dilutive impact of cash dividends and increase in paid-in capital under specified circumstances. During the conversion period (from July 5, 2021 to December 27, 2026), if the closing price of the Company’s A shares is lower than 85% of the current conversion price for at least 15 trading days in any 30 consecutive trading days, the Board of Directors of the Company has the right to propose to lower the conversion price and submit the proposal to the shareholders’ meeting for approval.

The convertible bonds are subject to conditional redemptions. During the conversion period, if the closing prices of the Company’s A shares are no less than 130% (inclusive) of the current conversion price for at least 15 trading days in 30 consecutive trading days, the Company has the right to redeem all or part of the outstanding convertible bonds at the par value plus the current accrued interest, upon approval of the relevant regulatory authorities (if required). In addition, when the total amount of the outstanding convertible bonds is less than RMB 30.00 million, the Company has the right to redeem all outstanding convertible bonds at their par value plus the current accrued interest.

The initial fair value of the liability portion of the convertible bonds was determined using a market interest rate for an equivalent non-convertible bond at the issue date. The liability is subsequently recognized on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option and recognized in other equity instrument, net of income tax, and not subsequently remeasured. The effective interest rate of convertible bonds is 4.67%.

For the years ended December 31, 2022, 2023 and 2024, the convertible bonds with principal amount of RMB616,000, RMB283,000 and RMB156,000 were converted into 2,832, 1,714 and 950 A shares of the Company, respectively. As a result of the conversion, the capital reserve of RMB624,000, RMB306,000 and RMB173,000 were recognized and the other equity instrument of RMB59,000, RMB27,000 and RMB15,000 were derecognized for the years ended December 31, 2022, 2023 and 2024, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

31 Deferred income tax

(i) Deferred tax assets

The Group

| | As of December 31, | | |
|--|--------------------|-----------|-----------|
| | 2022 | 2023 | 2024 |
| | RMB'000 | RMB'000 | RMB'000 |
| The balance comprises temporary differences attributable to: | | | |
| —Provision for asset impairments | 56,772 | 58,769 | 47,060 |
| —Changes in fair value | 60,533 | 83,103 | 68,891 |
| —Elimination of intragroup unrealized profit | 9,618 | 12,554 | 15,053 |
| —Deductible tax losses | 266,332 | 365,334 | 359,412 |
| —Share-based payments | 74,885 | 47,507 | 20,251 |
| —Interest for uncertain tax | 29,986 | 34,224 | 26,273 |
| —Accrued expenses | 46,519 | 63,450 | 59,414 |
| —Depreciation and amortization of long-term assets | 6,725 | 3,801 | 4,222 |
| —Lease liabilities | 38,703 | 34,531 | 29,527 |
| —Others | 10,472 | 1,877 | 4,598 |
| Total deferred tax assets | 600,545 | 705,150 | 634,701 |
| Off-set of deferred tax liabilities | (264,639) | (299,076) | (234,024) |
| Net deferred tax assets | 335,906 | 406,074 | 400,677 |

The Company

| | As of December 31, | | |
|--|--------------------|----------|-----------|
| | 2022 | 2023 | 2024 |
| | RMB'000 | RMB'000 | RMB'000 |
| The balance comprises temporary differences attributable to: | | | |
| —Provision for asset impairments | 2,015 | 3,240 | 6,376 |
| —Deductible tax losses | 115,331 | 169,130 | 236,526 |
| —Share-based payments | 6,705 | 562 | 2,775 |
| —Depreciation and amortization of long-term assets | 266 | 98 | — |
| —Lease liabilities | 5,330 | 3,415 | 5,046 |
| —Others | 907 | 476 | 56 |
| Total deferred tax assets | 130,554 | 176,921 | 250,779 |
| Off-set of deferred tax liabilities | (81,323) | (86,024) | (103,070) |
| Net deferred tax assets | 49,231 | 90,897 | 147,709 |

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

31 Deferred income tax—continued

(ii) Deferred tax liabilities

The Group

| | As of December 31, | | |
|---|--------------------|-----------|-----------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| The balance comprises temporary differences attributable to: | | | |
| —Valuation and appreciation of assets of business combination | 63,404 | 114,684 | 95,964 |
| —Changes in fair value | 139,963 | 161,547 | 177,423 |
| —Depreciation and amortization of long-term assets | 95,309 | 96,903 | 98,790 |
| —Capitalized development costs | 307,546 | 360,414 | 346,327 |
| —Right-of-use assets | 37,840 | 33,102 | 28,392 |
| —Others | 43,470 | 27,453 | 16,959 |
| Total deferred tax liabilities | 687,532 | 794,103 | 763,855 |
| Off-set of deferred tax assets | (264,639) | (299,076) | (234,023) |
| Net deferred tax liabilities | 422,893 | 495,027 | 529,832 |

The Company

| | As of December 31, | | |
|--|--------------------|----------|-----------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| The balance comprises temporary differences attributable to: | | | |
| —Changes in fair value | 76,117 | 82,785 | 98,106 |
| —Right-of-use assets | 5,206 | 3,239 | 4,964 |
| Total deferred tax liabilities | 81,323 | 86,024 | 103,070 |
| Off-set of deferred tax assets | (81,323) | (86,024) | (103,070) |
| Net deferred tax liabilities | — | — | — |

(iii) Movements

Deferred tax assets

| | Provision for asset impairments | Changes in fair value | Elimination of intragroup unrealized profit | Deductible tax losses | Share-based payments | Interest for uncertain tax | Accrued expenses | Depreciation and amortization of long-term assets | Lease liabilities | Others | Total |
|--|---------------------------------|-----------------------|---|-----------------------|----------------------|----------------------------|------------------|---|-------------------|---------|----------|
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| As of January 1, 2022 | 43,496 | 407 | 6,465 | 261,362 | 89,491 | 24,236 | 44,809 | 6,427 | 45,574 | 12,436 | 534,703 |
| Recognized in the profit or loss | 15,613 | (78) | 3,153 | 39,431 | (12,464) | 3,382 | (2,146) | (92) | (6,887) | (2,039) | 37,873 |
| Recognized in capital reserve | — | — | — | — | 709 | — | — | — | — | — | 709 |
| Recognized in the other comprehensive income | — | 60,204 | — | — | — | — | — | — | — | — | 60,204 |
| Utilization | — | — | — | — | (7,570) | — | — | — | — | — | (7,570) |
| Business combinations | — | — | — | 9,913 | — | — | — | — | — | — | 9,913 |
| Disposal of subsidiaries | (3,172) | — | — | (47,873) | — | — | — | — | — | — | (51,045) |
| Exchange differences | 835 | — | — | 3,499 | 4,719 | 2,368 | 3,856 | 390 | 16 | 75 | 15,758 |

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

31 Deferred income tax—continued

(iii) Movements—continued

| | Provision for asset impairments | Changes in fair value | Elimination of intragroup unrealized profit | Deductible tax losses | Share- based payments | Interest for uncertain tax | Accrued expenses | Depreciation and amortization of long-term assets | Lease liabilities | Others | Total |
|---|---------------------------------------|-----------------------------|---|--------------------------|-----------------------------|-------------------------------------|---------------------|---|----------------------|---------|----------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| As of December 31, 2022 | 56,772 | 60,533 | 9,618 | 266,332 | 74,885 | 29,986 | 46,519 | 6,725 | 38,703 | 10,472 | 600,545 |
| Recognized in the profit or loss | 1,807 | 961 | 2,936 | 98,948 | 800 | 3,711 | 16,201 | (2,992) | (4,265) | (8,608) | 109,499 |
| Recognized in capital reserve | — | — | — | — | (20,762) | — | — | — | — | — | (20,762) |
| Recognized in the other comprehensive income | — | 21,609 | — | — | — | — | — | — | — | — | 21,609 |
| Utilization | — | — | — | — | (8,145) | — | — | — | — | — | (8,145) |
| Exchange differences | 190 | — | — | 54 | 729 | 527 | 730 | 68 | 93 | 13 | 2,404 |
| As of December 31, 2023 | 58,769 | 83,103 | 12,554 | 365,334 | 47,507 | 34,224 | 63,450 | 3,801 | 34,531 | 1,877 | 705,150 |
| Recognized in the profit or loss | (11,955) | (963) | 2,499 | (7,200) | (27,595) | (8,347) | (4,635) | 378 | (5,245) | 2,811 | (60,252) |
| Recognized in capital reserve | — | — | — | — | 23,311 | — | — | — | — | — | 23,311 |
| Recognized in the other comprehensive income | — | (13,249) | — | — | — | — | — | — | — | — | (13,249) |
| Utilization | — | — | — | — | (23,210) | — | — | — | — | — | (23,210) |
| Exchange differences | 246 | — | — | 1,278 | 238 | 396 | 599 | 43 | 241 | (90) | 2,951 |
| As of December 31, 2024 | 47,060 | 68,891 | 15,053 | 359,412 | 20,251 | 26,273 | 59,414 | 4,222 | 29,527 | 4,598 | 634,701 |

Deferred tax liabilities

| | Valuation and appreciation of assets of business combination | Changes in fair value | Depreciation and amortization of long-term assets | Capitalized development costs | Right-of-use assets | Others | Total |
|---|---|-----------------------------|---|-------------------------------------|------------------------|----------|----------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| As of January 1, 2022 | 67,739 | 126,736 | 89,317 | 226,570 | 44,953 | 13,353 | 568,668 |
| Recognized in the profit or loss | (17,486) | 28,699 | (2,054) | 57,838 | (7,128) | 29,125 | 88,994 |
| Recognized in the other comprehensive income | — | (15,472) | — | — | — | — | (15,472) |
| Business combinations | 13,151 | — | — | — | — | — | 13,151 |
| Exchange differences | — | — | 8,046 | 23,138 | 15 | 992 | 32,191 |
| As of December 31, 2022 | 63,404 | 139,963 | 95,309 | 307,546 | 37,840 | 43,470 | 687,532 |
| Recognized in the profit or loss | (4,127) | 21,584 | (21) | 47,406 | (4,830) | (16,279) | 43,733 |
| Business combinations | 55,407 | — | — | — | — | — | 55,407 |
| Exchange differences | — | — | 1,615 | 5,462 | 92 | 262 | 7,431 |
| As of December 31, 2023 | 114,684 | 161,547 | 96,903 | 360,414 | 33,102 | 27,453 | 794,103 |
| Recognized in the profit or loss | (18,720) | 15,876 | 441 | (19,248) | (4,946) | (10,587) | (37,184) |
| Exchange differences | — | — | 1,446 | 5,161 | 236 | 93 | 6,936 |
| As of December 31, 2024 | 95,964 | 177,423 | 98,790 | 346,327 | 28,392 | 16,959 | 763,855 |

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

32 Provision

| | Uncertain taxes | Onerous contracts | Total |
|-------------------------|-----------------|-------------------|-----------|
| | RMB’000 | RMB’000 | RMB’000 |
| As of January 1, 2022 | 827,997 | 2,041 | 830,038 |
| Provision charged | 60,515 | 49,883 | 110,398 |
| Exchange differences | 68,931 | 2,095 | 71,026 |
| As of December 31, 2022 | 957,443 | 54,019 | 1,011,462 |
| Provision credited | (48,733) | (34,432) | (83,165) |
| Exchange differences | 14,533 | 737 | 15,270 |
| As of December 31, 2023 | 923,243 | 20,324 | 943,567 |
| Provision credited | (513,410) | (4,002) | (517,412) |
| Exchange differences | 6,920 | 258 | 7,178 |
| As of December 31, 2024 | 416,753 | 16,580 | 433,333 |

Uncertain taxes

The Company and its subsidiaries 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. However, the US federal, California and foreign tax authorities may challenge the reasonableness of these arrangements and positions and require performing certain tax adjustments. As of December 31, 2022, 2023, and 2024, the Company has made the best estimates of the tax risks that may arise and the provisions for uncertain tax positions were recognized as income tax expense.

Onerous contracts

The Group entered into irrevocable purchase contracts with certain wafer foundries. The costs estimated to execute the contracts exceed the expected revenue to be received due to the decrease in sales prices of finished goods unexpectedly. As of December 31, 2022, 2023 and 2024, the Group has recognized provision for decline in the value of inventories in connection with these uncompleted purchase contracts and recognized provision for the excess of the estimated losses over the provision for decline in the value of inventories as recognized and included in cost of sales.

33 Financial liabilities at fair value through profit or loss

The Group

| | As of December 31, | | |
|--------------------------|--------------------|---------|---------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Contingent consideration | | | |
| —Non-current portion | — | 172,490 | 88,760 |
| —Current portion | — | 99,030 | 99,030 |
| | — | 271,520 | 187,790 |

In February 2023, the Company signed an equity acquisition agreement with the shareholders of Hunan Silicon Internet of Things Technology Co., Ltd. (“SIT”) to acquire all equity interests of SIT

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

33 Financial liabilities at fair value through profit or loss—continued

for the consideration not exceeding RMB1.20 billion (including a fixed consideration of RMB900.00 million and a maximum contingent consideration of RMB300.00 million). The contingent consideration was determined based on the comprehensive achievements of a series of business indicators of SIT in the following three years, including development progress, product performance, and stability of the core team. The contingent consideration was recognized as a financial liability measured at FVPL, and the fair value of the contingent consideration financial liability was RMB256.00 million at its initial recognition. As of December 31, 2023 and 2024, the fair value of contingent consideration financial liabilities was RMB271.52 million and RMB187.79 million, of which RMB99.03 million and RMB99.03 million would due within 1 year, respectively.

The Company

| | As of December 31, | | |
|--------------------------------|--------------------|---------|---------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Contingent consideration | | | |
| —Non-current portion | — | 172,318 | 88,671 |
| —Current portion | — | 98,931 | 98,931 |
| | — | 271,249 | 187,602 |

34 Trade and other payables

The Group

| | Note | As of December 31, | | |
|----------------------|------|--------------------|-----------|-----------|
| | | 2022 | 2023 | 2024 |
| | | RMB’000 | RMB’000 | RMB’000 |
| Trade payables | i | 1,127,628 | 1,663,121 | 1,935,439 |
| Other payables | ii | 1,197,852 | 1,211,968 | 1,185,413 |
| | | 2,325,480 | 2,875,089 | 3,120,852 |

(i) Trade payables

| | Note | As of December 31, | | |
|---|------|--------------------|-----------|-----------|
| | | 2022 | 2023 | 2024 |
| | | RMB’000 | RMB’000 | RMB’000 |
| Trade payables to third parties | | 1,127,432 | 1,662,680 | 1,935,142 |
| Trade payables to related parties | 51 | 196 | 441 | 297 |
| | | 1,127,628 | 1,663,121 | 1,935,439 |

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34 Trade and other payables—continued

The aging analysis of the trade payables are as follows:

| | As of December 31, | | |
|---------------|--------------------|------------------|------------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| —Up to 1 year | 1,122,756 | 1,658,678 | 1,932,647 |
| —1 to 2 years | 3,114 | 3,695 | 408 |
| —2 to 3 years | 1,747 | 6 | 2,384 |
| —over 3 years | 11 | 742 | — |
| | <u>1,127,628</u> | <u>1,663,121</u> | <u>1,935,439</u> |

(ii) Other payables

| | As of December 31, | | |
|-----------------------------|--------------------|------------------|------------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Payables to third parties | 1,195,307 | 1,209,423 | 1,182,868 |
| Payables to related parties | 2,545 | 2,545 | 2,545 |
| | <u>1,197,852</u> | <u>1,211,968</u> | <u>1,185,413</u> |

Other payables by nature is as follows:

| | As of December 31, | | |
|--|--------------------|------------------|------------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Payables for rebate | 540,774 | 799,762 | 929,210 |
| Payables for long-term assets | 37,260 | 44,950 | 60,693 |
| Payables for commission | 20,229 | 19,089 | 21,257 |
| Accruals | 36,450 | 48,858 | 74,225 |
| Deposit | 7,431 | 34,608 | 14,513 |
| Payables for other taxes | 44,376 | 45,489 | 52,742 |
| Obligation for repurchase of restricted shares | 426,519 | 168,050 | — |
| Payables for transaction with NCI | 22,000 | 22,000 | — |
| Payables for NCI’s dividend | 4,270 | 5,008 | 2,803 |
| Others | 58,543 | 24,154 | 29,970 |
| | <u>1,197,852</u> | <u>1,211,968</u> | <u>1,185,413</u> |

The Company

| | Note | As of December 31, | | |
|----------------|------|--------------------|----------------|----------------|
| | | 2022 | 2023 | 2024 |
| | | RMB’000 | RMB’000 | RMB’000 |
| Trade payables | i | 11,202 | 31,478 | 36,154 |
| Other payables | ii | 746,668 | 543,806 | 459,503 |
| | | <u>757,870</u> | <u>575,284</u> | <u>495,657</u> |

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ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34 Trade and other payables—continued

(i) Trade payables

| | As of December 31, | | |
|---------------------------------------|--------------------|---------------|---------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Trade payables to subsidiaries | — | 17,686 | 24,794 |
| Trade payables to third parties | 11,202 | 13,792 | 11,360 |
| | <u>11,202</u> | <u>31,478</u> | <u>36,154</u> |

(ii) Other payables

| | As of December 31, | | |
|--|--------------------|----------------|----------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Payables to subsidiaries | 263,977 | 320,868 | 442,661 |
| Payables for long-term assets | 10,069 | 680 | 3,599 |
| Accruals | 7,387 | 14,786 | 4,874 |
| Payables for other taxes | 2,494 | 16,825 | 7,134 |
| Obligation for repurchase of restricted shares | 426,519 | 168,050 | — |
| Payables for transaction with NCI | 22,000 | 22,000 | — |
| Others | 14,222 | 597 | 1,235 |
| | <u>746,668</u> | <u>543,806</u> | <u>459,503</u> |

35 Current tax liabilities

| | As of December 31, | | |
|--------------------|--------------------|----------------|----------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| CIT payables | <u>100,933</u> | <u>183,487</u> | <u>176,352</u> |

36 Employee benefit obligations

| | As of December 31, | | |
|---|--------------------|----------------|----------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Salaries, allowances and benefits | 248,588 | 248,419 | 316,888 |
| Post-employment benefits | 7,939 | 8,225 | 8,876 |
| Termination benefits | 6,964 | 7,106 | 6,565 |
| | <u>263,491</u> | <u>263,750</u> | <u>332,329</u> |

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ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

37 Other liabilities

| | As of December 31, | | |
|---------------------------------------|--------------------|---------|---------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Non-current: | | | |
| —Long-term payables | 16,672 | — | — |
| —Government grants | 23,795 | 25,294 | 22,022 |
| | 40,467 | 25,294 | 22,022 |
| Current: | | | |
| —Long-term payables due within 1 year | 18,524 | 17,517 | 3,888 |
| —Others | 5,683 | 5,283 | 2,004 |
| | 24,207 | 22,800 | 5,892 |
| | 64,674 | 48,094 | 27,914 |

38 Share capital

| Note | 2022 | | 2023 | | 2024 | |
|---|------------------|---------------|------------------|---------------|------------------|---------------|
| | Number of shares | Share capital | Number of shares | Share capital | Number of shares | Share capital |
| | | RMB’000 | | RMB’000 | | RMB’000 |
| As of January 1 | | 875,724,555 | 875,724 | 1,185,382,449 | 1,185,382 | 1,215,775,357 |
| Exercise of share option (i) | | 2,661,684 | 2,662 | 3,693,759 | 3,694 | 1,695,945 |
| Conversion of convertible bonds 30 | | 2,832 | 3 | 1,714 | 2 | 950 |
| Conversion of capital reserve into share capital (ii) | | 306,993,378 | 306,993 | — | — | — |
| Issuance under GDR (iii) | | — | — | 31,000,000 | 31,000 | — |
| Repurchase of restricted shares (iv) | | — | — | (4,302,565) | (4,303) | (1,348,717) |
| As of December 31 | | 1,185,382,449 | 1,185,382 | 1,215,775,357 | 1,215,775 | 1,216,123,535 |

- (i) During the years ended December 31, 2022, 2023 and 2024, 2,661,684, 3,693,759 and 2,785,570 share options were exercised by employees with the proceeds of RMB266,344,000, RMB255,128,000 and RMB219,499,000 (including exchange losses of RMB76,000), respectively. Except for that 1,089,625 A shares were transferred to employees by using treasury shares held by the Company for the year ended December 31, 2024, all other A shares were newly issued by the Company to employees. As a result of exercise of share options, share capital of RMB2,662,000, RMB3,694,000 and RMB1,696,000 and capital reserves of RMB263,682,000, RMB251,434,000 and RMB121,164,000 were recognized for the years ended December 31, 2022, 2023 and 2024, respectively. In addition, due to the usage of 1,089,625 treasury shares amounting to RMB96,715,000 decreased based on weighted average cost for year ended December 31, 2024. Information relating to the Company’s share-based incentive plan is set out in note 45.
- (ii) In July 2022, the Company paid a stock dividend in the amount of 3.5 A shares per 10 A shares to the shareholders of record of such A shares. This stock dividend was issued by converting RMB306,993,000 of the Company’s capital reserve into RMB306,993,000 of the Company’s share capital.
- (iii) In November 2023, the Company offered and listed 31,000,000 GDR representing A shares with an offer price of US\$14.35 per GDR in SIX Swiss Exchange. Total proceeds from GDR amounted to US\$444.85 million, equivalent to RMB3,192,733,000 and the issuance cost of RMB85,127,000 (excluding VAT) were net off the proceeds. As a result of issuance under GDR, share capital of RMB31,000,000 with capital reserves of RMB3,076,606,000 were recognized for the year ended December 31, 2023.
- (iv) The Company repurchased and canceled 4,302,565 and 1,348,717 restricted shares held by employees due to unfulfillment of performance condition during the years ended December 31, 2023 and 2024, respectively. As a result of repurchase of restricted shares, share capital of RMB4,303,000 and RMB1,349,000 and capital reserves of RMB491,800,000 and RMB166,701,000 were derecognized while 4,302,565 and 1,348,717 treasury shares amounting to RMB496,103,000 and RMB168,050,000 decreased, respectively. Information relating to the Company’s share-based incentive plan is set out in note 45.

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ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

39 Capital reserves

| | Note | 2022 RMB’000 | 2023 RMB’000 | 2024 RMB’000 |
|-------------------------------------|---------|------------------|-------------------|-------------------|
| As of January 1 | | 8,427,025 | 8,631,136 | 11,329,219 |
| Exercise of share option | 38(i) | 263,682 | 251,434 | 121,164 |
| Conversion of convertible bonds | 30 | 624 | 306 | 173 |
| Capital conversion | 38(ii) | (306,993) | — | — |
| Issuance under GDR | 38(iii) | — | 3,076,606 | — |
| Repurchase of restricted shares | 38(iv) | — | (491,800) | (166,701) |
| Transaction with NCI | 12a | (23,326) | (66,385) | — |
| Share-based payments | 45 | 269,415 | (31,278) | 244,364 |
| Tax impact for share-based payments | 13 | 709 | (20,762) | 23,211 |
| Employee stock ownership plan | (i) | — | (20,038) | — |
| As of December 31 | | <u>8,631,136</u> | <u>11,329,219</u> | <u>11,551,430</u> |

- (i) In January and October 2023, the Company sold 2,292,800 and 2,234,800 A shares held by the Company to 2022 and 2023 employee stock ownership plan with proceeds of RMB177,255,000 and RMB201,435,000 (net off transaction costs), respectively. As a result of employee stock ownership plan, 4,527,600 treasury shares amounted to RMB398,729,000 based on weight average cost decreased and the difference between proceeds and the cost of treasury shares of RMB20,038,000 were recognized in capital reserves for the year ended December 31, 2023.

40 Other equity instrument

The balance represents equity portion of convertible bonds.

| | Note | 2022 RMB’000 | 2023 RMB’000 | 2024 RMB’000 |
|---------------------------------|------|-----------------|-----------------|-----------------|
| As of January 1, | | 233,117 | 233,058 | 233,031 |
| Conversion of convertible bonds | 30 | (59) | (27) | (15) |
| As of December 31, | | <u>233,058</u> | <u>233,031</u> | <u>233,016</u> |

41 Treasury shares

| | | 2022 | | 2023 | | 2024 | |
|---------------------------------|--------|------------------|-------------------|------------------|-------------------|-------------------|-------------------|
| | Note | Number of shares | Amount RMB’000 | Number of shares | Amount RMB’000 | Number of shares | Amount RMB’000 |
| As of January 1, | | 6,561,234 | 741,689 | 6,994,457 | 769,112 | 7,394,828 | 704,717 |
| Vesting of restricted shares | i | (909,952) | (74,561) | — | — | — | — |
| Repurchase of restricted shares | 38(iv) | — | — | (4,302,565) | (496,103) | (1,348,717) | (168,050) |
| Repurchase of shares | ii | 1,343,175 | 104,959 | 9,230,536 | 830,437 | 11,213,200 | 999,946 |
| Dividend of restricted shares | | — | (2,975) | — | — | — | — |
| Exercise of share option | 38(i) | — | — | — | — | (1,089,625) | (96,715) |
| Employee stock ownership plan | 39(i) | — | — | (4,527,600) | (398,729) | — | — |
| As of December 31, | | <u>6,994,457</u> | <u>769,112</u> | <u>7,394,828</u> | <u>704,717</u> | <u>16,169,686</u> | <u>1,439,898</u> |

- (i) Upon the vesting of the restrict shares, the obligation for repurchase of restricted shares is released. Information relating to the Company’s share-based incentive plan is set out in note 45.
- (ii) During the years ended 2022, 2023 and 2024, the Company repurchased an aggregate number of 1,343,175, 9,230,536 and 11,213,200 of its own A shares from the market at the consideration of RMB104,959,000, RMB830,437,000 and RMB999,946,000 (including transaction costs), respectively.

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ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

42 Other reserves

The Group

| | Note | Surplus reserves RMB’000 | Financial assets at FVOCI RMB’000 | Currency translation differences RMB’000 | Investments accounted by equity method RMB’000 | Total RMB’000 |
|---|------|--------------------------------|--|---|---|------------------|
| As of January 1, 2022 | | 115,701 | 87,597 | (855,210) | (5) | (651,917) |
| Appropriation to reserves | i | 11,232 | — | — | — | 11,232 |
| Net fair value losses on financial assets at FVOCI | 22 | — | (491,908) | — | — | (491,908) |
| Currency translation differences | | — | — | 1,224,735 | (409) | 1,224,326 |
| NCI share in translation differences | | — | — | (701) | — | (701) |
| Transfer to retained earnings | | — | — | (14) | — | (14) |
| Tax impact | | — | 75,676 | — | — | 75,676 |
| As of December 31, 2022 | | 126,933 | (328,635) | 368,810 | (414) | 166,694 |
| Appropriation to reserves | i | 21,106 | — | — | — | 21,106 |
| Net fair value losses on financial assets at FVOCI | 22 | — | (138,736) | — | — | (138,736) |
| Currency translation differences | | — | — | 299,751 | (377) | 299,374 |
| NCI share in translation differences | | — | — | (111) | — | (111) |
| Tax impact | | — | 21,609 | — | — | 21,609 |
| As of December 31, 2023 | | 148,039 | (445,762) | 668,450 | (791) | 369,936 |
| Appropriation to reserves | i | 55,654 | — | — | — | 55,654 |
| Net fair value gains on financial assets at FVOCI | 22 | — | 84,183 | — | — | 84,183 |
| Currency translation differences | | — | — | 282,966 | (749) | 282,217 |
| NCI share in translation differences | | — | — | (155) | — | (155) |
| Tax impact | | — | (13,249) | — | — | (13,249) |
| As of December 31, 2024 | | 203,693 | (374,828) | 951,261 | (1,540) | 778,586 |

- (i) In accordance with the PRC Company Law and the Company’s Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital.

The Company

| | Surplus reserves RMB’000 | Currency translation differences RMB’000 | Investments accounted by equity method RMB’000 | Total RMB’000 |
|----------------------------------|--------------------------------|---|---|------------------|
| As of January 1, 2022 | 115,701 | 7,293 | (5) | 122,989 |
| Appropriation to reserves | 11,232 | — | — | 11,232 |
| Currency translation differences | — | — | (409) | (409) |
| As of December 31, 2022 | 126,933 | 7,293 | (414) | 133,812 |
| Appropriation to reserves | 21,106 | — | — | 21,106 |
| Currency translation differences | — | — | (377) | (377) |
| As of December 31, 2023 | 148,039 | 7,293 | (791) | 154,541 |
| Appropriation to reserves | 55,654 | — | — | 55,654 |
| Currency translation differences | — | — | (748) | (748) |
| As of December 31, 2024 | 203,693 | 7,293 | (1,539) | 209,447 |

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ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

43 Retained earnings

| | Note | 2022 RMB'000 | 2023 RMB'000 | 2024 RMB'000 |
|---------------------------------|-------|------------------|------------------|-------------------|
| As of January 1, | | 8,056,673 | 8,572,067 | 9,007,582 |
| Profit for the year | | 982,730 | 555,751 | 3,317,582 |
| Appropriation to reserves | 42(i) | (11,232) | (21,106) | (55,654) |
| Dividends | | (456,104) | (99,130) | (407,582) |
| As of December 31, | | <u>8,572,067</u> | <u>9,007,582</u> | <u>11,861,928</u> |

44 Dividend

| | Year ended December 31, | | |
|---|-------------------------|-----------------|-----------------|
| | 2022 RMB'000 | 2023 RMB'000 | 2024 RMB'000 |
| Final dividend per fully paid share | 456,104 | 99,130 | 167,604 |
| Interim dividend per fully paid share | — | — | 239,978 |
| Total dividends provided for or paid | <u>456,104</u> | <u>99,130</u> | <u>407,582</u> |

During the Track Record Period, the Company provided and paid final cash dividend of RMB5.20, RMB0.84 and RMB1.40 per 10 shares (including tax) to the shareholders of the Company for the years ended December 31, 2021, 2022, 2023, respectively, and interim cash dividend of RMB2.00 per 10 shares (including tax) to the shareholders of the Company for the year ended December 31, 2024.

In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of RMB2.20 per 10 shares (including tax). The aggregate amount of the proposed dividend expected to be paid in the middle of 2025 out of retained earnings at December 31, 2024, but not recognized as a liability at year end, is approximately RMB239.98 million.

45 Share-based payments

The Company adopted the share-based incentive plan on annual basis. The share-based incentive plan is designed to provide an incentive for all employees to deliver long-term shareholder returns. Under the plan, participants are granted share options or restricted shares which only vest if certain performance conditions are met. Participation in the plan is at the board’s discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

In October 2019, the Company adopted 2019 incentive plan that granted 9,430,998 share options at the initial exercise price of RMB94.20 per share to 926 employees and the share option would be exercisable in three tranches within 36 months.

In April 2020, the Company adopted 2019 reserved incentive plan that granted 2,353,374 share options at the initial exercise price of RMB164.65 per share to 153 employees and the share option would be exercisable in three tranches within 36 months.

In October 2020, the Company adopted 2020 incentive plan that granted 7,668,150 share options at the initial exercise price of RMB185.76 per share to 1,078 employees and the share option

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ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

45 Share-based payments—continued

would be exercisable in three tranches within 36 months. In addition, in November 2021, the Company issued 2,291,800 restricted shares for the consideration of RMB111.46 per shares to 134 employees and the restricted shares would be attributable to employees in three tranches within 36 months.

In September 2021, the Company adopted 2021 incentive plan that granted 7,950,000 share options at the initial exercise price of RMB281.40 per share to 1,962 employees and the share option would be exercisable in three tranches within 36 months. In addition, in November 2021, the Company issued 3,485,093 restricted shares for the consideration of RMB101.06 per shares to 117 employees and the restricted shares would be attributable to employees in three tranches within 36 months.

In May 2022, the Company adopted 2022 incentive plan that granted 14,974,900 share options at the initial exercise price of RMB166.85 per share to 2,305 employees and the share option would be exercisable in three tranches within 36 months.

In October 2023, the Company adopted 2023 incentive plan that granted 19,987,450 share options at the initial exercise price of RMB78.97 per share to 2,856 employees and the share option would be exercisable in three tranches within 36 months.

The above-mentioned share-based incentive plan, in addition to meeting the granting conditions, must also meet the requirements of 1) the Company’s performance condition; 2) the incentive recipients’ performance condition on the individual basis, so that the incentive recipients’ share options or restricted shares could be exercisable or attributable. The corresponding number of share options or the restricted shares as well as the exercise price will be adjusted in case of transfer from capital reserves to share capital, distribution of dividends, share split, allotment of shares, share consolidation, etc. The share options are not entitled to dividends and voting right while the restricted shares are entitled to dividends and voting rights.

Share options

Set out below are summaries of share options granted under the plans:

| | Number of share options | | | | | | |
|---|-------------------------|--------------------|-------------|-------------|-------------|-------------|--------------|
| | 2019 plan | 2019 reserved plan | 2020 plan | 2021 plan | 2022 plan | 2023 plan | Total |
| As of January 1, 2022 | 4,759,570 | 1,645,634 | 6,012,051 | 7,950,000 | — | — | 20,367,255 |
| Granted during the year | — | — | — | — | 14,974,900 | — | 14,974,900 |
| Stock dividend during the year | 1,365,072 | 523,981 | 1,945,347 | 2,640,125 | 5,241,215 | — | 11,715,740 |
| Exercised during the year | (2,118,270) | (83,782) | (459,631) | (1) | — | — | (2,661,684) |
| Forfeited during the year | (126,085) | (64,831) | (320,844) | (406,788) | — | — | (918,548) |
| As of December 31, 2022 | 3,880,287 | 2,021,002 | 7,176,923 | 10,183,336 | 20,216,115 | — | 43,477,663 |
| Granted during the year | — | — | — | — | — | 19,987,450 | 19,987,450 |
| Exercised during the year | (3,693,336) | (322) | (1) | (100) | — | — | (3,693,759) |
| Forfeited during the year | — | (218,005) | (2,901,220) | (3,054,992) | (8,086,459) | — | (14,260,676) |
| As of December 31, 2023 | 186,951 | 1,802,675 | 4,275,702 | 7,128,244 | 12,129,656 | 19,987,450 | 45,510,678 |
| Exercised during the year | — | — | — | — | — | (2,785,570) | (2,785,570) |
| Forfeited during the year | (186,951) | (1,802,675) | (4,275,702) | (7,128,244) | (6,064,828) | (662,915) | (20,121,315) |
| As of December 31, 2024 | — | — | — | — | 6,064,828 | 16,538,965 | 22,603,793 |
| Vested and exercisable at December 31 | — | — | — | — | — | 2,998,077 | 2,998,077 |

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

45 Share-based payments—continued

Share options—continued

In July 2022, the Company adopted stock dividend and issued 3.5 share per 10 shares to all shareholders of the Company. The number of share options and the exercise price for each share option were adjusted accordingly.

Share options outstanding at December 31, 2024 have the following expiry date and exercise prices:

| Plan | Grant date | Expiry date | Exercise price | Number of share options |
|-----------|------------------|-----------------|----------------|-------------------------|
| 2022 plan | May 16, 2022 | May 15, 2026 | RMB 122.79 | 6,064,828 |
| 2023 plan | October 10, 2023 | October 9, 2025 | RMB 78.63 | 2,998,077 |
| 2023 plan | October 10, 2023 | October 9, 2026 | RMB 78.63 | 6,770,444 |
| 2023 plan | October 10, 2023 | October 9, 2027 | RMB 78.63 | 6,770,444 |
| | | | Total | <u>22,603,793</u> |

Fair value of share options granted

The Company used the Black-Scholes Model to determine the fair value of the options as of the respective grant dates, which was to be expensed over the relevant vesting period. The assessed weighted average fair value at grant date of share options granted was listed in the following table.

Other than the exercise price mentioned above, significant judgments on parameters, such as risk-free rate, dividend yield and expected volatility, were required to be made by the directors in applying the Black-Scholes Model, which are summarized as below:

| | 2019 plan | 2019 reserved plan | 2020 plan | 2021 plan | 2022 plan | 2023 plan |
|--|---------------|--------------------|---------------|---------------|---------------|---------------|
| Fair value of the option at the grant date | RMB24.43 | RMB29.25 | RMB26.09 | RMB15.75 | RMB13.99 | RMB26.18 |
| Exercise price at the grant date | RMB94.20 | RMB164.65 | RMB185.76 | RMB281.40 | RMB166.85 | RMB78.97 |
| Share price at the grant date | RMB106.18 | RMB169.88 | RMB178.72 | RMB227.00 | RMB147.99 | RMB98.50 |
| Risk-free rate | 2.10%-2.75% | 1.94%-2.30% | 2.68%-2.97% | 2.55%-2.67% | 2.28%-2.48% | 2.23%-2.50% |
| Dividend yield | 0.19% | 0.19% | 0.04% | 0.11% | 0.28% | 0.08% |
| Expected volatility (Note) | 16.02%-21.00% | 17.01%-19.78% | 17.32%-19.96% | 17.65%-18.91% | 17.19%-18.77% | 13.26%-15.23% |

Note: The expected volatility, measured as the standard deviation of expected share price returns, is determined based on the volatility of SSE composite index.

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ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

45 Share-based payments—continued

Restricted shares

Set out below are summaries of restricted shares granted under the plans:

| | Number of restricted shares | | |
|--------------------------------|-----------------------------|-------------|-------------|
| | 2020 plan | 2021 plan | Total |
| As of January 1, 2022 | 1,375,080 | 3,485,093 | 4,860,173 |
| Stock dividend during the year | 481,274 | 1,219,787 | 1,701,061 |
| Vested during the year | (909,952) | — | (909,952) |
| As of December 31, 2022 | 946,402 | 4,704,880 | 5,651,282 |
| Forfeited during the year | (946,402) | (3,356,163) | (4,302,565) |
| As of December 31, 2023 | — | 1,348,717 | 1,348,717 |
| Forfeited during the year | — | (1,348,717) | (1,348,717) |
| As of December 31, 2024 | — | — | — |

Fair value of restricted shares granted

The fair value of restricted shares is determined by the difference of the share price at grant day and the consideration. The fair value of restricted shares granted for 2020 plan and 2021 plan at grant date was RMB86.56 and RMB101.06, respectively.

46 Note to consolidated statements of cash flows

(i) Cash used in operations

| | Note | Year ended December 31, | | |
|--|------|-------------------------|------------------|------------------|
| | | 2022 | 2023 | 2024 |
| | | RMB’000 | RMB’000 | RMB’000 |
| Profit before income tax | | 1,293,744 | 691,573 | 3,272,807 |
| Adjustments for: | | | | |
| Depreciation and amortization | 8 | 1,034,255 | 1,154,283 | 1,282,694 |
| Impairment | 8 | 1,396,765 | 459,965 | 659,013 |
| Share based payments | 9 | 271,316 | (31,532) | 245,555 |
| Net gain on sale of long-term assets | 10 | (6,786) | (1,582) | (7,166) |
| Net loss/(gain) on financial assets | 10 | 91,896 | (359,160) | (239,905) |
| Net gain on subsidiaries and associates | 10 | (956,735) | (128) | (44,431) |
| Net loss on financial liabilities | 10 | — | 15,520 | 16,270 |
| Share of losses of equity-method investees | 12b | 46,286 | 38,830 | 33,277 |
| Finance costs, net | 11 | 466,570 | 438,098 | (3,560) |
| Changes in working capital: | | | | |
| Receivables | | (347,926) | (76,091) | 56,554 |
| Inventories | | (4,276,675) | 5,901,909 | (873,487) |
| Payables | | (663,136) | (634,211) | 306,085 |
| Net cash (outflow)/inflow from operations | | (1,650,426) | 7,597,474 | 4,703,706 |

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ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

46 Note to consolidated statements of cash flows—continued

(ii) Non-cash investing and financing activities

| | Year ended December 31, | | |
|------------------------------------|-------------------------|---------|---------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Acquisition of right-of-use assets | 50,086 | 58,099 | 54,409 |
| Stock dividend | 306,993 | — | — |

(iii) Net debt reconciliation

| | As of December 31, | | |
|---------------------------|--------------------|-------------|-------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Cash and cash equivalents | 3,995,146 | 9,055,098 | 10,152,782 |
| Borrowings | (10,217,382) | (8,351,386) | (7,041,081) |
| Convertible bonds | (2,346,778) | (2,443,920) | (2,523,927) |
| Lease liabilities | (211,468) | (185,857) | (163,101) |
| Net debt | (8,780,482) | (1,926,065) | 424,673 |

| | Liabilities from financing activities | | | |
|---|---------------------------------------|-------------------|-------------------|--------------|
| | Borrowings | Convertible bonds | Lease liabilities | Total |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| As of January 1, 2022 | (7,098,265) | (2,249,716) | (240,746) | (9,588,727) |
| Financing cash flows | (3,242,087) | — | 79,480 | (3,162,607) |
| Business combination | (2,697) | — | — | (2,697) |
| New leases | — | — | (50,086) | (50,086) |
| Interest expense | (377,850) | (107,375) | (8,663) | (493,888) |
| Interest payments (presented as operating cash flows) | 347,607 | 9,733 | 8,663 | 366,003 |
| Other changes | 155,910 | 580 | 117 | 156,607 |
| As of December 31, 2022 | (10,217,382) | (2,346,778) | (211,235) | (12,775,395) |
| Financing cash flows | 2,008,560 | — | 80,364 | 2,088,924 |
| Business combination | (142,117) | — | — | (142,117) |
| New leases | — | — | (58,099) | (58,099) |
| Interest expense | (413,951) | (112,022) | (8,029) | (534,002) |
| Interest payments (presented as operating cash flows) | 446,552 | 14,599 | 8,029 | 469,180 |
| Other changes | (33,048) | 281 | 3,113 | (29,654) |
| As of December 31, 2023 | (8,351,386) | (2,443,920) | (185,857) | (10,981,163) |
| Financing cash flows | 1,297,311 | — | 83,284 | 1,380,595 |
| New leases | — | — | (54,409) | (54,409) |
| Interest expense | (201,977) | (116,662) | (8,062) | (326,701) |
| Interest payments (presented as operating cash flows) | 204,752 | 36,494 | 8,062 | 249,308 |
| Other changes | 10,219 | 161 | 6,120 | 16,500 |
| As of December 31, 2024 | (7,041,081) | (2,523,927) | (150,862) | (9,715,870) |

Other changes are non-cash transactions including exchange difference, conversion of convertible bonds etc.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

47 Commitments

Significant capital expenditure contracted but not recognized as liabilities as of December 31, 2022, 2023, and 2024 was as follows:

| | As of December 31, | | |
|---|--------------------|----------------|------------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Property, plant and equipment | 78,279 | 66,476 | 1,063,766 |
| Intangible assets | 164,289 | 113,283 | 60,000 |
| | <u>242,568</u> | <u>179,759</u> | <u>1,123,766</u> |

48 Assets pledged as security

The carrying amounts of assets pledged as security for deposit, guarantee and borrowings are:

| | As of December 31, | | |
|--|--------------------|----------------|---------------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Current | | | |
| —Restricted cash | 32,566 | 30,776 | 31,000 |
| Non-Current | | | |
| —Property, plant and equipment | — | 353,606 | — |
| —Right-of-use assets | — | 17,670 | — |
| | <u>—</u> | <u>371,276</u> | <u>—</u> |
| Total assets pledged as security | <u>32,566</u> | <u>402,052</u> | <u>31,000</u> |

49 Business combinations

(i) Summary of acquisition

In August 2022, the Company acquired 100% of equity interests of CerebrEX (Zhuhai) Co., Ltd. (“**CRX**”), focusing on designing display products for notebook, at cash consideration of RMB232.69 million. The acquisition could increase the Group’s market share in this area and it complements the Group’s existing display solution division.

In March 2023, the Company acquired 100% of equity interests of SIT, specializing in mixed-signal ICs designs, at a maximum cash consideration of RMB1.20 billion. The acquisition could increase the Group’s market share in this area and it complements the Group’s existing analog solution division.

In July 2023, the Company acquired 100% of equity interests of Zhejiang Xince Semiconductor Co., Ltd. (“**Xince**”), a testing factory, at cash consideration of RMB551.50 million. As the factory of Xince was under construction before the acquisition, this acquisition was an asset acquisition in substance.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

49 Business combinations—continued

(i) Summary of acquisition—continued

Details of the purchase consideration on acquisition date are as follows:

| | CRX RMB’000 | SIT RMB’000 | Xince RMB’000 |
|--|----------------|------------------|------------------|
| Purchase consideration: | | | |
| —Cash paid | 232,692 | 900,000 | 551,498 |
| —Contingent consideration | — | 256,000 | — |
| Total purchase consideration | <u>232,692</u> | <u>1,156,000</u> | <u>551,498</u> |

The assets and liabilities recognized as a result of the acquisition are as follows:

| | CRX RMB’000 | SIT RMB’000 | Xince RMB’000 |
|--|----------------|------------------|------------------|
| Cash and cash equivalent | 3,828 | 70,092 | 91,595 |
| Financial assets at FVPL | — | 25,130 | — |
| Trade and other receivables | 7,145 | 19,836 | 661 |
| Prepayments | — | — | 219,553 |
| Inventories | 17,028 | 48,107 | — |
| Deferred tax assets | 9,913 | — | — |
| Property, plant and equipment | 1,190 | 1,723 | 396 |
| Assets under construction | — | — | 338,555 |
| Right-of-use assets | — | — | 17,861 |
| Intangible assets | 64,790 | 370,196 | — |
| Other assets | 1,249 | 1,527 | 25,642 |
| Borrowings | (2,697) | — | (142,117) |
| Trade and other payables | (16,993) | (6,439) | (451) |
| Contract liabilities | (607) | — | — |
| Employee benefit obligations | (1,375) | — | (197) |
| Deferred tax liabilities | (13,151) | (55,407) | — |
| Net identifiable assets acquired | <u>70,320</u> | <u>474,765</u> | <u>551,498</u> |
| Add: goodwill | <u>162,372</u> | <u>681,235</u> | <u>—</u> |
| Net assets acquired | <u>232,692</u> | <u>1,156,000</u> | <u>551,498</u> |

The goodwill is attributable to the workforce and an increase in market share. It will not be deductible for tax purposes.

There were no acquisitions during the year ended December 31, 2024.

Revenue and profit contribution

The business acquisition of CRX contributed revenues of RMB242,000 and net loss of RMB1,641,000 to the Group for the period from August 1 to December 31, 2022.

The business acquisition of SIT contributed revenues of RMB152,022,000 and net profit of RMB12,711,000 to the Group for the period from March 1 to December 31, 2023.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

49 Business combinations—continued

(ii) Purchase consideration—cash outflow

| | Year ended December 31, | | |
|--|-------------------------|-----------|---------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Cash outflow, net of cash acquired | | | |
| Cash consideration | 260,423 | 1,423,767 | 122,000 |
| Less: cash acquired | (3,827) | (161,687) | — |
| Net outflow of cash—investing activities | 256,596 | 1,262,080 | 122,000 |

50 Disposal of subsidiaries

(i) Summary of disposal

In June 2022 the Group disposed certain subsidiaries related to business of radio frequency (“RF”) by selling its partial equity interests to new investors and introducing new investors. After the disposal, the Group held 48.44% equity interests of Xinghao Communication Technology (Zhejiang) Co., Ltd. (“Xinghao”), a new company set up for the RF business, and it was accounted as equity-accounted investment based on fair value of remaining equity interest on disposal date.

In June 2022 due to capital injection by other shareholders of Ningbo Xijiu Microelectronics Co., Ltd. (“Xijiu”), the equity interests held by the Group decreased from 51.00% to 42.50%. The Group lost control over Xijiu and it was accounted as equity-accounted investment based on fair value of remaining equity interest on disposal date.

In September and November 2022, the Group disposed two subsidiaries, which were Shanghai Shugu Electronic Technology Co., Ltd., and SWP (Hongkong) Electronics Co., Limited (collectively “SWP”), relating to business of screen distribution by selling all equity interests to third parties.

Details of proceeds from disposal and net assets disposed of are as follows:

| | Xinghao | Xijiu | SWP |
|---|-----------|-----------|----------|
| | RMB’000 | RMB’000 | RMB’000 |
| Net assets disposed of | | | |
| Cash and cash equivalent | 5,960 | 2,238 | 20,234 |
| Other current assets | 44,967 | 10,130 | 77,428 |
| Goodwill | 32,725 | — | — |
| Other non-current assets | 41,119 | 14,836 | 1,172 |
| Current liabilities | (35,564) | (42,308) | (86,856) |
| Non-current liabilities | — | — | (244) |
| Net assets | 89,207 | (15,104) | 11,734 |
| Less: NCI | 12,153 | 7,401 | (5,270) |
| Net assets attributable to the Group | 101,360 | (7,703) | 6,464 |
| Fair value of remaining equity interest | (387,500) | (102,000) | — |
| Gain on disposal of subsidiaries | 62,121 | — | 9,999 |
| Deemed gain on disposal of subsidiaries | 304,019 | 109,703 | — |
| Total consideration | 80,000 | — | 16,463 |
| Satisfied by | | | |
| Cash | 80,000 | — | 16,463 |

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

50 Disposal of subsidiaries—continued

(i) Summary of disposal—continued

In addition, the Group deregistered certain subsidiaries which had no operation during the Track Record Period.

(ii) Disposal consideration—cash inflow

| | Year ended December 31, | | |
|---|-------------------------|---------|---------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Cash inflow, net of cash disposed | | | |
| Cash consideration | 180,463 | 3,200 | 50,000 |
| Less: cash disposed | (28,432) | — | — |
| Net inflow of cash—investing activities | 152,031 | 3,200 | 50,000 |

51 Related party transactions

(i) Parent

The ultimate beneficial owner of the Company is Mr. Yu Renrong. As of December 31, 2024, Mr. Yu Renrong directly held 333,472,250 A shares of the Company and owned 74,132,662 A shares of the Company through Shaoxing Weihao Equity Investment Funds Management Partnership (Limited Partnership), which is controlled by Mr. Yu Renrong. In addition, Mr. Yu Xiaorong, a close relative of Mr. Yu Renrong, held 972,000 A shares of the Company. In total, Mr. Yu Renrong held 408,576,912 A shares of the Company, accounting for 33.60% of the Company’s total shareholding and voting rights as of December 31, 2024.

(ii) Subsidiaries

Interests in subsidiaries are set out in note 12a.

(iii) Key management personnel compensation

| | Year ended December 31, | | |
|------------------------------|-------------------------|---------|---------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Short-term employee benefits | 13,163 | 8,839 | 12,408 |
| Share-based payments | 14,717 | (2,188) | 4,121 |
| | 27,880 | 6,651 | 16,529 |

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

51 Related party transactions—continued

(iv) Transactions with related parties

| | Year ended December 31, | | |
|--|-------------------------|---------|---------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| <i>Sales and purchases of goods and services</i> | | | |
| Sale of goods to associates | 172,000 | 335 | 269 |
| Provision of service to associates | 3,454 | 6,757 | 1,670 |
| Purchase of goods from associates | 2,695 | 2,529 | 3,647 |
| <i>Other transactions</i> | | | |
| Leases to associates | 6,239 | 9,963 | 9,146 |
| Sales of equipment to associates | 12,300 | — | — |

(v) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

| | As of December 31, | | |
|---|--------------------|----------|----------|
| | 2022 | 2023 | 2024 |
| | RMB’000 | RMB’000 | RMB’000 |
| Trade receivables from associates | 153,389 | 87,744 | 89,470 |
| Less: allowance for impairment | (7,669) | (12,876) | (28,768) |
| | 145,720 | 74,868 | 60,702 |
| Trade payables to associates | 196 | 441 | 297 |

(vi) Terms and conditions

Goods were sold to associates based on the price lists in force and terms that would be available to third parties. All other transactions were made on normal commercial terms and conditions and market rates. Outstanding balances are unsecured and are settled in cash.

52 Contingencies

On May 10, 2023, the US patent licensing company Greenthread, LLC sued a subsidiary of the Company for violating six US patents in the lawsuit filed in the United States Eastern District Court of Texas (case no: 2:23-cv-00212). The Group is and, from time to time, may in the future become, involved in other legal proceedings in the ordinary course of business. The management currently 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 the operating results, financial condition or cash flows of the Group. With respect to existing legal proceedings, the 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.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

53 Subsequent events

Dividend distribution for year ended December 31, 2024 is set out in note 44.

On March 31, 2025, the Company adopted 2025 incentive plan that granted 19,983,400 share options at the initial exercise price of RMB139.29 per share to 3,361 employees.

On June 10, 2025, the shareholders’ meeting approved to cancel the 11,213,200 A shares held by the Company.