

## APPENDIX I

## ACCOUNTANTS’ REPORT

*The following is the text of a report set out on pages I-1 to I-[54], received from the Company’s reporting accountants, [Deloitte Touche Tohmatsu], Certified Public Accountants, Hong Kong, for the purpose of inclusion in this document.*

*[To insert the firm’s letterhead]*

### **ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF NINGBO SUNNY SMART AUTOTECH COMPANY LIMITED, CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND CITIC SECURITIES (HONG KONG) LIMITED**

#### **Introduction**

We report on the historical financial information of Ningbo Sunny Smart Autotech Company Limited\* (寧波舜宇智行科技股份有限公司) (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-[3] to I-[54], which comprises the combined statements of financial position of the Group as at December 31, 2023 and 2024 and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the two years ended December 31, 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-[54] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [date] (the “**Document**”) in connection with the initial [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

#### **Directors’ responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

#### **Reporting accountants’ responsibility**

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

\* English name is for identification purpose

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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' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

### **Opinion**

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at December 31, 2023 and 2024 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

### **Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

#### *Adjustments*

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

#### *Dividends*

We refer to Note 13 to the Historical Financial Information which contains information about dividends declared and paid by the Company's subsidiaries in respect of the Track Record Period and states that no dividend was declared or paid by the Company since its incorporation.

#### *No historical financial statements for the Company*

No financial statements have been prepared for the Company since its date of incorporation.

**[Deloitte Touche Tohmatsu]**

*Certified Public Accountants*

Hong Kong

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**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 combined financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

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**COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

|  | NOTES | <b>For the year ended December 31,</b> |                         |
|--|-------|--|-------------------------|
|  |       | <b>2023</b>                            | <b>2024</b>             |
|  |       | <i>RMB'000</i>                         | <i>RMB'000</i>          |
| Revenue . . . . .  | 6     | 5,262,204                              | 5,989,257               |
| Cost of sales . . . . .  |       | <u>(3,385,601)</u>                     | <u>(3,863,910)</u>      |
| Gross profit . . . . .   |       | 1,876,603                              | 2,125,347               |
| Other income . . . . .   | 7     | 57,012                                 | 59,396                  |
| Other gains and losses . . . . .   | 8     | 48,926                                 | 46,385                  |
| Impairment losses under expected credit loss<br>("ECL") model, net of reversal . . . . . |       | 3,861                                  | 1,237                   |
| Selling and distribution expenses . . . . .  |       | (64,735)                               | (66,271)                |
| Research and development expenditure . . . . .   |       | (485,056)                              | (545,917)               |
| Administrative expenses . . . . .  |       | (158,950)                              | (182,030)               |
| Finance costs . . . . .  | 9     | <u>(7,172)</u>                         | <u>(10,898)</u>         |
| <b>Profit before tax</b> . . . . .   |       | 1,270,489                              | 1,427,249               |
| Income tax expense . . . . .   | 11    | <u>(130,055)</u>                       | <u>(155,521)</u>        |
| <b>Profit for the year</b> . . . . .   | 10    | <u><u>1,140,434</u></u>                | <u><u>1,271,728</u></u> |
| <b>Other comprehensive expense for the year</b>  |       |  |                         |
| <i>Item that may be reclassified subsequently to profit or loss:</i>                     |       |  |                         |
| Exchange differences arising on translation of<br>foreign operations . . . . .           |       | <u>(8,081)</u>                         | <u>(16,739)</u>         |
| <b>Total comprehensive income for the year</b> . . . . .                                 |       | <u><u>1,132,353</u></u>                | <u><u>1,254,989</u></u> |
| <b>Profit for the year attributable to:</b>  |       |  |                         |
| – Owners of the Company . . . . .  |       | 1,128,215                              | 1,258,239               |
| – Non-controlling interests . . . . .  |       | 12,219                                 | 13,489                  |
|  |       | <u><u>1,140,434</u></u>                | <u><u>1,271,728</u></u> |
| <b>Total comprehensive income attributable to:</b>                                       |       |  |                         |
| – Owners of the Company . . . . .  |       | 1,120,134                              | 1,241,500               |
| – Non-controlling interests . . . . .  |       | 12,219                                 | 13,489                  |
|  |       | <u><u>1,132,353</u></u>                | <u><u>1,254,989</u></u> |
| Earnings per share . . . . .   | 14    |  |                         |
| – Basic (RMB) . . . . .  |       | <u><u>N/A</u></u>                      | <u><u>N/A</u></u>       |

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**COMBINED STATEMENTS OF FINANCIAL POSITION**

|   | NOTES | The Group          |                  |
|---|-------|--------------------|------------------|
|   |       | As at December 31, |                  |
|   |       | 2023               | 2024             |
|   |       | RMB'000            | RMB'000          |
| <b>Non-current assets</b>   |       |                    |                  |
| Property, plant and equipment . . . . .   | 15    | 825,901            | 1,136,709        |
| Right-of-use assets . . . . .   | 16    | 130,256            | 178,790          |
| Intangible assets . . . . .   | 17    | 30,050             | 24,100           |
| Deferred tax assets . . . . .   | 18    | 4,643              | 8,877            |
| Prepayments for acquisition of property, plant and equipment and land use right . . . . . | 19    | 39,321             | 27,578           |
| Goodwill . . . . .  |       | 2,119              | 2,119            |
|   |       | <u>1,032,290</u>   | <u>1,378,173</u> |
| <b>Current assets</b>   |       |                    |                  |
| Inventories . . . . .   | 21    | 620,953            | 787,569          |
| Trade and other receivables and prepayments . . . . .                                     | 22    | 1,430,150          | 1,737,895        |
| Amounts due from related parties . . . . .  | 36    | 2,077,504          | 2,662,271        |
| Receivables at fair value through other comprehensive income (“FVTOCI”) . . . . .         | 23    | 162,278            | 210,265          |
| Financial assets at fair value through profit or loss (“FVTPL”) . . . . .                 | 20    | –                  | 255,416          |
| Short term fixed deposits . . . . .   | 24    | 10,570             | 21,054           |
| Cash and cash equivalents . . . . .   | 24    | 315,227            | 271,010          |
|   |       | <u>4,616,682</u>   | <u>5,945,480</u> |
| <b>Current liabilities</b>  |       |                    |                  |
| Trade and other payables . . . . .  | 25    | 1,612,594          | 1,889,381        |
| Amounts due to related parties . . . . .  | 36    | 112,039            | 530,633          |
| Contract liabilities . . . . .  | 26    | 23,878             | 38,283           |
| Income tax payable . . . . .  |       | 40,936             | 75,499           |
| Bank borrowings . . . . .   | 27    | 18,393             | –                |
| Lease liabilities . . . . .   | 28    | 12,633             | 13,176           |
| Deferred income . . . . .   | 29    | 12,865             | 8,942            |
|   |       | <u>1,833,338</u>   | <u>2,555,914</u> |
| <b>Net current assets</b> . . . . .   |       | <u>2,783,344</u>   | <u>3,389,566</u> |
| <b>Total assets less current liabilities</b> . . . . .                                    |       | <u>3,815,634</u>   | <u>4,767,739</u> |
| <b>Non-current liabilities</b>  |       |                    |                  |
| Deferred tax liabilities . . . . .  | 18    | 50,680             | 51,881           |
| Lease liabilities . . . . .   | 28    | 41,238             | 28,062           |
| Deferred income . . . . .   | 29    | 7,875              | 1,067            |
|   |       | <u>99,793</u>      | <u>81,010</u>    |
| Net assets . . . . .  |       | <u>3,715,841</u>   | <u>4,686,729</u> |
| <b>Capital and reserves</b>   |       |                    |                  |
| Paid-in share capital . . . . .   | 30    | 604,460            | 604,460          |
| Reserves . . . . .  |       | 2,984,735          | 3,942,134        |
| Equity attributable to owners of the Company . . . . .                                    |       | <u>3,589,195</u>   | <u>4,546,594</u> |
| Non-controlling interests . . . . .   |       | 126,646            | 140,135          |
|   |       | <u>3,715,841</u>   | <u>4,686,729</u> |

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COMBINED STATEMENTS OF CHANGES IN EQUITY

|   | Attributable to owners of the Company |               |                 |                            |                     |                  |           | Total    |                           |
|---|---------------------------------------|---------------|-----------------|----------------------------|---------------------|------------------|-----------|----------|---------------------------|
|   | Paid-in share capital                 | Other reserve | Surplus reserve | Share award scheme reserve | Translation reserve | Retained profits | Subtotal  |          | Non-controlling interests |
|   | RMB'000                               | RMB'000       | RMB'000         | RMB'000                    | RMB'000             | RMB'000          | RMB'000   | RMB'000  | RMB'000                   |
| At January 1, 2023  | 92,111                                | 102,131       | 26,303          | 24,381                     | 2,305               | 2,329,137        | 2,576,368 | 49,863   | 2,626,231                 |
| Profit for the year   | –                                     | –             | –               | –                          | –                   | 1,128,215        | 1,128,215 | 12,219   | 1,140,434                 |
| Other comprehensive expense for the year                        | –                                     | –             | –               | –                          | (8,081)             | –                | (8,081)   | –        | (8,081)                   |
| Total comprehensive (expense) income for the year               | –                                     | –             | –               | –                          | (8,081)             | 1,128,215        | 1,120,134 | 12,219   | 1,132,353                 |
| Recognition of equity settled share based payment               | –                                     | –             | –               | 44,945                     | –                   | –                | 44,945    | –        | 44,945                    |
| Shares vested under share award scheme                          | –                                     | –             | –               | (42,888)                   | –                   | 746              | (42,142)  | –        | (42,142)                  |
| Capital contribution from non-controlling interests (“NCI”)     | –                                     | –             | –               | –                          | –                   | –                | –         | 111,209  | 111,209                   |
| Capital contribution from shareholder                           | 533,368                               | –             | –               | –                          | –                   | –                | 533,368   | –        | 533,368                   |
| Dividends paid  | –                                     | –             | –               | –                          | –                   | (555,854)        | (555,854) | –        | (555,854)                 |
| Acquisition of NCI and deregistration of a subsidiary (Note 30) | (21,019)                              | (69,197)      | –               | –                          | –                   | 2,592            | (87,624)  | (46,645) | (134,269)                 |
| Appropriation   | –                                     | –             | 5,457           | –                          | –                   | (5,457)          | –         | –        | –                         |
| At December 31, 2023  | 604,460                               | 32,934        | 31,760          | 26,438                     | (5,776)             | 2,899,379        | 3,589,195 | 126,646  | 3,715,841                 |
| Profit for the year   | –                                     | –             | –               | –                          | –                   | 1,258,239        | 1,258,239 | 13,489   | 1,271,728                 |
| Other comprehensive expense for the year                        | –                                     | –             | –               | –                          | (16,739)            | –                | (16,739)  | –        | (16,739)                  |

(Note 38)

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|  | Attributable to owners of the Company  |                             |                               |  |                                   |                                |                     | Total<br>RMB'000 |   |
|--|--|-----------------------------|-------------------------------|--|-----------------------------------|--------------------------------|---------------------|------------------|---|
|  | Paid-in<br>share<br>capital<br>RMB'000 | Other<br>reserve<br>RMB'000 | Surplus<br>reserve<br>RMB'000 | Share<br>award<br>scheme<br>reserve<br>RMB'000<br><i>(Note 38)</i> | Translation<br>reserve<br>RMB'000 | Retained<br>profits<br>RMB'000 | Subtotal<br>RMB'000 |                  | Non-<br>controlling<br>interests<br>RMB'000 |
| Total comprehensive (expense) income<br>for the year . . . . . | -                                      | -                           | -                             | -  | (16,739)                          | 1,258,239                      | 1,241,500           | 13,489           | 1,254,989                                   |
| Recognition of equity settled share based<br>payment . . . . . | -                                      | -                           | -                             | 48,838   | -                                 | -                              | 48,838              | -                | 48,838                                      |
| Shares vested under share award scheme . . . . .               | -                                      | -                           | -                             | (48,473)   | -                                 | 1,012                          | (47,461)            | -                | (47,461)                                    |
| Dividends paid . . . . .                                       | -                                      | -                           | -                             | -  | -                                 | (285,478)                      | (285,478)           | -                | (285,478)                                   |
| Appropriation . . . . .  | -                                      | -                           | 7,383                         | -  | -                                 | (7,383)                        | -                   | -                | -   |
| At December 31, 2024 . . . . .                                 | 604,460                                | 32,934                      | 39,143                        | 26,803   | (22,515)                          | 3,865,769                      | 4,546,594           | 140,135          | 4,686,729                                   |

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**COMBINED STATEMENTS OF CASH FLOWS**

|  | <b>Year ended December 31,</b> |                  |
|--|--------------------------------|------------------|
|  | <b>2023</b>                    | <b>2024</b>      |
|  | <i>RMB'000</i>                 | <i>RMB'000</i>   |
| <b>OPERATING ACTIVITIES</b>  |                                |                  |
| Profit before tax . . . . .  | 1,270,489                      | 1,427,249        |
| Adjustments for:   |                                |                  |
| Depreciation of property, plant and equipment . . . . .  | 150,366                        | 167,365          |
| Depreciation of right-of-use assets . . . . .  | 14,214                         | 14,477           |
| Amortization of intangible assets . . . . .  | 5,950                          | 5,950            |
| Allowance for inventories . . . . .  | 17,713                         | 6,980            |
| Impairment losses under ECL model,<br>net of reversal . . . . .                                  | (3,861)                        | (1,237)          |
| Loss on disposal of property, plant and equipment . .  | 341                            | 1,728            |
| Expense recognized in respect of share award<br>scheme granted by the ultimate holding company . | 44,945                         | 48,838           |
| Interest income from short term fixed deposits and<br>bank balances . . . . .                    | (5,129)                        | (4,315)          |
| Investment income from unlisted financial products<br>at FVTPL . . . . .                         | (830)                          | (876)            |
| Finance costs . . . . .  | 7,172                          | 10,898           |
| Net foreign exchange gain . . . . .  | (9,907)                        | (6,652)          |
| Operating cash flows before movements in<br>working capital . . . . .                            | 1,491,463                      | 1,670,405        |
| Decrease (increase) in inventories . . . . .   | 17,118                         | (173,596)        |
| Increase in trade and other receivables<br>and prepayments . . . . .                             | (216,296)                      | (306,508)        |
| Increase in receivables at FVTOCI . . . . .  | (112,915)                      | (66,380)         |
| Increase in amounts due from related parties . . . . .   | (8,055)                        | (12,959)         |
| Increase in amounts due to related parties . . . . .   | 3,816                          | 14,354           |
| Increase in trade and other payables . . . . .   | 192,596                        | 323,658          |
| Increase in contract liabilities . . . . .   | 3,739                          | 9,576            |
| Increase (decrease) in deferred income . . . . .   | 6,325                          | (10,731)         |
| Cash generated from operations . . . . .   | 1,377,791                      | 1,447,819        |
| Income tax paid . . . . .  | (105,503)                      | (123,991)        |
| <b>Net cash from operating activities . . . . .</b>  | <b>1,272,288</b>               | <b>1,323,828</b> |

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|   | Year ended December 31, |                    |
|---|-------------------------|--------------------|
|   | 2023                    | 2024               |
|   | <i>RMB'000</i>          | <i>RMB'000</i>     |
| <b>INVESTING ACTIVITIES</b>   |                         |                    |
| Interest and investment income received . . . . .   | 5,959                   | 4,775              |
| Placement of short term fixed deposits . . . . .  | (53,456)                | (74,478)           |
| Release of short term fixed deposits . . . . .  | 42,886                  | 63,994             |
| Advance to related parties . . . . .  | (533,274)               | (557,104)          |
| Purchases of unlisted financial products . . . . .  | (31,000)                | (1,593,000)        |
| Release of unlisted financial products . . . . .  | 74,800                  | 1,338,000          |
| Purchases of property, plant and equipment . . . . .  | (319,857)               | (475,844)          |
| Proceeds from disposal of property,<br>plant and equipment . . . . .                          | 1,009                   | 1,921              |
| Prepayments for land use right . . . . .  | (33,805)                | –                  |
| Acquisition of land use right . . . . .   | (70,785)                | (65,474)           |
| <b>Net cash used in investing activities . . . . .</b>  | <u>(917,523)</u>        | <u>(1,357,210)</u> |
| <b>FINANCING ACTIVITIES</b>   |                         |                    |
| Interest paid . . . . .   | (7,172)                 | (9,012)            |
| Dividends paid . . . . .  | (555,854)               | (285,478)          |
| Proceeds from notes financing . . . . .   | 227,943                 | 175,957            |
| Payments for notes financing . . . . .  | (166,418)               | (209,787)          |
| New bank borrowings raised . . . . .  | 18,393                  | 140,000            |
| Repayment of bank borrowings . . . . .  | –                       | (140,000)          |
| Receipt of amounts due to related parties . . . . .   | 28,331                  | 420,521            |
| Repayment of amounts due to related parties . . . . .   | (234,000)               | (28,331)           |
| Capital contribution from NCI . . . . .   | 111,209                 | –                  |
| Capital contribution from shareholders . . . . .  | 533,368                 | –                  |
| Repayments to NCI for the deregistration<br>of a subsidiary . . . . .                         | (39,809)                | –                  |
| Repayments to shareholder for the deregistration<br>of a subsidiary . . . . .                 | (94,460)                | –                  |
| Payments to the ultimate holding company for its<br>shares under share award scheme . . . . . | (25,921)                | (62,165)           |
| Repayments of lease liabilities . . . . .   | (13,139)                | (12,633)           |
| <b>Net cash used in financing activities . . . . .</b>  | <u>(217,529)</u>        | <u>(10,928)</u>    |
| Net increase (decrease) in cash and cash equivalents . .                                      | 137,236                 | (44,310)           |
| Cash and cash equivalents at beginning of the year . . .                                      | 175,298                 | 315,227            |
| Effect of foreign exchange rate changes . . . . .   | 2,693                   | 93                 |
| <b>Cash and cash equivalents at end of the year . . . . .</b>                                 | <u>315,227</u>          | <u>271,010</u>     |

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### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 1. GENERAL

The Company was established in the People’s Republic of China (the “PRC”) on November 12, 2025, as a joint stock company with limited liability. Its parent is Zhejiang Sunny Optics Co., Ltd. (“Sunny Zhejiang Optics”) and throughout the Track Record Period and as at the date of this report, Sunny Optical Technology (Group) Company Limited (“Sunny Optical Technology”) is the ultimate holding company of the Company before and after the transfers and acquisition as set out in Note 2 below. The addresses of the registered office and principal place of business of the Company are disclosed in the section “Corporate Information” of the Document.

The Company is an investment holding company. During the Track Record Period, the subsidiaries and combined affiliated entities of the Company as set out in Note 37 (hereinafter together with the Company collectively referred to as the “Group”) are principally engaged in the business of designing, researching and developing, manufacturing and selling of vehicle camera solutions and other vehicle optical solutions.

The Historical Financial Information are presented in Renminbi (“RMB”) which is also the functional currency of the Company.

#### 2. GROUP REORGANIZATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the principle of merger accounting under Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (details are set out below).

##### History and group reorganization

To rationalize the structure of the Group in preparation for the separate [REDACTED] of the Company’s shares on the Main Board of the Stock Exchange of Hong Kong Limited (the “[REDACTED]”) Sunny Optical Technology underwent a series of group reorganization as further described below. The Company and the then subsidiaries are under the common control of Sunny Optical Technology, and (the “Reorganization”) had been accounted for as business combination involving entities under common control using the principle of merger accounting.

- i. The Company was established in the PRC on November 12, 2025 by Sunny Zhejiang Optics, an indirect wholly-owned subsidiary of Sunny Optical Technology.
- ii. Summit Autotech Limited (“SA”) was established in Hong Kong on November 12, 2025 and is wholly-owned by Ningbo Sunny Automotive Optech Co., Ltd. (“Sunny Automotive Optech”), an indirect wholly-owned subsidiary of Sunny Optical Technology.
- iii. On December 5, 2025, SA entered into share purchase agreements with Summit Optical Investment Limited (“Summit Investment”), an indirect wholly-owned subsidiary of Sunny Optical Technology, for acquisition of 100% equity interest in Sunny Automotive Vina Co., Ltd. (“SAV”) and Sunny Automotive Optech Vina Co., Ltd. (“SAOV”) from Summit Investment.
- iv. On December 29, 2025, Sunny Zhejiang Optics transferred its 100% equity interests in Sunny Automotive Optech to the Company, and the Company issued and allotted 1,596,000,000 Shares to Sunny Zhejiang Optics in return.
- v. On December 29, 2025, Sunny Group Limited, an indirect wholly-owned subsidiary of Sunny Optical Technology, transferred its 77% equity interests in Zhejiang Sunny SmartLead Technologies Co., Ltd. (“Sunny SmartLead”) to the Company, and the Company issued and allotted 234,000,000 Shares to Sunny Group Limited in return.
- vi. On December 29, 2025, Smart Vista Technologies Company Limited (“Smart Vista”), a minority shareholder of Sunny SmartLead, held as to 86.51% by Yuantai Investment Partners Evergreen Fund L.P., whose managing partner is Mr. Shao Yang Dong, one of non-executive directors appointed on January 15, 2026, transferred its 23% equity interest in Sunny SmartLead to the Company, and the Company issued and allotted 70,000,000 Shares to Smart Vista in return. Upon completion of the transfer, Sunny SmartLead is held as to 100% by the Company.

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The Reorganization has been completed on January 9, 2026. Details of the Reorganization has been more fully explained in the section headed “History, Reorganization and Corporate Structure” in the Document.

### Basis of preparation and presentation

The Reorganization had been reflected in the Historical Financial Information of the Group using the principle of merger accounting as if they had been combined from the date when the entities, under the Group, first came under the control of Sunny Optical Technology. Accordingly, the Historical Financial Information has been prepared on a combined basis by applying the principle of merger accounting as if the Reorganization had been completed at the beginning of the Track Record Period.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period including the results, changes in equity and cash flows of the entities now comprising the Group, as if the Company had always been the holding company of the Group and the group structure upon completion of the Reorganization had been in existence throughout the Track Record Period, or since their respective date of establishment, incorporation or acquisition, where this is a shorter period.

The combined statements of financial position of the Group as at December 31, 2023 and 2024 have been prepared to present the assets and liabilities of the entities now comprising the Group, as if the Company had always been the holding company of the Group and the group structure upon completion of the Reorganization had been in existence at those dates taking into account the respective dates of establishment, incorporation or acquisition, where applicable.

No statutory financial statements of the Company have been prepared since its date of incorporate as it is incorporated in a jurisdiction where there are no statutory audit requirements.

### 3. ADOPTION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with HKFRS Accounting Standards, which are effective for the Group’s accounting period beginning on January 1, 2025, throughout the Track Record Period.

#### New and amendments to HKFRS Accounting Standards in issue but not yet effective

At the date of this report, the following new and amendments to HKFRSs have been issued which are not yet effective:

|  |  |
|--|--|
| Amendments to HKAS 21 . . . . .                | Translation to a Hyperinflationary Presentation Currency <sup>3</sup>                              |
| Amendments to HKFRS 9 and HKFRS 7 . . . . .    | Amendments to the Classification and Measurement of Financial Instruments <sup>2</sup>             |
| Amendments to HKFRS 9 and HKFRS 7 . . . . .    | Contracts Referencing Nature-dependent Electricity <sup>2</sup>                                    |
| Amendments to HKFRS 10 and HKAS 28 . . . . .   | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup> |
| Amendments to HKFRS Accounting Standards . . . | Annual Improvements to HKFRS Accounting Standards – Volume 11 <sup>2</sup>                         |
| HKFRS 18 . . . . .                             | Presentation and Disclosure in Financial Statements <sup>3</sup>                                   |

1 Effective for annual periods beginning on or after a date to be determined

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

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

Except for the new HKFRS Accounting Standards mentioned below, the directors of the Company anticipate that the application of all amendments to HKFRS Accounting Standards will have no material impact on the combined financial statements in the foreseeable future.

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### *HKFRS 18 Presentation and Disclosure in Financial Statements*

HKFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements*. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 and HKAS 7. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Share* are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after January 1, 2027, with early application permitted. HKFRS 18 requires retrospective application with specific transition provisions. The application of the new standard is not expected to have significant impact on the financial performance and positions of the Group in terms of recognition and measurement. However, it is expected to affect the structure and presentation of the consolidated statement of profit or loss.

#### 4. MATERIAL ACCOUNTING POLICY INFORMATION

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with HKFRSs issued by HKICPA. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

##### **Basis of combination**

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Combination of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Track Record Period are included in the combined statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the NCI. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the NCI even if this results in the NCI having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

NCI in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

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### **Merger accounting for business combination involving businesses under common control**

The Historical Financial Information incorporates the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognized in respect of goodwill or bargain purchase gain at the time of common control combination.

Expenditure incurred in relation to a common control combination that is to be accounted for by using merger accounting is recognized as an expense in the period in which it is incurred.

The combined statements of profit or loss and other comprehensive income include the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where there is a shorter period.

The comparative amounts in the Historical Financial Information are presented as if the combining businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

### **Revenue from contracts with customers**

Information about the Group's accounting policies relating to revenue from contracts with customers is provided in Notes 6 and 26.

### **Leases**

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

#### *The Group as a lessee*

##### *Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

##### *Short-term leases*

The Group applies the short-term lease recognition exemption to leases of machine and staff dormitories that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

##### *Right-of-use assets*

The cost of right-of-use assets include:

- the amounts of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the combined statement of financial position.

### *Refundable rental deposits*

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

### *Lease liabilities*

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment whether the risk profile of the entity that enters into the lease is different to that of the Group and whether the lease benefit from a guarantee from the Group.

The lease payments include fixed payments (including in-substance fixed payments).

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the combined statement of financial position.

### **Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when fair value was determined. When a fair value gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is also recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the combined financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to NCI as appropriate).

### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

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### Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the combined statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

### Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

### Warranties

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of goods are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

### Employee Benefits

#### *Retirement benefit costs*

Payments to defined contribution retirement benefit schemes are recognized as an expense when employees have rendered service entitling them to the contributions.

#### *Short-term and other long-term employee benefits*

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another HKFRS Accounting Standard requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognized in profit or loss except to the extent that another HKFRS Accounting Standard requires or permits their inclusion in the cost of an asset.

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### Share-based payments

#### *Equity-settled share-based payment transactions*

##### *Shares granted by the ultimate holding company to employees of the Group*

The Group purchases treasury stock from the ultimate holding company for its employee incentive in exchange for their service. For shares granted by the ultimate holding company under the Sunny Optical Technology (Group) Company Limited Restricted Share Award Scheme ("Restricted Shares"), the fair value of the employee services received is determined by reference to the fair value of the Restricted Shares granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share award scheme reserve). At the end of each reporting period, the Group revises its estimate of the number of Restricted Shares that are expected to vest based on assessment of all relevant non-market vesting conditions.

The impact of the revision of the original estimates, if any, is recognized in the profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share award scheme reserve. When the Restricted Shares are vested, the difference of the amount previously recognized in the share award scheme reserve and the cost of the related Restricted Shares previously acquired by the Group will be transferred to retained profits.

### Taxation

Income tax expense represents the sum of the current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the combined financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary differences arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purpose of measuring deferred tax of leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to right-of-use assets or the lease liabilities.

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For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities and the related assets separately. The Group recognizes a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss.

### **Property, plant and equipment**

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property, plant and equipment are stated in the combined statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets are functioning properly and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the combined statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognized so as to write off the cost of assets, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

### **Intangible assets**

#### *Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

#### *Internally-generated intangible assets — research and development expenditure*

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;

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- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

### *Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortization and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

### **Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill**

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if

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measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

### **Cash and cash equivalents**

Cash and cash equivalents presented on the combined statement of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

### **Inventories**

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale, including costs to be incurred in marketing, selling and distribution.

### **Financial instruments**

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

### ***Financial assets***

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established generally by regulation or convention in the market place concerned.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

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### *Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a designated and effective hedging instrument.

### *Classification and subsequent measurement of financial assets*

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortized cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

#### (i) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost and at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

#### (ii) Receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognized in profit or loss. The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these receivables had been measured at amortized cost. All other changes in the carrying amount of these receivables are recognized in other comprehensive income and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognized in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these receivables. When these receivables are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

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### (iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

The Group performs impairment assessment under ECL model on financial assets (including trade and other receivables, receivables at FVTOCI, amounts due from related parties, short term fixed deposits and bank balances and cash) which are subject to impairment assessment under HKFRS 9.

The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments 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 of past events and current conditions at the reporting date as well as the forecast of future economic conditions.

The Group always recognizes lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group 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.

### (i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from governmental bodies, relevant think-tanks and other similar organisations, 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;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- 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.

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Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and forward-looking information, including time value of money where appropriate, that is available without undue cost or effort.

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

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Lifetime ECL for certain trade receivables is considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortized cost of the financial asset.

Except for receivables that are measured at FVTOCI, the Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognized through a loss allowance account. For receivables that are measured at FVTOCI, the loss allowance is recognized in other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amount of these receivables. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

### *Foreign exchange gains and losses*

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'Other gains and losses' line item (Note 8) as part of the net foreign exchange gains/(losses);
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'Other gains and losses' line item as part of the gain/(loss) on changes in fair value of derivative financial instruments (Note 8).

### *Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of the receivables that are measured at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained profits.

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### *Financial liabilities and equity*

#### *Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issued costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancelation of the Company's own equity instruments.

#### *Financial liabilities*

All financial liabilities are subsequently measured at amortized cost using the effective interest method.

#### *Financial liabilities at amortized cost*

Financial liabilities, including trade and other payables, amounts due to related parties and bank borrowings are subsequently measured at amortized cost, using the effective interest method.

#### *Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognized less, where appropriate, cumulative amortization recognized over the guarantee period.

#### *Foreign exchange gains and losses*

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the 'Other gains and losses' line item in profit or loss (Note 8) as part of net foreign exchange gains/(losses) for financial liabilities that are not part of a designated hedging relationship.

#### *Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

## **5. KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the coming twelve months.

### Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables which are not credit-impaired. The provision matrix is based on debtor's aging as groupings of various debtors that have similar loss patterns. The provision rate is based on the Group's historical observed default rates taking into consideration the forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables which are credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Notes 32 and 22 respectively.

### Recognition of deferred tax assets

No deferred tax asset has been recognized at December 31, 2023 and 2024 on the tax losses of RMB302,069,000 and RMB334,023,000, respectively, either due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient taxable profits will be available in the foreseeable future or taxable temporary differences are expected to reverse in the same period as the expected reversal of the deductible temporary differences, which is a key source of estimation uncertainty. The uncertainty would depend on how the ongoing uncertain macroeconomic and geopolitical environment, which includes the impact of changes in global trade (e.g. new or increase tariffs and import duties), persistent effects of climate-related matters, inflation, volatility in foreign exchange rates, increased interest rates, changes in commodity pricing, volatility in energy prices and financial market turbulence. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal or further recognition takes place.

## 6. REVENUE AND OPERATING SEGMENTS

Information reported to the board of directors, being the chief operating decision maker, for the purposes of resource allocation and assessment focuses on revenue analysis by products and by geographic location of customers. No other discrete financial information is provided other than the Group's results and financial position as a whole. Accordingly, only entity-wide disclosures, major customers and geographic information are presented.

Specifically, the Group has one operating segment under HKFRS 8 Operating Segments.

### (i) Disaggregation of revenue from contracts with customers

|   | Year ended December 31, |                  |
|---|-------------------------|------------------|
|   | 2023                    | 2024             |
|   | <i>RMB'000</i>          | <i>RMB'000</i>   |
| <b>Revenue from sales of goods</b>          |                         |                  |
| – Vehicle camera solutions . . . . .        | 4,984,011               | 5,679,493        |
| – Other vehicle optical solutions . . . . . | 278,193                 | 309,764          |
|   | <u>5,262,204</u>        | <u>5,989,257</u> |
|   |                         |                  |
|   | Year ended December 31, |                  |
|   | 2023                    | 2024             |
|   | <i>RMB'000</i>          | <i>RMB'000</i>   |
| <b>Timing of revenue recognition</b>        |                         |                  |
| A point in time . . . . .                   | <u>5,262,204</u>        | <u>5,989,257</u> |

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### (ii) Performance obligations for contracts with customers and revenue recognition policies

The Group sells vehicle camera solutions and other vehicle optical solutions to customers. For sales of vehicle camera solutions and other vehicle optical solutions, revenue is recognized when control of the goods has been transferred, generally occurring upon shipment, delivery, customer acceptance or customer usage according to the terms of the underlying contract, which is the point of time when the customer has the ability to direct the use of these products and obtain substantially all of the remaining benefits of these products. Transportation and handling activities that occur before customers obtain control are considered as fulfillment activities. The credit term granted to customers is average 90 days. The transaction price received by the Group is recognized as a contract liability for sales in which revenue has yet been recognized.

### (iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The Group applies the practical expedient of not disclosing the transaction price allocated to performance obligations that were unsatisfied as the Group’s contract has an original expected duration of less than one year.

### (iv) Geographical information

|  | Year ended December 31, |                  |
|--|-------------------------|------------------|
|  | 2023                    | 2024             |
|  | RMB’000                 | RMB’000          |
| Chinese Mainland . . . . .               | 2,360,233               | 3,102,592        |
| Europe . . . . .                         | 1,448,241               | 1,328,277        |
| North America . . . . .                  | 732,549                 | 719,537          |
| Asia (except Chinese Mainland) . . . . . | 645,302                 | 697,063          |
| Others . . . . .                         | 75,879                  | 141,788          |
| <b>Total</b> . . . . .                   | <b>5,262,204</b>        | <b>5,989,257</b> |

### (v) Information about major customers

|                      | Year ended December 31, |            |
|----------------------|-------------------------|------------|
|                      | 2023                    | 2024       |
|                      | RMB’000                 | RMB’000    |
| Customer A . . . . . | 707,083                 | 811,301    |
| Customer B . . . . . | 774,407                 | 631,063    |
| Customer C . . . . . | 594,517                 | N/A (note) |

Note: The corresponding revenue did not contribute over 10% of the revenue of the Group.

## 7. OTHER INCOME

|   | Year ended December 31, |               |
|---|-------------------------|---------------|
|   | 2023                    | 2024          |
|   | RMB’000                 | RMB’000       |
| Government grants (Note a) . . . . .  | 40,488                  | 28,349        |
| Value-added tax (“VAT”) exemption (Note b) . . . . .                          | 8,110                   | 19,211        |
| Interest income from short term fixed deposits and<br>bank balances . . . . . | 5,129                   | 4,315         |
| Others . . . . .  | 3,285                   | 7,521         |
|   | <b>57,012</b>           | <b>59,396</b> |

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*Notes:*

- (a) Further to Note 29, the amounts represent unconditional subsidies mainly related to research and development of technology projects. There are no unfulfilled conditions or contingencies relating to the above subsidies.
- (b) Certain of the Company’s subsidiaries are entitled preferential value-added tax treatments and received additional value-added tax deduction during the years ended December 31, 2023 and 2024.

**8. OTHER GAINS AND LOSSES**

|   | Year ended December 31, |                |
|---|-------------------------|----------------|
|   | 2023                    | 2024           |
|   | <i>RMB’000</i>          | <i>RMB’000</i> |
| Net foreign exchange gains . . . . .                          | 48,437                  | 47,237         |
| Losses on disposal of property, plant and equipment . . . . . | (341)                   | (1,728)        |
| Fair value changes of financial assets at FVTPL . . . . .     | 830                     | 876            |
|   | <u>48,926</u>           | <u>46,385</u>  |

**9. FINANCE COSTS**

|   | Year ended December 31, |                |
|---|-------------------------|----------------|
|   | 2023                    | 2024           |
|   | <i>RMB’000</i>          | <i>RMB’000</i> |
| Interests on bank borrowings . . . . .                                      | 1,881                   | 5,608          |
| Interests on lease liabilities . . . . .                                    | 2,520                   | 1,978          |
| Interests on amounts due to related parties ( <i>Note 36(b)</i> ) . . . . . | 2,823                   | 9,138          |
| Total interests . . . . .   | 7,224                   | 16,724         |
| Less: Amount capitalized in construction in progress . . . . .              | (52)                    | (5,826)        |
|   | <u>7,172</u>            | <u>10,898</u>  |

**10. PROFIT FOR THE YEAR**

Profit for the Track Record Period has been arrived at after charging:

|   | Year ended December 31, |                |
|---|-------------------------|----------------|
|   | 2023                    | 2024           |
|   | <i>RMB’000</i>          | <i>RMB’000</i> |
| Directors’ emoluments ( <i>Note 12</i> ) . . . . .  | 3,739                   | 5,028          |
| Other staff’s salaries and allowances . . . . .   | 546,703                 | 592,370        |
| Other staff’s discretionary bonuses . . . . .   | 70,598                  | 99,471         |
| Other staff’s contribution to retirement benefits schemes . . . . .                                   | 71,642                  | 80,749         |
| Other staff’s expense related to share award scheme granted by the ultimate holding company . . . . . | 43,555                  | 47,567         |
| Total staff costs . . . . .   | 736,237                 | 825,185        |
| Capitalized in inventories . . . . .  | (282,369)               | (319,606)      |
|   | <u>453,868</u>          | <u>505,579</u> |
| Cost of inventories recognized as an expense . . . . .  | 3,341,768               | 3,808,833      |
| Auditor’s remuneration . . . . .  | 423                     | 460            |
| Allowance for inventories (included in cost of sales) . . . . .                                       | 17,713                  | 6,980          |
| Depreciation of property, plant and equipment . . . . .   | 150,366                 | 167,365        |
| Depreciation of right-of-use assets . . . . .   | 14,214                  | 14,477         |
| Amortization of intangible assets . . . . .   | 5,950                   | 5,950          |
| Total depreciation and amortization expenses . . . . .  | 170,530                 | 187,792        |
| Capitalized in inventories . . . . .  | (124,714)               | (133,829)      |
|   | <u>45,816</u>           | <u>53,963</u>  |

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### 11. INCOME TAX EXPENSE

|   | Year ended December 31, |                |
|---|-------------------------|----------------|
|   | 2023                    | 2024           |
|   | RMB'000                 | RMB'000        |
| Current tax:                                  |                         |                |
| – PRC Enterprise Income Tax (“EIT”) . . . . . | 102,902                 | 102,656        |
| – Other jurisdictions . . . . .               | 30,693                  | 39,121         |
| – Top-up tax under Pillar Two rules . . . . . | –                       | 16,777         |
|   | <u>133,595</u>          | <u>158,554</u> |
| Under provision in prior years . . . . .      | 4,074                   | –              |
| Deferred tax ( <i>Note 18</i> ):              |                         |                |
| – Current year . . . . .                      | (7,614)                 | (3,033)        |
|   | <u>130,055</u>          | <u>155,521</u> |

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years, except as described below:

- (i) Sunny Automotive Optech and Sunny SmartLead, domestic limited liability companies, were approved as Hi-Tech Enterprises and entitled to a preferential tax rate of 15% with the expiry date in December 2026.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The Group is subject to the global minimum top-up tax Pillar Two Rules during the year ended December 31, 2024. Pillar Two Rules has become effective in Vietnam in which SAV and SAOV are incorporated. The top-up tax relates to the Group’s operation in Vietnam, where the annual effective income tax rates are estimated to be below 15 per cent. Therefore, a top-up tax is accrued in the current period using the tax rate based on the estimated adjusted covered taxes and net globe income for the year ended December 31, 2024. The Group has recognized the current tax expense of RMB16,777,000 related to the top-up tax for the year ended December 31, 2024 which is expected to be levied on Vietnam.

The Group has applied the temporary mandatory exception for recognizing and disclosing deferred tax assets and liabilities for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

The tax charge for the Track Record Period can be reconciled to the profit before tax per the combined statements of profit or loss and other comprehensive income as follows:

|  | Year ended December 31, |                |
|--|-------------------------|----------------|
|  | 2023                    | 2024           |
|  | RMB'000                 | RMB'000        |
| Profit before tax . . . . .  | 1,270,489               | 1,427,249      |
| Tax at the PRC EIT tax rate of 25% . . . . .   | 317,622                 | 356,812        |
| Tax effect of expenses not deductible for tax purpose . .  | 3,322                   | 3,981          |
| Tax effect of allowance under share award scheme in<br>the PRC granted by the ultimate holding company . . | 3,308                   | 5,765          |
| Tax effect of preferential tax rates for certain<br>subsidiaries ( <i>note a</i> ) . . . . .               | (61,372)                | (63,268)       |
| Tax effect of additional tax deduction of research and<br>development expenses ( <i>note b</i> ) . . . . . | (103,081)               | (108,755)      |
| Tax effect of tax losses not recognized . . . . .  | 6,560                   | 4,053          |
| Tax effect of different tax rates of subsidiaries<br>operating in other jurisdictions . . . . .            | (40,378)                | (59,844)       |
| Top-up tax under Pillar Two rules . . . . .  | –                       | 16,777         |
| Under provision in prior years . . . . .   | 4,074                   | –              |
| Income tax expense for the year . . . . .  | <u>130,055</u>          | <u>155,521</u> |

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Details of deferred taxation and unrecognized temporary difference are disclosed in Note 18.

Notes:

- (a) For the PRC subsidiaries which were approved as Hi-Tech Enterprises, they are entitled to a preferential enterprise tax rate of 15%.
- (b) In March 2023, the Ministry of Finance and the State Administration of Taxation released No. 7 announcement of 2023 named “Announcement on Further Improving the Policy on Pre-tax Deduction of Research and Development Expenses”, according to which certain PRC subsidiaries are entitled to an additional 100% tax deduction on eligible research and development expenses during the Track Record Period.

### 12. DIRECTORS’ AND JOINT PRESIDENTS’ EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Details of the emoluments paid or payable to the individuals who were appointed as directors and joint presidents of the Company (including emoluments for services as employees/directors of the group entities prior to becoming the directors of the Company) during the Track Record Period are as follows:

#### For the year ended December 31, 2023

|  | Date of appointment | Directors’ fee | Salaries and allowances | Performance-based bonuses | Retirement benefit scheme contributions | Share award (Note vii) | Total   |
|--|---------------------|----------------|-------------------------|---------------------------|---|------------------------|---------|
|  |                     | RMB’000        | RMB’000                 | RMB’000                   | RMB’000                                 | RMB’000                | RMB’000 |
| <b>Executive directors and joint presidents:</b> |                     |                |                         |                           |   |                        |         |
| Xie Qiansen (Note i)                             | Note ii             | –              | 492                     | 420                       | 38                                      | 740                    | 1,690   |
| Zhang Kouwen (Note i)                            | Note iii            | –              | 560                     | 791                       | 48                                      | 650                    | 2,049   |
| <b>Non-executive directors:</b>                  |                     |                |                         |                           |   |                        |         |
| Wang Wenjie                                      | Note iv             | –              | –                       | –                         | –                                       | –                      | –       |
| Ni Wenjun  | Note iv             | –              | –                       | –                         | –                                       | –                      | –       |
| Shao Yang Dong                                   | Note v              | –              | –                       | –                         | –                                       | –                      | –       |
| <b>Independent non-executive directors:</b>      |                     |                |                         |                           |   |                        |         |
| Wong Sau Pik                                     | Note vi             | –              | –                       | –                         | –                                       | –                      | –       |
| Wu Wenguang                                      | Note vi             | –              | –                       | –                         | –                                       | –                      | –       |
| Bai Jian   | Note vi             | –              | –                       | –                         | –                                       | –                      | –       |
|  |                     | –              | 1,052                   | 1,211                     | 86                                      | 1,390                  | 3,739   |
|  |                     | –              | –                       | –                         | –                                       | –                      | –       |

#### For the year ended December 31, 2024

|  | Date of appointment | Directors’ fee | Salaries and allowances | Performance-based bonuses | Retirement benefit scheme contributions | Share award (Note vii) | Total   |
|--|---------------------|----------------|-------------------------|---------------------------|---|------------------------|---------|
|  |                     | RMB’000        | RMB’000                 | RMB’000                   | RMB’000                                 | RMB’000                | RMB’000 |
| <b>Executive directors and joint presidents:</b> |                     |                |                         |                           |   |                        |         |
| Xie Qiansen (Note i)                             | Note ii             | –              | 530                     | 956                       | 40                                      | 740                    | 2,266   |
| Zhang Kouwen (Note i)                            | Note iii            | –              | 589                     | 1,607                     | 35                                      | 531                    | 2,762   |
| <b>Non-executive directors:</b>                  |                     |                |                         |                           |   |                        |         |
| Wang Wenjie                                      | Note iv             | –              | –                       | –                         | –                                       | –                      | –       |
| Ni Wenjun  | Note iv             | –              | –                       | –                         | –                                       | –                      | –       |
| Shao Yang Dong                                   | Note v              | –              | –                       | –                         | –                                       | –                      | –       |
| <b>Independent non-executive directors:</b>      |                     |                |                         |                           |   |                        |         |
| Wong Sau Pik                                     | Note vi             | –              | –                       | –                         | –                                       | –                      | –       |
| Wu Wenguang                                      | Note vi             | –              | –                       | –                         | –                                       | –                      | –       |
| Bai Jian   | Note vi             | –              | –                       | –                         | –                                       | –                      | –       |
|  |                     | –              | 1,119                   | 2,563                     | 75                                      | 1,271                  | 5,028   |
|  |                     | –              | –                       | –                         | –                                       | –                      | –       |

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*Notes:*

- i. The executive directors’ emoluments shown above were for their services in connection with the management of the affairs of the Group.
- ii. Mr. Xie Qiansen was appointed as the executive director and joint president on November 7, 2025.
- iii. Mr. Zhang Kouwen was appointed as the executive director and joint president on January 15, 2026.
- iv. Mr. Wang Wenjie and Mr. Ni Wenjun were appointed as the non-executive directors of the Company on November 7, 2025.
- v. Mr. Shao Yang Dong was appointed as the non-executive director of the Company on January 15, 2026.
- vi. Ms. Wong Sau Pik, Mr. Wu Wenguang and Mr. Bai Jian were appointed as independent non-executive directors of the Company on January 15, 2026 with effect from the [REDACTED].
- vii. The share award scheme is granted by the ultimate holding company.

During the Track Record Period, no remuneration was paid by the Group to the directors nor the joint presidents of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the directors and joint presidents of the Company waived or agree to waive any remuneration during the Track Record Period.

### Five Highest Paid Employees’ Remuneration

The five highest paid employees of the Group during the years ended December 31, 2023 and 2024 included 2 and 2 directors, respectively, details of whose remuneration are set out in the Note 12 above.

The remunerations in respect of the remaining 3 individuals during the Track Record Period are as follows:

|  | Year ended December 31, |              |
|--|-------------------------|--------------|
|  | 2023                    | 2024         |
|  | RMB’000                 | RMB’000      |
| Salaries and allowances . . . . .                                    | 2,252                   | 1,998        |
| Performance-based bonuses . . . . .                                  | 1,814                   | 3,558        |
| Contributions to retirement benefits schemes . . . . .               | 164                     | 164          |
| Share award scheme granted by the ultimate holding company . . . . . | 2,828                   | 2,726        |
|  | <u>7,058</u>            | <u>8,446</u> |

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During the Track Record Period, the remunerations of the five highest paid individuals are within following bands (presented in Hong Kong Dollar ("HKD")):

|  | 2023             | 2024             |
|--|------------------|------------------|
|  | No. of employees | No. of employees |
| HKD1,500,001 to HKD2,000,000 . . . . . | 2                | 1                |
| HKD2,000,001 to HKD2,500,000 . . . . . | 2                | 1                |
| HKD2,500,001 to HKD3,000,000 . . . . . | –                | 1                |
| HKD3,000,001 to HKD3,500,000 . . . . . | –                | 1                |
| HKD3,500,001 to HKD4,000,000 . . . . . | 1                | –                |
| HKD4,500,001 to HKD5,000,000 . . . . . | –                | 1                |
|  | <u>5</u>         | <u>5</u>         |

During the Track Record Period, no remuneration was paid by the Group to the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office. None of the five highest paid individuals waived any remuneration during the Track Record Period.

### 13. DIVIDENDS

Dividend was declared and paid by certain subsidiaries of the Company for the year ended December 31, 2023 and 2024 in the amount of a total of RMB555,854,000 and RMB285,478,000, respectively.

### 14. EARNINGS PER SHARE

No earnings per share information is presented as such information is not meaningful because the Reorganization has not completed by the end of the Track Record Period and the presentation of the results of the Group for each of the two years ended December 31, 2023 and 2024 is prepared on a combined basis as disclosed in Note 2.

### 15. PROPERTY, PLANT AND EQUIPMENT

|                                   | Owned properties | Machinery and production equipment | Motor vehicles | Fixtures and office equipment | Construction in progress | Total            |
|-----------------------------------|------------------|------------------------------------|----------------|-------------------------------|--------------------------|------------------|
|                                   | RMB'000          | RMB'000                            | RMB'000        | RMB'000                       | RMB'000                  | RMB'000          |
| COST                              |                  |                                    |                |                               |                          |                  |
| At January 1, 2023 . . . . .      | 27,555           | 895,006                            | 673            | 54,780                        | 1,773                    | 979,787          |
| Additions . . . . .               | 181              | 269,723                            | 287            | –                             | 76,784                   | 346,975          |
| Transfer . . . . .                | –                | 1,405                              | –              | –                             | (1,405)                  | –                |
| Disposals . . . . .               | –                | (4,664)                            | –              | (1,042)                       | –                        | (5,706)          |
| Exchange realignment . . . . .    | (326)            | (546)                              | –              | (16)                          | –                        | (888)            |
| At December 31, 2023 . . . . .    | <u>27,410</u>    | <u>1,160,924</u>                   | <u>960</u>     | <u>53,722</u>                 | <u>77,152</u>            | <u>1,320,168</u> |
| Additions . . . . .               | 347              | 146,937                            | 632            | 8,317                         | 333,306                  | 489,539          |
| Transfer . . . . .                | 72,258           | 9,168                              | –              | 994                           | (82,420)                 | –                |
| Disposals . . . . .               | –                | (20,846)                           | –              | (1,325)                       | –                        | (22,171)         |
| Exchange realignment . . . . .    | (866)            | (2,037)                            | (10)           | (60)                          | (5,235)                  | (8,208)          |
| At December 31, 2024 . . . . .    | <u>99,149</u>    | <u>1,294,146</u>                   | <u>1,582</u>   | <u>61,648</u>                 | <u>322,803</u>           | <u>1,779,328</u> |
| ACCUMULATED DEPRECIATION          |                  |                                    |                |                               |                          |                  |
| At January 1, 2023 . . . . .      | 2,773            | 309,135                            | 540            | 35,910                        | –                        | 348,358          |
| Charge for the year . . . . .     | 1,091            | 142,881                            | 63             | 6,331                         | –                        | 150,366          |
| Eliminated on disposals . . . . . | –                | (3,396)                            | –              | (960)                         | –                        | (4,356)          |
| Exchange realignment . . . . .    | (33)             | (63)                               | –              | (5)                           | –                        | (101)            |

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**ACCOUNTANTS' REPORT**

|                                   | Owned<br>properties | Machinery<br>and<br>production<br>equipment | Motor vehicles | Fixtures and<br>office<br>equipment | Construction<br>in progress | Total            |
|-----------------------------------|---------------------|---|----------------|-------------------------------------|-----------------------------|------------------|
|                                   | <i>RMB'000</i>      | <i>RMB'000</i>                              | <i>RMB'000</i> | <i>RMB'000</i>                      | <i>RMB'000</i>              | <i>RMB'000</i>   |
| At December 31, 2023 . . . . .    | 3,831               | 448,557                                     | 603            | 41,276                              | –                           | 494,267          |
| Charge for the year . . . . .     | 1,318               | 159,059                                     | 165            | 6,823                               | –                           | 167,365          |
| Eliminated on disposals . . . . . | –                   | (17,281)                                    | –              | (1,241)                             | –                           | (18,522)         |
| Exchange realignment . . . . .    | (121)               | (346)                                       | (1)            | (23)                                | –                           | (491)            |
| At December 31, 2024 . . . . .    | <u>5,028</u>        | <u>589,989</u>                              | <u>767</u>     | <u>46,835</u>                       | <u>–</u>                    | <u>642,619</u>   |
| <b>CARRYING VALUES</b>            |                     |   |                |                                     |                             |                  |
| At December 31, 2023 . . . . .    | <u>23,579</u>       | <u>712,367</u>                              | <u>357</u>     | <u>12,446</u>                       | <u>77,152</u>               | <u>825,901</u>   |
| At December 31, 2024 . . . . .    | <u>94,121</u>       | <u>704,157</u>                              | <u>815</u>     | <u>14,813</u>                       | <u>322,803</u>              | <u>1,136,709</u> |

Except for construction in progress, the above items of property, plant and equipment after taking into account the residual values are depreciated on a straight-line basis over their estimated useful lives as follows:

|  |                |
|--|----------------|
| Owned properties . . . . .                   | 20 to 25 years |
| Machinery and production equipment . . . . . | 3 to 10 years  |
| Motor vehicles . . . . .                     | 4 to 5 years   |
| Fixtures and office equipment . . . . .      | 3 to 10 years  |

As at December 31, 2023 and 2024, the Group has obtained the ownership certificates for all buildings and no buildings of the Group were pledged to secure bank borrowings granted.

The directors of the Company considered no impairment loss on property, plant and equipment for both years ended December 31, 2023 and 2024.

**16. RIGHT-OF-USE ASSETS**

|   | Leasehold lands | Leased properties | Total          |
|---|-----------------|-------------------|----------------|
|   | <i>RMB'000</i>  | <i>RMB'000</i>    | <i>RMB'000</i> |
| <b>CARRYING AMOUNT</b>                      |                 |                   |                |
| As at December 31, 2023 . . . . .           | <u>77,472</u>   | <u>52,784</u>     | <u>130,256</u> |
| As at December 31, 2024 . . . . .           | <u>139,206</u>  | <u>39,584</u>     | <u>178,790</u> |
| <b>For the year ended December 31, 2023</b> |                 |                   |                |
| Depreciation charge . . . . .               | <u>97</u>       | <u>14,117</u>     | <u>14,214</u>  |
| <b>For the year ended December 31, 2024</b> |                 |                   |                |
| Depreciation charge . . . . .               | <u>1,278</u>    | <u>13,199</u>     | <u>14,477</u>  |

As at December 31, 2023 and 2024, the Group has obtained the land use right certificates for all leasehold lands and no leasehold lands of the Group were pledged to secure bank borrowings granted.

The directors of the Company considered no impairment loss on right-of-use assets for both years ended December 31, 2023 and 2024.

|  | Year ended December 31, |                |
|--|-------------------------|----------------|
|  | 2023                    | 2024           |
|  | <i>RMB'000</i>          | <i>RMB'000</i> |
| Expenses relating to short-term leases . . . . . | 6,171                   | 9,246          |
| Total cash outflow for leases . . . . .          | 92,615                  | 89,331         |
| Addition to right-of-use assets . . . . .        | 85,233                  | 65,474         |

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During the Track Record Period, the Group leases various offices and plants for its operations. Lease contracts are entered into for fixed term of 56 months to approximately 5 years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several office buildings and industrial buildings where its manufacturing facilities are primarily located. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group regularly entered into short-term leases for staff dormitories and machines. As at December 31, 2023 and 2024, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short term lease expense disclosed above.

**Restrictions or covenants of the leases**

As at December 31, 2023 and 2024, lease liabilities of RMB53,871,000 and RMB41,238,000 are recognized with related right-of-use assets of RMB52,784,000 and RMB39,584,000, respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. The Group is restricted from assigning and subleasing certain leased assets outside the Group.

**17. INTANGIBLE ASSETS**

|   | <u>Patents and others</u> |
|---|---------------------------|
|   | <i>RMB'000</i>            |
| <b>COST</b>   |                           |
| At January 1, 2023, December 31, 2023 and December 31, 2024 . . . . . | 125,900                   |
| <b>AMORTIZATION</b>   |                           |
| At January 1, 2023 . . . . .  | 89,900                    |
| Charge for the year . . . . .   | 5,950                     |
| At December 31, 2023 . . . . .  | 95,850                    |
| Charge for the year . . . . .   | 5,950                     |
| At December 31, 2024 . . . . .  | 101,800                   |
| <b>CARRYING VALUES</b>  |                           |
| At December 31, 2024 . . . . .  | 24,100                    |
| At December 31, 2023 . . . . .  | 30,050                    |

The Group held patents and others acquired from the acquisition of Sunny Mobility Technologies (Ningbo) Co., Ltd. ("Sunny Mobility") (formerly known as Wuxi Wissen Intelligent Sensing Technology Co., Ltd.) to develop the advanced driving assistant system in automobile industry, which were recognized initially at fair value at the acquisition date and subsequently carried at the amount initially recognized less accumulated amortization and impairment losses, if any.

These intangible assets have finite useful lives and are amortized on a straight-line basis over 10 years.

No impairment was recognized in respect of above intangible assets during the Track Record Period as the management considered that no indicator of impairment was identified.

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### 18. DEFERRED TAXATION

For the purpose of presentation in the combined statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for the financial reporting purpose:

|                                    | As at December 31, |               |
|------------------------------------|--------------------|---------------|
|                                    | 2023               | 2024          |
|                                    | RMB’000            | RMB’000       |
| Deferred tax assets . . . . .      | (4,643)            | (8,877)       |
| Deferred tax liabilities . . . . . | 50,680             | 51,881        |
|                                    | <u>46,037</u>      | <u>43,004</u> |

The following are the major deferred tax liabilities (assets) recognized and movements thereon during the Track Record Period:

|   | Allowance for<br>inventories<br>and ECL<br>provision | Deferred<br>subsidy<br>income | Accelerated<br>depreciation | Right-of- use<br>assets | Lease<br>liabilities | Fair Value<br>adjustments<br>revaluation | Others          | Total          |
|---|--|-------------------------------|-----------------------------|-------------------------|----------------------|--|-----------------|----------------|
|   | RMB’000  | RMB’000                       | RMB’000                     | RMB’000                 | RMB’000              | RMB’000                                  | RMB’000         | RMB’000        |
| At January 1, 2023 . . . . .                                | (3,479)  | (2,162)                       | 61,281                      | 9,897                   | (9,897)              | 3,907                                    | (5,896)         | 53,651         |
| (Credit) Charge to<br>profit or loss<br>(Note 11) . . . . . | <u>(2,011)</u>                                       | <u>(949)</u>                  | <u>1,405</u>                | <u>(1,979)</u>          | <u>1,816</u>         | <u>(646)</u>                             | <u>(5,250)</u>  | <u>(7,614)</u> |
| At December 31,<br>2023 . . . . .                           | <u>(5,490)</u>                                       | <u>(3,111)</u>                | <u>62,686</u>               | <u>7,918</u>            | <u>(8,081)</u>       | <u>3,261</u>                             | <u>(11,146)</u> | <u>46,037</u>  |
| (Credit) Charge to<br>profit or loss<br>(Note 11) . . . . . | <u>(976)</u>   | <u>1,610</u>                  | <u>17</u>                   | <u>(1,980)</u>          | <u>1,895</u>         | <u>(646)</u>                             | <u>(2,953)</u>  | <u>(3,033)</u> |
| At December 31,<br>2024 . . . . .                           | <u>(6,466)</u>                                       | <u>(1,501)</u>                | <u>62,703</u>               | <u>5,938</u>            | <u>(6,186)</u>       | <u>2,615</u>                             | <u>(14,099)</u> | <u>43,004</u>  |

As at December 31, 2023 and 2024, the Group had unused tax losses of approximately RMB302,069,000 and RMB334,023,000, respectively, available for offset against future profits. No deferred tax asset has been recognized due to the unpredictability of future profit streams. The expiry dates are disclosed in the following table.

|                | As at December 31, |                |
|----------------|--------------------|----------------|
|                | 2023               | 2024           |
|                | RMB’000            | RMB’000        |
| 2024 . . . . . | 320                | –              |
| 2025 . . . . . | 2,247              | 2,247          |
| 2026 . . . . . | 12,537             | 12,537         |
| 2027 . . . . . | 28,914             | 28,914         |
| 2028 . . . . . | 48,864             | 48,864         |
| 2029 . . . . . | 31,416             | 47,167         |
| 2030 . . . . . | 9,720              | 9,720          |
| 2031 . . . . . | 46,046             | 46,046         |
| 2032 . . . . . | 78,275             | 78,275         |
| 2033 . . . . . | 43,730             | 43,730         |
| 2034 . . . . . | –                  | 16,523         |
|                | <u>302,069</u>     | <u>334,023</u> |

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### 19. PREPAYMENTS FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHT

The prepayments are paid for construction of factory buildings, acquisition of lands, plants and equipment located in the PRC and Vietnam for the expansion of the Group’s production plants.

During the year ended December 31, 2023 and 2024, the Group paid an amount of approximately RMB3,719,000 and RMB27,514,000 as the prepayments for acquisition of property, plant and equipment, respectively, and transferred an amount of approximately RMB39,596,000 and RMB5,452,000 to property, plant and equipment, respectively.

During the year ended December 31, 2023, the Group paid an amount of approximately RMB33,805,000 as the prepayments for acquisition of land use right.

### 20. FINANCIAL ASSETS AT FVTPL

|                                       | As at December 31, |                |
|---------------------------------------|--------------------|----------------|
|                                       | 2023               | 2024           |
|                                       | <i>RMB’000</i>     | <i>RMB’000</i> |
| Unlisted financial products . . . . . | –                  | <u>255,416</u> |

During the year ended December 31, 2024, the Group entered into several contracts of unlisted financial products with banks. The unlisted financial products are managed by related banks in the PRC to invest principally in certain financial assets including bonds, trusts and cash funds, etc. The unlisted financial products have been accounted for financial assets at FVTPL on initial recognition of which the return of the unlisted financial products was determined by reference to the performance of the underlying debt instruments and treasury notes as at December 31, 2024, the expected return rate stated in the contracts ranges from 1.88% to 2.21% per annum for the year ended December 31, 2024.

### 21. INVENTORIES

|                            | As at December 31, |                |
|----------------------------|--------------------|----------------|
|                            | 2023               | 2024           |
|                            | <i>RMB’000</i>     | <i>RMB’000</i> |
| Raw materials . . . . .    | 200,130            | 178,608        |
| Work in progress . . . . . | 65,834             | 135,751        |
| Finished goods . . . . .   | <u>354,989</u>     | <u>473,210</u> |
|                            | <u>620,953</u>     | <u>787,569</u> |

### 22. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

|   | As at December 31, |                  |
|---|--------------------|------------------|
|   | 2023               | 2024             |
|   | <i>RMB’000</i>     | <i>RMB’000</i>   |
| Trade receivables . . . . .                                 | 1,324,420          | 1,593,347        |
| Less: allowance for expected credit losses . . . . .        | <u>(2,922)</u>     | <u>(1,685)</u>   |
|   | <u>1,321,498</u>   | <u>1,591,662</u> |
| Other receivables and prepayments                           |                    |                  |
| Value added tax and other tax receivables . . . . .         | 45,015             | 83,468           |
| Advance to suppliers . . . . .                              | 8,518              | 4,586            |
| Prepaid expenses . . . . .                                  | 27,086             | 28,731           |
| Others . . . . .  | <u>28,033</u>      | <u>29,448</u>    |
|   | <u>108,652</u>     | <u>146,233</u>   |
| Total trade and other receivables and prepayments . . . . . | <u>1,430,150</u>   | <u>1,737,895</u> |

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As at January 1, 2023, trade receivables amounted to RMB1,091,372,000 (net of impairment loss allowance of RMB104,000).

The Group allows a credit period of average 90 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for credit loss presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

|                          | As at December 31, |                  |
|--------------------------|--------------------|------------------|
|                          | 2023               | 2024             |
|                          | RMB'000            | RMB'000          |
| Within 90 days . . . . . | 1,224,434          | 1,422,371        |
| 91 to 180 days . . . . . | 97,000             | 168,330          |
| Over 180 days . . . . .  | 64                 | 961              |
|                          | <u>1,321,498</u>   | <u>1,591,662</u> |

As at December 31, 2023 and 2024, included in the Group’s trade receivables balance are debtors with aggregate carrying amount of RMB3,422,000 and RMB17,790,000, respectively, which are past due as at the reporting date. Out of the past due balances, RMB460,000 and RMB244,000 has been past due 90 days or more.

Details of impairment assessment of trade and other receivables are set out in Note 32(b).

Trade and other receivables that are denominated in currencies other than the functional currency of the respective group entities are set out below:

|                                | As at December 31, |                |
|--------------------------------|--------------------|----------------|
|                                | 2023               | 2024           |
|                                | RMB'000            | RMB'000        |
| U.S. dollar (“USD”) . . . . .  | 770,247            | 811,757        |
| Euro (“EUR”) . . . . .         | 5,156              | 2,169          |
| Japanese Yen (“JPY”) . . . . . | 176                | –              |
|                                | <u>775,579</u>     | <u>813,926</u> |

### 23. RECEIVABLES AT FVTOCI

|                                 | As at December 31, |                |
|---------------------------------|--------------------|----------------|
|                                 | 2023               | 2024           |
|                                 | RMB'000            | RMB'000        |
| Receivables at FVTOCI comprise: |                    |                |
| Bill receivables . . . . .      | <u>162,278</u>     | <u>210,265</u> |

The balance represents bills receivables held by the Group which is measured at FVTOCI since the bills are held within the business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, and the contractual cash flows are solely payments of principal and interest on the principal amount outstanding.

The Group has discounted certain bills receivables to banks or endorsed certain bills receivables to its suppliers to settle its payables. These bills are issued or guaranteed by reputable PRC banks with high credit ratings. As the Group has transferred substantially all the risks of these bills to relevant banks/suppliers, it has derecognized these bills receivables.

As at December 31, 2023 and 2024, the following table shows Group’s bill receivables amounted to RMB19,722,000 and RMB6,615,000, respectively, being endorsed to certain suppliers for settlement of trade payables or being discounted to certain banks to obtain the funding which the management considered that the Group has not transferred the significant risks and rewards relating to the bill receivables, it continues to recognize the full amount of bill receivables.

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### As at December 31, 2023

|   | Bills discounted to<br>banks with full<br>resources | Bills endorsed to<br>suppliers with full<br>resources | Total           |
|---|---|---|-----------------|
|   | <i>RMB'000</i>                                      | <i>RMB'000</i>  | <i>RMB'000</i>  |
| Carrying amount of transferred assets . . . . .     | 18,393  | 1,329   | 19,722          |
| Carrying amount of associated liabilities . . . . . | <u>(18,393)</u>                                     | <u>(1,329)</u>  | <u>(19,722)</u> |
| Net position . . . . .                              | <u>—</u>  | <u>—</u>  | <u>—</u>        |

### As at December 31, 2024

|   | Bills discounted to<br>banks with full<br>resources | Bills endorsed to<br>suppliers with full<br>resources | Total          |
|---|---|---|----------------|
|   | <i>RMB'000</i>                                      | <i>RMB'000</i>  | <i>RMB'000</i> |
| Carrying amount of transferred assets . . . . .     | —   | 6,615   | 6,615          |
| Carrying amount of associated liabilities . . . . . | —   | <u>(6,615)</u>  | <u>(6,615)</u> |
| Net position . . . . .                              | <u>—</u>  | <u>—</u>  | <u>—</u>       |

At the end of each reporting periods, the Group's bills received by Group with the following maturity:

|                          | As at December 31, |                |
|--------------------------|--------------------|----------------|
|                          | 2023               | 2024           |
|                          | <i>RMB'000</i>     | <i>RMB'000</i> |
| Within 90 days . . . . . | 144,870            | 169,231        |
| 91 to 180 days . . . . . | <u>17,408</u>      | <u>41,034</u>  |
|                          | <u>162,278</u>     | <u>210,265</u> |

Details of impairment assessment of bill receivables are set out in Note 32(b).

#### 24. SHORT TERM FIXED DEPOSITS/CASH AND CASH EQUIVALENTS

Short term fixed deposits carry fixed interest rate at 3.75% and 4.40% per annum for the years ended December 31, 2023 and 2024, respectively. Short term fixed deposits have original maturity dates more than three months but less than one year and therefore classified as current assets.

Cash and cash equivalents include demand deposits and short term deposits with original maturity dates less than three months for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates range from 0.01% to 1.55% and from 0.01% to 1.30% per annum for the years ended December 31, 2023 and 2024, respectively.

Details of impairment assessment of short term fixed deposits and bank balances are set out in Note 32(b).

Bank balances and cash that are denominated in currencies other than the functional currency of the respective group entities are set out below:

|               | As at December 31, |                |
|---------------|--------------------|----------------|
|               | 2023               | 2024           |
|               | <i>RMB'000</i>     | <i>RMB'000</i> |
| USD . . . . . | 109,724            | 91,056         |
| EUR . . . . . | 203                | 10,107         |
| JPY . . . . . | <u>197</u>         | <u>39</u>      |
|               | <u>110,124</u>     | <u>101,202</u> |

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**25. TRADE AND OTHER PAYABLES**

The following is an aged analysis of trade payables presented based on the invoice dates and note payables presented based on maturity date at the end of each reporting period.

|  | As at December 31, |                  |
|--|--------------------|------------------|
|  | 2023               | 2024             |
|  | <i>RMB'000</i>     | <i>RMB'000</i>   |
| <b>Current liabilities</b>                                       |                    |                  |
| Trade payables   |                    |                  |
| Within 90 days . . . . .   | 821,879            | 892,587          |
| 91 to 180 days . . . . .   | 168,507            | 305,907          |
| Over 180 days . . . . .  | 6,412              | 6,761            |
| Total trade payables . . . . .                                   | <u>996,798</u>     | <u>1,205,255</u> |
| Note payables ( <i>note</i> )                                    |                    |                  |
| Within 90 days . . . . .   | 217,239            | 199,615          |
| 91 to 180 days . . . . .   | 118,516            | 124,227          |
| Over 180 days . . . . .  | –                  | 14,967           |
|  | <u>335,755</u>     | <u>338,809</u>   |
| Payables for purchase of property, plant and equipment . . . . . | 20,063             | 7,910            |
| Staff salaries and welfare payables . . . . .                    | 188,743            | 253,839          |
| Service fees payables . . . . .                                  | 43,928             | 39,026           |
| Value added tax payables and other tax payables . . . . .        | 14,195             | 24,254           |
| Warranty provision . . . . .                                     | –                  | 1,566            |
| Others . . . . .   | 13,112             | 18,722           |
|  | <u>280,041</u>     | <u>345,317</u>   |
|  | <u>1,612,594</u>   | <u>1,889,381</u> |

The suppliers generally allow the credit period up to 180 days to the Group over the Track Record Period.

*Note:* During the years ended December 31, 2023 and 2024, certain of the Company's subsidiaries received bills from the other subsidiaries and discounted the certain bills to bank. The cash flows of such transactions have been presented in cash flow statement as financing activities.

**26. CONTRACT LIABILITIES**

|                                  | As at December 31, |                |
|----------------------------------|--------------------|----------------|
|                                  | 2023               | 2024           |
|                                  | <i>RMB'000</i>     | <i>RMB'000</i> |
| Advance from customers . . . . . | <u>23,878</u>      | <u>38,283</u>  |

As at January 1, 2023, contract liabilities amounted to RMB17,035,000.

The contract liability is the consideration received from the customers which represents the Group's remaining obligation to transfer goods to customers. Contract liabilities that are not expected to be settled within the Group's normal operating cycle are classified as current and non-current liabilities based on the Group's earliest obligation to transfer goods to the customers.

All the contract liabilities were expected to recognize as revenue within one year. The opening balance of contract liabilities has been recognized as revenue in the respective year.

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**27. BANK BORROWINGS**

|   | As at December 31, |         |
|---|--------------------|---------|
|   | 2023               | 2024    |
|   | RMB'000            | RMB'000 |
| Secured . . . . .   | 18,393             | —       |
| The carrying amounts of the above borrowings are repayable: |                    |         |
| Within one year . . . . .                                   | 18,393             | —       |

The Group's bill receivables being discounted to certain banks to obtain the funding which the management considered that the Group has not transferred the significant risks and rewards relating to the bill receivables, it continues to recognize the full amount of bill receivables and recognize bank borrowings. The amounts due are based on the billing receivables' maturity.

The exposure of the Group's bank borrowings are as follows:

|   | As at December 31, |         |
|---|--------------------|---------|
|   | 2023               | 2024    |
|   | RMB'000            | RMB'000 |
| Fixed-rate borrowings ( <i>note</i> ) . . . . . | 18,393             | —       |

The range of effective interest rates per annum (which are equal to contractual interest rates) on the Group's bank borrowings are as follows:

|   | Year ended<br>December 31, 2023 | Year ended<br>December 31, 2024 |
|---|---------------------------------|---------------------------------|
| Fixed-rate borrowings ( <i>note</i> ) . . . . . | 0.92%                           | 2.50%                           |

*Note:* The Group obtained a loan of RMB140,000,000 from bank with rate of 2.50% and fully repaid in the year ended December 31, 2024. The borrowing is guaranteed by Sunny Optical Technology Group (Note 36(d)).

**28. LEASE LIABILITIES**

|   | As at December 31, |          |
|---|--------------------|----------|
|   | 2023               | 2024     |
|   | RMB'000            | RMB'000  |
| <b>Lease liabilities payable:</b>   |                    |          |
| Within one year . . . . .   | 12,633             | 13,176   |
| Within a period of more than one year but<br>not exceeding two years . . . . .                | 13,176             | 13,744   |
| Within a period of more than two<br>years but not exceeding five years . . . . .              | 28,062             | 14,318   |
|   | 53,871             | 41,238   |
| Less: Amount due for settlement within<br>12 months shown under current liabilities . . . . . | (12,633)           | (13,176) |
| Amount due for settlement after 12 months<br>shown under non-current liabilities . . . . .    | 41,238             | 28,062   |

The weighted average incremental borrowing rate applied to lease liabilities is 4.30% during the Track Record Period.

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### 29. DEFERRED INCOME

Government grants of RMB23,625,000 and RMB3,200,000 have been received in the year ended December 31, 2023 and 2024, respectively, related to assets and research and development projects. The amount has been treated as deferred income and amortized over the useful lives of the relevant assets and periods of the respective research and development projects.

RMB17,300,000 and RMB13,931,000 of deferred income has been released to profit or loss in the year ended December 31, 2023 and 2024, respectively.

An amount of RMB20,740,000 and RMB10,009,000 deferred income remains to be amortized as at December 31, 2023 and 2024, respectively, among which RMB12,865,000 and RMB8,942,000 will be amortized within one year and therefore classified as current liabilities.

### 30. PAID-IN SHARE CAPITAL

#### The Group and the Company

The Reorganization has not been completed as at December 31, 2024. As mentioned in Note 2, the Historical Financial Information has been prepared as if the Group structure after the Reorganization had been in existence throughout the years ended December 31, 2023 and 2024.

For the purposes of presentation of the combined statements of financial position, the balance of paid-in capital as at January 1, 2023 represented the paid-in capital of Sunny Automotive Optech, SAV and 68.67% of paid-in capital of Sunny Mobility. During the year 2023, Sunny Mobility transferred all of its equity interests in Sunny SmartLead to Sunny Group Limited, which acquired 77%, and to Smart Vista, which acquired 23%. After that, Sunny mobility was deregistered in the year of 2023. Therefore, the balance of paid-in capital as at December 31, 2023 and 2024 represented the paid-in capital of Sunny Automotive Optech, SAV, SAOV and 77% of paid-in capital of Sunny SmartLead prior to the completion of the Reorganization.

| Name of the entities              | As at January 1, | As at December 31, |                |
|-----------------------------------|------------------|--------------------|----------------|
|                                   | 2023             | 2023               | 2024           |
|                                   | RMB'000          | RMB'000            | RMB'000        |
| Sunny Automotive Optech . . . . . | 50,000           | 50,000             | 50,000         |
| Sunny Mobility . . . . .          | 21,019           | N/A                | N/A            |
| Sunny SmartLead . . . . .         | N/A              | 372,307            | 372,307        |
| SAV . . . . .                     | 21,092           | 21,092             | 21,092         |
| SAOV (note) . . . . .             | N/A              | 161,061            | 161,061        |
|                                   | <u>92,111</u>    | <u>604,460</u>     | <u>604,460</u> |

Note: SAOV was established in the year of 2023.

### 31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of net debt, which includes the bank borrowings and lease liabilities disclosed in Notes 27 and 28 respectively, net of cash and cash equivalents and equity of the Group, comprising paid-in share capital, retained profits, other reserves and NCI.

Management of the Group reviews the capital structure on a regular basis and considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through payment of dividends, new share issues and raise of new borrowings or the redemption of existing debt.

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### 32. FINANCIAL INSTRUMENTS

#### a. Categories of financial instruments

|  | As at December 31, |                  |
|--|--------------------|------------------|
|  | 2023               | 2024             |
|  | RMB'000            | RMB'000          |
| <b>Financial assets</b>                          |                    |                  |
| Financial assets at FVTPL . . . . .              | –                  | 255,416          |
| Financial assets at amortized cost . . . . .     | 3,748,274          | 4,571,634        |
| Receivables at FVTOCI . . . . .                  | 162,278            | 210,265          |
|  | <u>3,910,552</u>   | <u>5,037,315</u> |
| <b>Financial liabilities</b>                     |                    |                  |
| Liabilities measured at amortized cost . . . . . | <u>1,540,088</u>   | <u>2,140,355</u> |

#### b. Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, amounts due from/to related parties, financial assets at FVTPL, receivables at FVTOCI, short term fixed deposits, cash and cash equivalents, trade and other payables and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### *Market risks*

The Group's activities expose it primarily to the market risks of currency risk, interest rate risk and other price risk. Market risk exposures are further measured by sensitivity analysis. Details of each type of market risks are described as follows:

##### (i) *Currency risk*

The Group undertakes certain foreign currency sales and purchases, which expose the Group to foreign currency risk. Certain of the Group's cash and cash equivalents, short term fixed deposits, trade and other receivables and trade and other payables are denominated in currencies other than the functional currency of the relevant group entities and expose to such foreign currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates. In addition, the Company has intra-group balances with several subsidiaries denominated in foreign currency which also expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currencies denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

|               | Assets     |           | Liabilities |              |
|---------------|------------|-----------|-------------|--------------|
|               | 2023       | 2024      | 2023        | 2024         |
|               | RMB'000    | RMB'000   | RMB'000     | RMB'000      |
| EUR . . . . . | 4,234      | 12,276    | 926         | 145          |
| USD . . . . . | 2,370,624  | 3,205,034 | 375,819     | 812,047      |
| JPY . . . . . | <u>373</u> | <u>39</u> | <u>700</u>  | <u>1,146</u> |

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### Sensitivity analysis

The Group is mainly exposed to fluctuation in EUR, USD and JPY against RMB.

The following table details the Group's sensitivity to a 5% change in respective foreign currencies against RMB. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts their translation at the year end date for a 5% change in foreign currency rates.

A positive (negative) number below indicates an increase (decrease) in post-tax profit where the RMB strengthen 5% against the relevant foreign currencies. For a 5% weakening of the respective functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the post-tax profit.

|               | Profit for the year |         |
|---------------|---------------------|---------|
|               | 2023                | 2024    |
|               | RMB'000             | RMB'000 |
| EUR . . . . . | 141                 | 516     |
| USD . . . . . | 84,779              | 101,702 |
| JPY . . . . . | (14)                | (47)    |

### (ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see Note 27), lease liabilities (see Note 28) and short term fixed deposits (see Note 24). The Group currently does not have interest rate hedging policy. However, the Group monitors interest rate exposures and will consider hedging significant interest rate exposures should the need arise.

### (iii) Other price risk

The Group is exposed to other price risk through its investments in unlisted financial products. The directors of the Company consider alternative tools to mitigate other price risk and manages this exposure by maintaining a portfolio of investments with different risks.

The sensitivity analyses have been determined based on the exposure to the price risk at the reporting date. For the sensitivity analysis of those financial assets at FVTPL, increase (decrease) in the prices of the respective financial assets would result in an increase (decrease) in the post-tax profit for the year ended December 31, 2023 and 2024.

If the prices of those financial assets at FVTPL had been 5% higher/lower, the Group's post-tax profit for the year ended December 31, 2024 would increase/decrease by RMB10,855,000, respectively.

### Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the carrying amount of the respective recognized financial assets as stated in the combined statement of financial position.

#### Trade receivables

In order to minimize the credit risk, the directors of the Company have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade receivables based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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The Group has concentration of credit risk as 19% and 16% of the total trade receivables was due from the Group's largest customer and 58% and 51% of the total trade receivables was due from the Group's five largest customers at December 31, 2023 and 2024, respectively. The directors of the Company and the shareholders have no interest in the customers mentioned above. The largest five customers' principal manufacturing facilities are located in the PRC and Vietnam, and their principal activities are manufacturing of vehicle camera solutions and other vehicle optical solutions.

### *Other receivables and amounts due from related parties*

The management of the Group makes periodic individual assessment on the recoverability of other receivables and amounts due from related parties based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information under ECL model upon application of HKFRS 9. For the year ended December 31, 2023 and 2024, the Group assessed the ECL for other receivables and amounts due from related parties were insignificant and thus no loss allowance was recognized.

### *Unlisted financial products at FVTPL*

As at December 31, 2023 and 2024, the Group has concentration of credit risk on its unlisted financial products at FVTPL. The credit risk on unlisted financial products at FVTPL is limited by the underlying assets invested by the unlisted financial products being the PRC government related debt instruments and treasury notes and the counterparties who issued these unlisted financial products are banks with good reputations. The credit risk on unlisted financial products at FVTPL is limited.

### *Short term fixed deposits and bank balances*

The credit risk on bank balance and short term fixed deposits are limited because the counterparties are mainly reputable banks and financial institutions with high credit ratings assigned by international credit-rating agencies.

### *Receivables at FVTOCI*

The Group has concentration of credit risk on receivables at FVTOCI. The credit risk on receivables at FVTOCI is limited as the related acceptors are mainly several banks with high credit ratings.

### *Financial guarantee contracts*

For financial guarantee contracts, the aggregate amount of outstanding financial guarantees issued to banks in respect of bank facilities granted to related parties as set out in note 36(d) that the Group could be required to pay amounted to RMB3,036 million and RMB2,692 million as at December 31, 2023 and 2024, respectively. All of the outstanding financial guarantees have been utilized by the related parties, respectively. The fair value of these financial guarantees, as at dates of initial recognition, were considered insignificant. At the end of each reporting period, the management has performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount equal to 12m ECL. No loss allowance was recognized in the profit or loss as the amount of the loss allowance was not significant.

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The Group's internal credit risk grading assessment comprises the following categories:

| Internal credit rating | Description   | Trade receivables                 | Other financial assets            |
|------------------------|---|-----------------------------------|-----------------------------------|
| Low risk . . . . .     | The counterparty has a low risk of default and does not have any past-due amounts   | Lifetime ECL- not credit-impaired | 12m ECL                           |
| Watch list . . . . .   | Debtor frequently repays after due dates but usually settle in full   | Lifetime ECL- not credit-impaired | 12m ECL                           |
| Doubtful . . . . .     | There have been significant increases in credit risk since initial recognition through information developed internally or external resources | Lifetime ECL- not credit-impaired | Lifetime ECL- not credit-impaired |
| Loss . . . . .         | There is evidence indicating the asset is credit-impaired   | Lifetime ECL- credit-impaired     | Lifetime ECL-credit-impaired      |
| Write-off . . . . .    | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery            | Amount is written off             | Amount is written off             |

The table below details the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

|  | Notes | External Credit rating | Internal credit rating | 12-month or lifetime ECL           | 2023 Gross carrying amount | 2024 Gross carrying amount |
|--|-------|------------------------|------------------------|------------------------------------|----------------------------|----------------------------|
|  |       |                        |                        |                                    | RMB'000                    | RMB'000                    |
| <b>Receivables at FVTOCI</b>               |       |                        |                        |                                    |                            |                            |
| Bill receivables . . . . .                 | 23    | N/A                    | Low risk               | 12m ECL                            | 162,278                    | 210,265                    |
| <b>Financial assets at amortized cost</b>  |       |                        |                        |                                    |                            |                            |
| Trade receivables . . . . .                | 22    | N/A                    | Low risk               | Lifetime ECL (not credit-impaired) | 1,324,420                  | 1,593,347                  |
| Amounts due from related parties . . . . . | 36    | N/A                    | Low risk               | 12m ECL                            | 2,077,504                  | 2,662,271                  |
| Other receivables . . . . .                | 22    | N/A                    | Low risk               | 12m ECL                            | 23,475                     | 25,637                     |
| Short term fixed deposits . . . . .        | 24    | BB-AAA                 | Low risk               | 12m ECL                            | 10,570                     | 21,054                     |
| Bank balances . . . . .                    | 24    | BB-AAA                 | Low risk               | 12m ECL                            | 315,227                    | 271,010                    |

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers which are with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk and ECL for trade receivables which are assessed collectively based on provision matrix with lifetime ECL (not credit-impaired).

| 2023                         | Average loss rate | Gross carrying amount | Impairment loss allowance |
|------------------------------|-------------------|-----------------------|---------------------------|
|                              |                   | RMB'000               | RMB'000                   |
| 1-90 days . . . . .          | 0.01%             | 1,224,606             | 172                       |
| 91-120 days . . . . .        | 0.36%             | 85,342                | 311                       |
| 121-180 days . . . . .       | 2.46%             | 12,271                | 302                       |
| More than 180 days . . . . . | 97.09%            | 2,201                 | 2,137                     |
|                              |                   | 1,324,420             | 2,922                     |

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| 2024                         | Average loss rate | Gross carrying amount | Impairment loss allowance |
|------------------------------|-------------------|-----------------------|---------------------------|
|                              |                   | <i>RMB'000</i>        | <i>RMB'000</i>            |
| 1-90 days . . . . .          | 0.01%             | 1,422,446             | 75                        |
| 91-120 days . . . . .        | 0.25%             | 118,962               | 295                       |
| 121-180 days . . . . .       | 1.02%             | 50,176                | 513                       |
| More than 180 days . . . . . | 45.49%            | 1,763                 | 802                       |
|                              |                   | <u>1,593,347</u>      | <u>1,685</u>              |

The estimated loss rates are estimated based on past default experience of the debtors adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of the conditions at each reporting date. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended December 31, 2023 and 2024, the Group recognized RMB2,818,000 and reversed RMB1,237,000 impairment allowance for trade receivables based on the provision matrix, respectively.

The following table shows the movement in lifetime ECL that has been recognized for trade receivables under the simplified approach.

|  | Lifetime ECL (not credit-impaired) |
|--|------------------------------------|
|  | <i>RMB'000</i>                     |
| As at January 1, 2023 . . . . .                                | 104                                |
| Changes due to financial assets recognized at January 1, 2023: |                                    |
| – Impairment losses reversed . . . . .                         | (104)                              |
| New financial assets originated . . . . .                      | <u>2,922</u>                       |
| As at December 31, 2023 . . . . .                              | 2,922                              |
| Changes due to financial assets recognized at January 1, 2024: |                                    |
| – Impairment losses reversed . . . . .                         | (2,922)                            |
| New financial assets originated . . . . .                      | <u>1,685</u>                       |
| As at December 31, 2024 . . . . .                              | <u>1,685</u>                       |

The following table shows reconciliation of loss allowance that has been recognized for amounts due from related parties.

|  | 12m ECL (not credit-impaired) |
|--|-------------------------------|
|  | <i>RMB'000</i>                |
| As at January 1, 2023 . . . . .                                | 6,679                         |
| Changes due to financial assets recognized at January 1, 2023: |                               |
| – Impairment losses reversed . . . . .                         | <u>(6,679)</u>                |
| As at December 31, 2023 and 2024 . . . . .                     | <u>–</u>                      |

As at December 31, 2023 and 2024, no 12m ECL that has been recognized for other receivables.

**Liquidity risk**

The Group has net current assets amounting to approximately RMB2,783,344,000 and RMB3,389,566,000 at December 31, 2023 and 2024, respectively, and has low exposure to liquidity risk of being unable to raise sufficient funds to meet its financial obligations when they fall due.

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In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the directors of the Company to finance the Group’s operations and mitigate the effects of fluctuations in cash flows.

The table below analyses the Group’s financial liabilities into relevant maturity groupings based on the remaining period from the year end date to their maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, based on floating interest rate or exchange rates (where applicable) prevailing at the year end date.

### Liquidity tables

| 2023                                     | Weighted average effective interest rate | On demand or less than 3 months | 3 months to 1 year | 1 year to 2 years | 2 years to 5 years | Total undiscounted amount | Carrying amount  |
|--|--|---------------------------------|--------------------|-------------------|--------------------|---------------------------|------------------|
|  |  | RMB'000                         | RMB'000            | RMB'000           | RMB'000            | RMB'000                   | RMB'000          |
| Trade and other payables . . . . .       | -  | 1,409,656                       | -                  | -                 | -                  | 1,409,656                 | 1,409,656        |
| Amounts due to related parties . . . . . | 1.25%                                    | 83,656                          | 29,732             | -                 | -                  | 113,388                   | 112,039          |
| Bank borrowings – fixed rate . . . . .   | 0.92%                                    | 18,393                          | -                  | -                 | -                  | 18,393                    | 18,393           |
| Financial guarantee . . . . .            | N/A                                      | 748,390                         | 878,360            | 7,083             | 1,401,788          | 3,035,621                 | -                |
| Lease liabilities . . . . .              | 4.30%                                    | 3,653                           | 10,959             | 14,611            | 29,208             | 58,431                    | 53,871           |
| <b>Total . . . . .</b>                   |  | <u>2,263,748</u>                | <u>919,051</u>     | <u>21,694</u>     | <u>1,430,996</u>   | <u>4,635,489</u>          | <u>1,593,959</u> |

| 2024                                     | Weighted average effective interest rate | On demand or less than 3 months | 3 months to 1 year | 1 year to 2 years | 2 years to 5 years | Total undiscounted amount | Carrying amount  |
|--|--|---------------------------------|--------------------|-------------------|--------------------|---------------------------|------------------|
|  |  | RMB'000                         | RMB'000            | RMB'000           | RMB'000            | RMB'000                   | RMB'000          |
| Trade and other payables . . . . .       | -  | 1,609,722                       | -                  | -                 | -                  | 1,609,722                 | 1,609,722        |
| Amounts due to related parties . . . . . | 2.10%                                    | 181,853                         | 352,205            | -                 | -                  | 534,058                   | 530,633          |
| Financial guarantee . . . . .            | N/A                                      | 607,655                         | 625,000            | 1,459,245         | -                  | 2,691,900                 | -                |
| Lease liabilities . . . . .              | 4.30%                                    | 3,653                           | 10,959             | 14,611            | 14,596             | 43,819                    | 41,238           |
| <b>Total . . . . .</b>                   |  | <u>2,402,883</u>                | <u>988,164</u>     | <u>1,473,856</u>  | <u>14,596</u>      | <u>4,879,499</u>          | <u>2,181,593</u> |

### c. Fair value measurements of financial instruments

#### Fair value measurements and valuation processes

The Group’s management is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes. The management reports directly to the board of directors for these fair value measurements.

In estimating the fair value, the Group uses market-observable data to the extent it is available. The fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

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*Fair value of the Group's financial assets that are measured at fair value on a recurring basis*

| Financial assets/liabilities        | Fair value as at                 |   | Fair value hierarchy | Valuation technique and key inputs  |
|-------------------------------------|----------------------------------|---|----------------------|---|
|                                     | December 31, 2023                | December 31, 2024                           |                      |   |
| Financial assets at FVTPL . . . . . | Unlisted financial products: Nil | Unlisted financial products: RMB255,416,000 | Level 2              | Discounted cash flows<br>Key inputs are: (1) Expected yields of debt instruments invested by banks (2) A discount rate that reflects the credit risk of the banks |
| Receivables at FVTOCI . . . . .     | Bill receivables: RMB162,278,000 | Bill receivables: RMB210,265,000            | Level 2              | Income approach (1) A discount rate that reflects the credit risk of the corresponding banks (2) Cash flows are derived from the receivables                      |

There were no transfers between Level 1 and 2 during the both years.

**33. CAPITAL COMMITMENTS**

|   | As at December 31, |         |
|---|--------------------|---------|
|   | 2023               | 2024    |
|   | RMB'000            | RMB'000 |
| Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the combined financial statements . . . . . | 5,148              | 30,129  |

**34. RETIREMENT BENEFIT PLAN**

The employees of the Group's subsidiaries in the PRC are members of a state-managed defined contribution retirement scheme operated by the PRC government. The PRC subsidiary is required to contribute a certain percentage of their payroll to the retirement benefit scheme subject to certain cap as governed by the social fund bureau. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The total costs charged to profit or loss, amounting to RMB71,728,000 and RMB80,824,000 for the year ended December 31, 2023 and 2024, respectively, representing contributions paid to the retirement benefits scheme by the Group.

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### 35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group’s liabilities arising from financing activities, including both the cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group’s combined statement of cash flows as cash flows from financing activities.

|   | Bank borrowings      | Dividend payables | Lease liabilities    | Amounts due to related parties | Note payables* | Total     |
|---|----------------------|-------------------|----------------------|--------------------------------|----------------|-----------|
|   | RMB’000<br>(Note 27) | RMB’000           | RMB’000<br>(Note 28) | RMB’000                        | RMB’000        | RMB’000   |
| At January 1, 2023 . . . . .                          | –                    | –                 | 52,562               | 234,000                        | –              | 286,562   |
| Financing cash flows . . . . .                        | 18,363               | (555,854)         | (15,659)             | (208,440)                      | 59,674         | (701,916) |
| New leases entered . . . . .                          | –                    | –                 | 14,448               | –                              | –              | 14,448    |
| Interests on lease liabilities . . . . .              | –                    | –                 | 2,520                | –                              | –              | 2,520     |
| Interests on bank borrowings . . . . .                | 30                   | –                 | –                    | –                              | –              | 30        |
| Interests on note payables . . . . .                  | –                    | –                 | –                    | –                              | 1,851          | 1,851     |
| Interests on amounts due to related parties . . . . . | –                    | –                 | –                    | 2,823                          | –              | 2,823     |
| Dividends recognized as distribution . . . . .        | –                    | 555,854           | –                    | –                              | –              | 555,854   |
| At December 31, 2023 . . . . .                        | 18,393               | –                 | 53,871               | 28,383                         | 61,525         | 162,172   |
| Financing cash flows . . . . .                        | (3,500)              | (285,478)         | (14,611)             | 390,764                        | (35,938)       | 51,237    |
| Derecognition of receivables at FVTOCI . . . . .      | (18,393)             | –                 | –                    | –                              | –              | (18,393)  |
| Interests on lease liabilities . . . . .              | –                    | –                 | 1,978                | –                              | –              | 1,978     |
| Interests on bank borrowings . . . . .                | 3,500                | –                 | –                    | –                              | –              | 3,500     |
| Interests on note payables . . . . .                  | –                    | –                 | –                    | –                              | 2,108          | 2,108     |
| Interests on amounts due to related parties . . . . . | –                    | –                 | –                    | 9,138                          | –              | 9,138     |
| Dividends recognized as distribution . . . . .        | –                    | 285,478           | –                    | –                              | –              | 285,478   |
| At December 31, 2024 . . . . .                        | –                    | –                 | 41,238               | 428,285                        | 27,695         | 497,218   |

\* The amount represented the outstanding balance of the bills issued by the Company’s certain subsidiaries to fellow subsidiaries which were discounted to banks, the details are set out as Note 25.

### 36. RELATED PARTY DISCLOSURES

(a) Sunny Optical Technology Group represents Sunny Optical Technology and its subsidiaries excluding the Group. Names and relationships with remaining related parties during the Track Record Period are as follows:

| Names  | Principal activities                                      | Relationships   |
|--|---|---|
| Ningbo Sunny Precision Industry Co., Ltd.*<br>(寧波舜宇精工股份有限公司) (“Sunny Precision”) . . . . . | Manufacture and sale of various precision moulds for cars | Controlled by a close family member of Sunny Optical Technology’s controlling shareholder, Mr. Wang Wenjian |
| 餘姚市仙橋恆柏儀器配件廠 (“仙橋恆柏”) . . . . .  | Manufacture and sale of optical instruments               | Controlled by a close family member of Sunny Optical Technology’s controlling shareholder, Mr. Wang Wenjian |

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| Names                        | Principal activities                       | Relationships  |
|------------------------------|--|--|
| 寧波舜合科技有限公司(“舜合科技”) . . . . . | Manufacture and sale of electronic devices | Controlled by a close family member of Sunny Optical Technology’s director, Mr. Sun Yang (resigned on November 26, 2024) |
| 餘姚市百恒電器經營部(“百恒”) . . . . .   | Sale of electronic devices                 | Company controlled by a family member of Sunny Optical Technology’s senior management, Mr. Zhang Guoxian                 |
| 餘姚市博科貿易有限公司(“博科”) . . . . .  | Sale of electronic devices                 | Company controlled by a close family member of Sunny Optical Technology’s senior management, Mr. Zhang Guoxian           |
| 餘姚市康優貝百貨店(“康優貝”) . . . . .   | Sale of merchandise                        | Company controlled by a close family member of Sunny Optical Technology’s senior management, Mr. Zhang Guoxian           |

\* English name is for identification purpose

(b) Transactions with related parties:

|  | Year ended December 31, |                |
|--|-------------------------|----------------|
|  | 2023                    | 2024           |
|  | <i>RMB'000</i>          | <i>RMB'000</i> |
| <u>Sales of goods</u>                            |                         |                |
| Sunny Optical Technology Group . . . . .         | 89,602                  | 151,291        |
| Sunny Precision . . . . .                        | 5,062                   | 2,966          |
|  | <u>94,664</u>           | <u>154,257</u> |
| <u>Purchase of raw materials</u>                 |                         |                |
| Sunny Optical Technology Group . . . . .         | 459,870                 | 472,770        |
| Sunny Precision . . . . .                        | 2,096                   | 24,631         |
| 康優貝 . . . . .                                    | –                       | 2,352          |
| 百恒 . . . . .                                     | 1,170                   | 1,294          |
| 博科 . . . . .                                     | 943                     | 1,625          |
| 舜合科技 . . . . .                                   | –                       | 641            |
| 仙橋恆柏 . . . . .                                   | –                       | 196            |
|  | <u>464,079</u>          | <u>503,509</u> |
| <u>Purchase of property, plant and equipment</u> |                         |                |
| Sunny Optical Technology Group . . . . .         | 21,087                  | 24,185         |
| <u>Purchase of service</u>                       |                         |                |
| Sunny Optical Technology Group . . . . .         | 30,258                  | 33,754         |

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|  | Year ended December 31, |                   |
|--|-------------------------|-------------------|
|  | 2023                    | 2024              |
|  | <i>RMB'000</i>          | <i>RMB'000</i>    |
| <u>Interest expense on lease liabilities</u>                 |                         |                   |
| Sunny Optical Technology Group ( <i>note i</i> ) . . . . .   | 2,492                   | 1,973             |
|  | <u>          </u>       | <u>          </u> |
| <u>Interest expense</u>                                      |                         |                   |
| Sunny Optical Technology Group ( <i>note iii</i> ) . . . . . | 2,823                   | 9,138             |
|  | <u>          </u>       | <u>          </u> |

(c) At December 31, 2023 and 2024, the Group has the following significant balances with related parties:

Current assets:

**Amounts due from related parties**

|   | As at December 31, |                   | Maximum amount outstanding during the year ended |                   |
|---|--------------------|-------------------|--|-------------------|
|   | 2023               | 2024              | 2023   | 2024              |
|   | <i>RMB'000</i>     | <i>RMB'000</i>    | <i>RMB'000</i>                                   | <i>RMB'000</i>    |
| <b>Non-trade nature</b>                                     |                    |                   |  |                   |
| Sunny Optical Technology Group ( <i>note ii</i> ) . . . . . | 2,046,645          | 2,618,453         | 2,046,645  | 2,649,480         |
|   | <u>          </u>  | <u>          </u> | <u>          </u>                                | <u>          </u> |

|  | As at December 31, |                   |
|--|--------------------|-------------------|
|  | 2023               | 2024              |
|  | <i>RMB'000</i>     | <i>RMB'000</i>    |
| <b>Trade nature</b>                      |                    |                   |
| Sunny Optical Technology Group . . . . . | 30,101             | 42,507            |
| Sunny Precision . . . . .                | 758                | 1,311             |
|  | <u>          </u>  | <u>          </u> |
|  | 30,859             | 43,818            |
|  | <u>          </u>  | <u>          </u> |

Current liabilities:

**Amounts due to related parties**

|  | As at December 31, |                   |
|--|--------------------|-------------------|
|  | 2023               | 2024              |
|  | <i>RMB'000</i>     | <i>RMB'000</i>    |
| <b>Non-trade nature</b>                                      |                    |                   |
| Sunny Optical Technology Group ( <i>note iii</i> ) . . . . . | 28,383             | 428,285           |
|  | <u>          </u>  | <u>          </u> |

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|  | As at December 31, |                |
|--|--------------------|----------------|
|  | 2023               | 2024           |
|  | <i>RMB'000</i>     | <i>RMB'000</i> |
| <b>Trade nature</b>                      |                    |                |
| Sunny Optical Technology Group . . . . . | 80,432             | 86,782         |
| Sunny Precision . . . . .                | 1,571              | 11,598         |
| 百恒 . . . . .                             | 1,250              | 109            |
| 博科 . . . . .                             | 403                | 1,172          |
| 康優貝 . . . . .                            | –                  | 2,162          |
| 舜合科技 . . . . .                           | –                  | 443            |
| 仙橋恆柏 . . . . .                           | –                  | 82             |
|  | <u>83,656</u>      | <u>102,348</u> |

Lease liabilities:

|  | As at December 31, |                |
|--|--------------------|----------------|
|  | 2023               | 2024           |
|  | <i>RMB'000</i>     | <i>RMB'000</i> |
| <b>Lease liabilities</b>                 |                    |                |
| Sunny Optical Technology Group . . . . . | <u>53,715</u>      | <u>41,122</u>  |

*Notes:*

- (i) The rental expenses paid to related parties during years ended December 31, 2024 and 2023 was RMB14,566,000 and RMB14,566,000, respectively.
- (ii) The amounts are of non-trade nature, unsecured and interest free. Among these, Sunny Optical Technology granted awards pursuant to The Sunny Optical Technology (Group) Company Limited Restricted Share Award Scheme (the “Restricted Share Award Scheme”), and our Group made payments to Sunny Optical Technology to pay for its shares underlying the awards where the awards are granted to employees of our Group. As of December 31, 2023 and December 31, 2024, such payments amounted to RMB66,800,000 and RMB81,505,000, respectively, which will be settled upon exercise of the awards by the employees. Except for the above, other amounts are repayable on demand.
- (iii) The Group entered into loan contracts with Summit Investment for withdrawing USD4,000,000 (equivalent to RMB28,331,000) and USD58,500,000 (equivalent to RMB420,521,000) during year ended December 31, 2023 and 2024, respectively. The loans are non-trade, unsecured and bearing interest 5.13% and ranging from 3.86% to 5.13% during year ended December 31, 2023 and 2024, respectively, and will be repayable within one year. The total borrowing interest for year ended December 31, 2023 and 2024 is RMB2,823,000 and RMB7,864,000, respectively, of which the capitalized amount is RMB52,000 and RMB4,552,000, respectively, and the expensed amount is RMB2,771,000 and RMB3,312,000, respectively. Except for the above, other amounts are of non-trade nature, unsecured, interest free and repayable on demand.

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The following is an aged analysis of related parties balance of trade nature at the end of each reporting period.

|                          | As at December 31, |                |
|--------------------------|--------------------|----------------|
|                          | 2023               | 2024           |
|                          | <i>RMB'000</i>     | <i>RMB'000</i> |
| Current assets:          |                    |                |
| Within 90 days . . . . . | 27,779             | 39,167         |
| 91-180 days . . . . .    | 803                | 2,998          |
| Over 180 days . . . . .  | 2,277              | 1,653          |
|                          | <u>30,859</u>      | <u>43,818</u>  |
| Current liabilities:     |                    |                |
| Within 90 days . . . . . | 81,025             | 96,310         |
| 91-180 days . . . . .    | 1,371              | 5,904          |
| Over 180 days . . . . .  | 1,260              | 134            |
|                          | <u>83,656</u>      | <u>102,348</u> |

The Group allows a credit period of 90 days to related party trade receivables. The average credit period on purchases of goods from related parties is 90 days.

As at the end of each reporting period, no amount due from a related party is past due.

Details of impairment assessment of amount due from a related party are set out in Note 32(b).

(d) Details of guarantees

During the years ended December 31, 2023 and 2024, Sunny Optical Technology Group provided financial guarantees with several banks enabling Sunny Automotive Optech and Sunny SmartLead to obtain bank borrowings for a period of 3 years. During the years ended December 31, 2023 and 2024, the financial guarantees utilized by the Group are set out in Note 27.

During the years ended December 31, 2023 and 2024, the Group provided financial guarantees with several banks enabling Sunny Optical Technology Group to obtain bank borrowings for a period of 3 years. The aggregate amount of outstanding financial guarantees granted to related parties that the Group could be required to pay amounted to RMB3,036 million and RMB2,692 million as at December 31, 2023 and 2024, respectively. The financial guarantees were provided at nil consideration. The fair value of these financial guarantee, as at dates of initial recognition, were considered insignificant.

The above financial guarantee contracts have all released by the end of December 2025.

(e) Compensation of key management personnel

The remuneration of key management during the Track Record Period is as follows:

|  | Year ended December 31, |                |
|--|-------------------------|----------------|
|  | 2023                    | 2024           |
|  | <i>RMB'000</i>          | <i>RMB'000</i> |
| Share award scheme granted by the ultimate holding company . . . . . | 4,839                   | 4,555          |
| Short-term employee benefits . . . . .                               | 4,205                   | 4,402          |
| Performance related bonuses . . . . .                                | 3,756                   | 7,937          |
| Retirement benefit contribution . . . . .                            | 353                     | 358            |
|  | <u>13,153</u>           | <u>17,252</u>  |

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**ACCOUNTANTS’ REPORT**

**37. PARTICULARS OF THE PRINCIPAL COMBINED AFFILIATED ENTITIES OF THE COMPANY**

**Particulars of the combined affiliated entities of the company**

As at the date of this report, the Company has equity interests in the following combined affiliated entities:

| Name of the combined affiliated entities | Place and date of incorporation | Issued and fully paid capital/ registered capital | Equity interest attributable to the owners of the Company |      |                               | Principal activities   | Notes |
|--|---------------------------------|---|---|------|-------------------------------|--|-------|
|  |                                 |   | As at December 31,  |      | As at the date of this report |  |       |
|  |                                 |   | 2023  | 2024 |                               |  |       |
| <i>Directly held:</i>                    |                                 |   |   |      |                               |  |       |
| Sunny Automotive Optech . . . . .        | PRC<br>April 10, 2008           | RMB50,000,000/<br>RMB50,000,000                   | 100%  | 100% | [100%]                        | Research and development, manufacture and sale of vehicle camera solutions and other vehicle optical solutions | (a)   |
| Sunny SmartLead . . . . .                | PRC<br>November 23, 2015        | RMB83,514,500/<br>RMB83,514,500                   | 77%   | 77%  | [100%]                        | Research and development, manufacture and sale of vehicle camera solutions                                     | (a)   |
| <i>Indirectly held:</i>                  |                                 |   |   |      |                               |  |       |
| Sunny Optics Europe GmbH . . . . .       | Germany<br>August 13, 2019      | EUR500,000/<br>EUR500,000                         | 100%  | 100% | [100%]                        | Sale of vehicle camera solutions and other vehicle optical solutions   | (b)   |
| SAV . . . . .                            | Vietnam<br>November 12, 2019    | USD3,000,000/<br>USD3,000,000                     | 100%  | 100% | [100%]                        | Manufacture and sale of vehicle camera solutions   | (c)   |
| SAOV . . . . .                           | Vietnam<br>October 5, 2023      | USD22,500,000/<br>USD22,500,000                   | 100%  | 100% | [100%]                        | Manufacture and sale of vehicle camera solutions   | (d)   |
| SA . . . . .                             | Hong Kong<br>November 12, 2025  | HK1/HK1   | N/A   | N/A  | [100%]                        | Investment holding   | (e)   |

*Notes:*

- (a) The statutory financial statements of the combined affiliated entities for the year ended December 31, 2023 and 2024 were prepared in accordance with Chinese Accounting Standards for Business Enterprises and were audited by Yuyao Yongxin Certified Public Accountants Co., Ltd, certified public accountants registered in Yuyao.
- (b) No audited financial statements have been prepared for the combined affiliated entity, as there is no statutory audit requirement.
- (c) The statutory financial statements of the combined affiliated entity for the year ended December 31, 2023 and 2024 were prepared in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting and were audited by KPMG Limited Vietnam, certified public accountants registered in Vietnam.
- (d) The statutory financial statements of the combined affiliated entity for the year ended December 31, 2023 and 2024 were prepared in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting and were audited by Deloitte Vietnam Audit Company Limited, certified public accountants registered in Vietnam.
- (e) No audited financial statements have been prepared for the combined affiliated entity, as the combined affiliated entity was newly established in November 2025.

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### 38. SHARE AWARD SCHEME GRANTED BY SUNNY OPTICAL TECHNOLOGY

Sunny Optical Technology adopted Restricted Share Award Scheme on March 22, 2010 ("Adoption Date") with a duration of 10 years commencing from the Adoption Date. The objective of the Restricted Share Award Scheme is to provide the selected participants including directors of Sunny Optical Technology, employees, agents or consultants of Sunny Optical Technology and its subsidiaries (the "Selected Participants"). Restricted Shares granted under the Restricted Share Award Scheme are subject to a vesting scale in tranches of one-third to one-fifth each (as the case may be) on every anniversary date of the grant date starting from the first anniversary date until the third to the fifth anniversary (as the case may be). The vested shares are transferred to Selected Participants at no cost except that the expenses attributable or payable in respect of the transfer of such shares of Sunny Optical Technology shall be borne by the Selected Participants.

During the year ended December 31, 2015, pursuant to the original Restricted Share Award Scheme dated March 22, 2010, the directors of Sunny Optical Technology resolved to change (i) the vesting period under the Restricted Share Award Scheme from three to five years to two to five years; and (ii) the circumstances when Sunny Optical Technology's shares would lapse, with immediate effect. The directors of Sunny Optical Technology considered that the above amendments have had no material impact on the recognition and measurement of those shares granted before May 26, 2015.

On March 16, 2020, the board of directors of Sunny Optical Technology resolved to amend the existing scheme rules and adopted the further amended and restated scheme rules with effect from March 22, 2020 to extend the share award scheme period for ten years. Under the further amended and restated scheme rules, the scheme shall (unless previously terminated by a resolution of the board of directors of Sunny Optical Technology) terminate on the revised expiry date, being March 21, 2030.

The Group recognized the total expense of RMB44,945,000 and RMB48,838,000 for the years ended December 31, 2023 and 2024, respectively, in related to restricted share granted by Sunny Optical Technology.

### 39. SUBSEQUENT EVENT

On October 2, 2025 and November 1, 2025, dividends were declared by certain subsidiaries in the amount of VND1,246,434 million (approximately RMB337,166,000) and RMB2,000 million, respectively, and paid on November 13, 2025 and November 25, 2025, respectively. On December 19, 2025, dividends were declared by certain subsidiary in the amount of VND397,315 million (approximately RMB106,734,000).

### 40. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries or in respect of any period subsequent to December 31, 2024.