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Application Proof of

OMNIVISION®

OmniVision Integrated Circuits Group, Inc.
豪威集成電路（集團）股份有限公司
(the “Company”)

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

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OmniVision Integrated Circuits Group, Inc.
豪威集成電路（集團）股份有限公司

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

[REDACTED]

Number of [REDACTED] under the [REDACTED] : [REDACTED] H Shares (subject to the [REDACTED])
Number of [REDACTED] : [REDACTED] H Shares (subject to [REDACTED])
Number of [REDACTED] : [REDACTED] H Shares (subject to [REDACTED] and the [REDACTED])
Maximum [REDACTED] : HK\$[REDACTED] per [REDACTED], plus brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value : RMB1.00 per H Share
[REDACTED] : [REDACTED]

Joint Sponsors, [REDACTED]

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IMPORTANT

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EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

CONTENTS

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	<u>Page</u>
EXPECTED TIMETABLE	iii
CONTENTS	v
SUMMARY	1
DEFINITIONS	21
GLOSSARY OF TECHNICAL TERMS	32
FORWARD-LOOKING STATEMENTS	36
RISK FACTORS	38
WAIVERS AND EXEMPTIONS	79
INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]	92
DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]	96
CORPORATE INFORMATION	102
INDUSTRY OVERVIEW	104
REGULATORY OVERVIEW	122
HISTORY AND CORPORATE STRUCTURE	146
BUSINESS	154
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS	218
DIRECTORS AND SENIOR MANAGEMENT	222
SHARE CAPITAL	232

CONTENTS

	<u>Page</u>
SUBSTANTIAL SHAREHOLDERS	235
FINANCIAL INFORMATION	237
FUTURE PLANS AND USE OF [REDACTED]	284
[REDACTED]	287
STRUCTURE OF THE [REDACTED]	296
HOW TO APPLY FOR [REDACTED]	306
APPENDIX I ACCOUNTANTS’ REPORT	I-1
APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION	II-1
APPENDIX III TAXATION AND FOREIGN EXCHANGE	III-1
APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS	IV-1
APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION	V-1
APPENDIX VI STATUTORY AND GENERAL INFORMATION	VI-1
APPENDIX VII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY	VII-1

SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document carefully before you decide to [REDACTED] in the [REDACTED].

There are risks associated with any [REDACTED]. Some of the particular risks in [REDACTED] in the [REDACTED] are set out in the section headed “Risk Factors.” You should read that section carefully before you decide to [REDACTED] in the [REDACTED].

OUR MISSION

Empower lives through innovative technology solutions, maximizing the benefits of human/device interactions (賦能科技，感知無限).

Tools have always been a cornerstone for humans to creativity, innovation and progress. As the global economy undergoes digital transformation through Edge AI and smart applications, alongside the rise of generative AI and the accelerating adoption of smart vehicles with ADAS features, consumer demand for intelligent interaction with electronic devices continues to evolve and flourish, propelling the next wave of innovation in solution design, engineering and utilization.

We were founded on the belief that the accelerating digitalization of our daily lives is one of the most powerful driving forces of technological advancement. We are committed to leading this transformation by seamlessly integrating humans and the digital world to build a brighter future. We are focused on understanding the diverse needs of customers and industries across various application scenarios. Our goal has been to evolve into a high-growth, self-innovating high-tech enterprise that not only represents the forefront of the industry but also create meaningful impact across diverse stakeholder groups. We remain dedicated to establishing ourselves as a leader in both the domestic and international semiconductor design and distribution sectors.

WHO WE ARE

We are one of the world’s top 10 fabless semiconductor companies based on 2024 revenue, according to Frost & Sullivan. We are distinguished by our advanced proprietary technologies, diversified products and solution portfolio, flexible fabless business model, and extensive customer network and supply chain ecosystems. We have built strong brand awareness and gained wide recognition in the global market.

We design and develop high-performance ICs. We are currently engaged in three main product lines: advanced digital imaging solutions, display solutions and analog solutions, and continue to expand our product and solution offerings so as to serve high-growth verticals such as smartphone, automotive, medical, surveillance, and emerging markets (machine vision, smart glasses, and Edge AI). We are one of the few IC design companies in the world with a comprehensive suite of product lines and strong design capabilities, which enables us to design, develop, and market a wide range of high-performance, highly integrated semiconductor solutions designed for mission-critical applications across diverse industry verticals.

SUMMARY

In particular, we are a pioneer in advanced digital imaging technology and the third largest digital image sensor providers globally based on revenue from digital imaging solutions in 2024, according to Frost & Sullivan. Our proven technology expertise and commitment to providing leading services have helped us establish top-of-mind brand awareness and achieve strong market recognition globally.

Our recent core business achievements are set forth in the diagram below.



Notes:

- (1) In terms of revenue in 2024, according to Frost & Sullivan
- (2) In terms of corresponding revenues in 2024, according to Frost & Sullivan
- (3) Customers with revenues generated in 2024
- (4) As of December 31, 2024

OUR FLEXIBLE AND EFFICIENT FABLESS BUSINESS MODEL

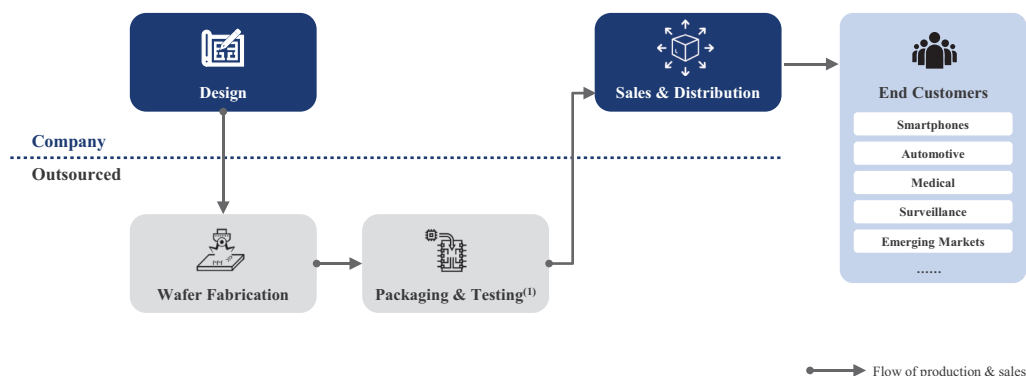
We employ a fabless manufacturing strategy, allowing us to concentrate on the design and sales of semiconductor products and solutions while collaborating with world-leading suppliers for wafer fabrication, packaging, and testing. The fabless model offers a wide range of advantages, including (i) greater operational flexibility, (ii) access to leading-edge manufacturing technologies through strategic partnerships, and (iii) the ability to quickly adapt to market demands while achieving higher production efficiency. In markets where technology evolves rapidly and semiconductor innovation drives continuous advancement, our fabless model enables us to respond swiftly to shifting market demands without incurring substantial capital expenditures. This flexibility allows us to upgrade our technology solutions more efficiently and cost-effectively.

We have maintained long-standing partnership with world-leading foundries with whom we work collaboratively to leverage their state-of-the-art facilities. As wafer fabrication becomes increasingly sophisticated, this relationship ensures our products remain at the forefront of innovation.

While we outsource both front-end and back-end manufacturing, packaging and testing processes, we also operate in-house final testing facilities to establish an effective product-test-feedback loop. This approach not only ensures better quality control but also enhances our design expertise by providing valuable insights from testing outcomes. Additionally, our in-house capabilities offer a capacity buffer in addition to outsourced testing processes, further strengthening our ability to deliver reliable and high-performance semiconductor solutions. Testing is becoming increasingly important as the company’s business in the automotive vertical grows given the very stringent industry requirements of those customers.

SUMMARY

We believe our fabless business model reduces our capital requirements, operating expenses and time to market, allowing us to concentrate our resources on strengthening our core competencies in research and development, technological innovation, and product design.



Note:

(1) We have also established in-house final testing facilities, through which we are able to obtain timely feedback on product performance, and establish an efficient R&D iteration process.

OUR DIVERSIFIED PRODUCTS AND SOLUTIONS

As we advance our technology development with greater complexity and deeper integration into application-specific solutions, we offer a diversified portfolio of image sensors, display products, analog ICs, and other semiconductor components. These innovations power electronic devices that have become integral to—and enhanced—our daily lives. By leveraging our strong design capabilities and collaborations with third-party foundries across our three core business lines, we continuously expand our leading-edge product offerings, that cater to various end markets, including automotive and smartphones. We firmly believe that our products are critical to the functionality of smart devices and play a pivotal role in enabling seamless human-device interactions.

Advanced Digital Imaging Solutions. We offer a diverse range of image sensor solutions, including CIS, miniature image module package (CameraCubeChip®), LCOS and ASIC products. These solutions serve end customers across a wide variety of industries such as consumer electronics, automotive, medical, surveillance and in emerging markets (machine vision, smart glasses, and Edge AI).

Display Solutions. We offer a wide range of display driver products, including LCD-TDDI, OLED DDIC, and TED (Tcon Embedded Driver), which are widely used in smartphones, and PCs. We are also continuing to invest in the development of automotive display driver solutions to introduce automotive TDDI products that meet mainstream market demand specifications.

Analog Solutions. We design and develop a complex and diversified analog semiconductor portfolio anchored by advanced PMIC, which are essential for managing power distribution and efficiency in electronic systems. In addition to PMICs, our product lineup includes other discrete semiconductors such as TVS and MOSFET. These analog semiconductor products and solutions are widely used across consumer electronics, surveillance, telecommunications, automotive, and in other industrial applications. In addition, we design various analog ICs for automotive applications in vehicles, featuring automotive-grade specifications and a versatile supply chain.

SUMMARY

Semiconductor Distribution. In addition to our three principal business lines, we have built one of the largest semiconductor distribution networks in China, which not only broadens and deepens our customer engagement but also provides valuable insights into next-generation product development. Through close partnerships with OEMs, ODMs, and semiconductor solution providers, we extend our vertical reach and drive greater adoption of our semiconductor solutions.

OUR GROWING MARKET OPPORTUNITIES

With 30 years of industry experience, we have established leading-edge technology capabilities that underlie our comprehensive product offerings, making us one of the few semiconductor solution providers with a significant presence across all major verticals, including in smartphone, automotive, medical, surveillance, and emerging markets (machine vision, smart glasses, and Edge AI):

Smartphone

Our advanced image capturing technologies allow users to capture high-quality still and video images while maintaining high standards of performance. We have developed a full suite of core technologies from pixel architectures to image capturing technologies, along with our PureCel® and PureCel®Plus technologies for wafer-level camera modules. We are developing high resolution image sensors which are widely used by renowned smartphone brands for their flagship models, while striving to strengthen our competitive edge in pixel miniaturization and image resolution.

Additionally, we remain committed to delivering industry-leading display and analog solutions, continuing to invest in R&D across key technology areas to drive ongoing innovation. Our TDDI technology has seen increasing adoption by smartphone manufacturers, further solidifying its position in the market. Meanwhile, our newly developed OLED DDIC products have been successfully tested and approved by downstream customers, underscoring our strategic positioning for future growth in display technologies. In recent years, demand for higher battery capacity and faster charging in the smartphone market has grown at an impressive pace. Our analog solutions help customers better address challenges related to power density and power management, enabling more efficient and high-performance devices.

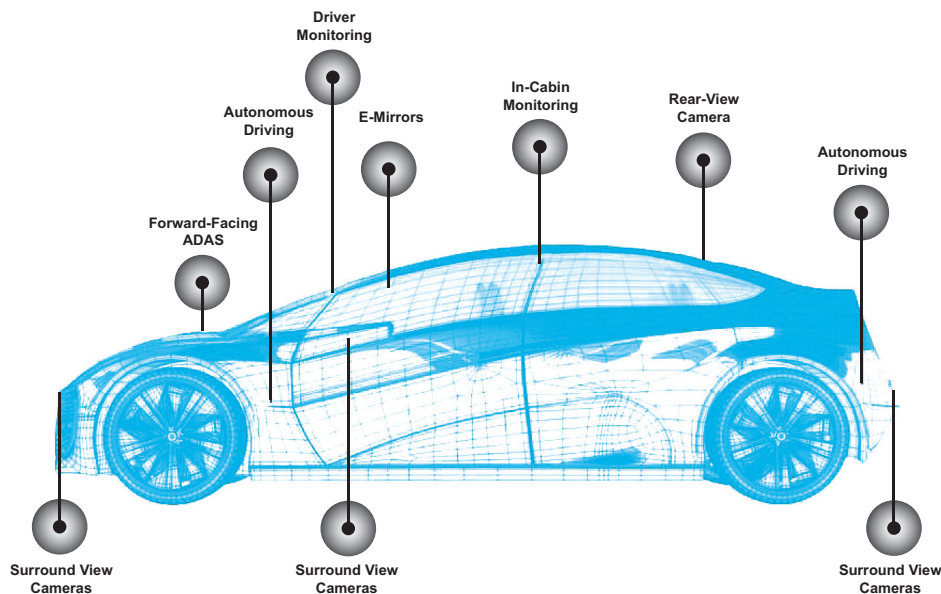
We are actively optimizing our product and supply chain structures to strengthen the competitiveness of our smartphone product portfolio. For example, our flagship high-end image sensor featuring 50MP resolution and a 1.2 μm pixel size has been widely adopted as the main rear camera sensor in leading high-end smartphones in the domestic market. This success has driven a significant breakthrough in our market share within the high-end smartphone segment, providing sustained momentum for the continuous improvement of our product value and profitability.

According to Frost & Sullivan, the global smartphone CIS market is expected to grow at a CAGR of 3.6%, from US\$13.0 billion in 2024 to US\$15.5 billion by 2029. We are the world’s third-largest smartphone CIS provider, with a market share of 10.5% based on revenue from smart phone-related digital imaging solutions in 2024, according to Frost & Sullivan. We are committed to continuing our efforts to capture a growing share of this market.

SUMMARY

Automotive

The market for automotive image sensors has experienced significant growth in recent years, reflecting a trend that is expected to continue in the foreseeable future. According to Frost & Sullivan, the global automotive CIS market grew from US\$1,377 million in 2020 to US\$2,499 million in 2024, representing a CAGR of 16.1%, and is expected to reach US\$7,028 million in 2029, representing a CAGR of 23.0% from 2024.



Usage of CIS solutions in smart vehicles

Higher automotive image sensor attach rates were being directly driven by the ever-expanding technological applications and legal mandates around the globe, as well as the trends of electrification and intelligence transformation. Beyond traditional RVCs, the demand for all-around interior and exterior monitoring and viewing capabilities also became an unequivocal necessity. Through the development and implementation of ADAS and in-cabin monitoring systems, cars were expected to advance in safety and reliability. CIS are a critical component of such systems. According to Frost & Sullivan, the global average number of CIS per new vehicle increased from 2.2 in 2020 to 3.4 in 2024, and is projected to reach 8.0 by 2029. Certain automotive OEMs are also actively pushing for the increased adoption of cameras in EVs, specifically for their autonomous driving features and smart cockpit functionalities. There are flagship models equipped with as many as 10 to 14 cameras to support such advanced systems. China is playing a leading role in the development of the global automotive industry. China's share of global vehicle production is expected to rise from 33.8% in 2024 to 43.7% by 2029, according to Frost & Sullivan. The advancement of EVs and ADAS in China has significantly driven demand for automotive CIS. As autonomous driving functions continue to evolve and become more widespread, the number of cameras per vehicle is expected to increase steadily. In addition, in-cabin applications such as facial recognition and gesture recognition are further contributing to the growing demand for CIS in China. According to Frost & Sullivan, the average number of CIS per new vehicle in China is expected to increase from 4.1 in 2024 to 9.2 in 2029, which are higher than the global average.

We are the world's largest automotive CIS provider with a market share of 32.9% based on revenue from automotive-related digital imaging solutions in 2024, according to Frost & Sullivan. We supply high-performance automotive image sensors to automotive manufacturers globally. From

SUMMARY

the early stages of the development cycle, we collaborate closely with leading automotive manufacturers and key players in the supply chain to ensure that our products optimally aligned with their requirements and specifications. Our robust, compact and advanced automotive CIS solutions support a wide range of applications, including ADAS, in-cabin monitoring, e-mirrors, dashboard cameras, rear and surround views, and panoramic imaging, among others.

We also offer LCOS products, which play a critical role in enabling HUD applications. HUD systems enhance driver operation and improve driving safety by projecting key information directly into the driver’s field of view—typically onto a transparent, reflective surface such as a windshield. In automotive AR-HUD applications, LCOS, as a reflective display technology, offers superior light transmittance and higher thermal resistance. This results in better performance and enhanced driver safety. With continued advancements in LCOS technology, our LCOS products have already achieved mass production and are being delivered for use in automotive AR-HUD systems.

Set forth below is an illustrative picture of our LCOS products applied in AR-HUD systems



We also continue to leverage our strong analog expertise to expand into broader automotive analog markets, such as CAN/LIN, SerDes, PMIC, and SBC, to provide a comprehensive solution. For example, we offer PMICs, which are critical for managing power distribution in advanced vehicle systems. Our PMICs are engineered to optimize power distribution, ensuring that energy is delivered precisely where and when it’s needed across increasingly complex automotive architectures. Meanwhile, our MCUs provide the intelligence and control necessary to manage these power flows, enabling real-time decision-making and system responsiveness.

We believe our established technology capabilities, robust IP portfolio and long-term track record of providing feature-rich, comprehensive solutions to automotive manufacturers position us well to maintain a leading position and capture greater opportunities in the rapidly growing automotive market.

Medical

The market for endoscopic imaging solutions in the medical field is growing rapidly, driven by the increasing demand for minimally invasive diagnostic and therapeutic procedures. According to

SUMMARY

Frost & Sullivan, the global medical CIS market grew from US\$150 million in 2020 to US\$416 million in 2024, representing a CAGR of 29.1%, and is expected to reach US\$1,240 million in 2029, representing a CAGR of 24.4%. Technological advancements have also shifted the industry away from traditional components such as rod lenses, fiberscopes, and CCD image sensors, toward CMOS-based, chip-on-tip image sensors to reduce costs while enhancing performance.

We offer a complete, end-to-end medical imaging subsystem. This enables medical device manufacturers to focus on developing innovative core endoscope and catheter designs, while accelerating time-to-market and reducing overall development costs. Our advanced, patented medical imaging solutions position us as leaders in addressing the evolving technological demands of the medical field. One of the most pressing challenges facing the industry today is the risk of cross-contamination due to improperly cleaned reusable endoscopes. To address this critical issue, our CameraCubeChip® technology enables the development of single-use, disposable imaging modules for endoscopic and catheter-based procedures. The resulting solution offers a safe, hygienic, and cost-effective alternative to traditional high-cost, glass lens-based systems—without compromising on image quality.

Surveillance

Surveillance represents a broadly utilized vertical for CIS application, driven by the proliferation of intelligent ecosystems such as smart home, smart community, computer vision and smart manufacturing. CISs are used both in consumer applications, such as home security systems, doorbell cameras and motion activated cameras, as well as in large-scale applications, such as public transportation and office buildings. The CISs used in these applications are also advancing to higher sensitivity, lower power consumption, and built-in AI functionality, which are features that could be tailored to cater to specific needs of each scenario.

As consumers demand smarter and more capable home security solutions, the bar for performance in intelligent surveillance systems continue to rise. Our Nyxel® near-infrared technology, built on our PureCel®Plus pixel architecture, enables surveillance cameras to capture clearer, more detailed images at greater distances in low-light conditions, all while consuming less power. In addition, we continue to lead in delivering energy-efficient power management solutions and optimal interface protection products designed for surveillance applications. Our high-resolution, low-power, and high-sensitivity image sensors have earned widespread market recognition for their performance and reliability.

Emerging Markets

Machine Vision. Machine vision simulates human visual perception through optical components, equipping automated production lines and industrial robots with environmental awareness. This enables them to respond in real time and perform highly precise tasks. The machine vision market has seen strong demand for 3D cameras and CIS as CMOS technology significantly simplifies the design and reduces the complexity of industrial cameras. Compact imaging solutions—including smart cameras—are easier to integrate and better suited for a wide range of industrial environments. To better align with the evolving needs of the machine vision market, we have established a dedicated machine vision division. This team will focus on developing innovative solutions for industrial automation, robotics, humanoid robots, logistics barcode scanning, and ITS.

SUMMARY

Smart glasses. Emerging markets such as smart glasses hold significant growth potential, driven by global trends in smart technology adoption and the integration of VR into various industries. We are committed to supporting this growth by delivering cutting-edge imaging and sensing solutions to a global customer base. Our global shutter technology enables terminal devices to perform advanced functionalities such as eye tracking and SLAM. Our image sensor products, designed with compact size and low power consumption in mind, are well-suited to meet the specific requirements of smart glasses manufacturers. Furthermore, our LCOS products—offering high resolution, a compact form factor, low power usage, and cost-effectiveness—enhance the affordability and practicality of smart glasses solutions, further driving their adoption in these emerging markets.

Edge AI. Over the past decade, the rapid development of mobile networks and the widespread adoption of smart devices have been key drivers of significant innovation and growth in the semiconductor market. The evolution of IoT and wearable electronics — into intelligent, multifunctional tools deeply integrated into daily life — has accelerated advancements in cutting-edge semiconductor technologies. With the rapid deployment of AI and AI enabled applications, this is accelerating the development and adoption of more intelligent terminal devices by consumers. This is also driving strong growth in social media, entertainment and sport platforms— by way of examples— that relies heavily on leading digital technology, including the most advanced CIS technology to deliver enhanced user differentiated experiences.

OUR RECENT ACHIEVEMENTS SUPPORTED BY ADVANCED TECHNOLOGY CAPABILITIES

Leveraging, strong foundation and deep expertise in core technologies, extensive IP portfolio, and manufacturing process platform developed in collaboration with leading global suppliers, we have created a comprehensive suite of industry-leading, award-winning technologies. Below are the latest updates progress across various verticals.

In the smartphone CIS sector, we are the world’s third largest smartphone CIS provider, with a market share of 10.5% based on revenue in 2024 according to Frost & Sullivan. Notably, we introduced the OV50X image sensor in April 2025 for flagship smartphones, which harness the capabilities of LOFIC to provide single exposure HDR regardless of lighting conditions.

In the automotive CIS sector, we are the world’s largest automotive CIS provider with a market share of 32.9% in 2024 based on revenue from automotive-related digital imaging solutions, according to Frost & Sullivan. The increasing prevalence of ADAS and autonomous driving has raised higher demands for LFM, HDR, and high-resolution image sensors. For example, the pulsed lighting of LED traffic lights poses a severe challenge to many imaging solutions, preventing ADAS and autonomous driving systems from correctly detecting illuminated traffic signs. We address this issue with TheiaCel® technology, which leveraged the functionality of next generation LOFIC and the reliable strength of our other proprietary HDR technologies (such as patented DCG technology). Our TheiaCel® DCG+LOFIC solution achieved a wider dynamic range in single-exposure HDR images.

Notably, our OX08D10 is our 8MP CIS with TheiaCel® technology, pre-integrated and validated with color tuning on the Snapdragon Ride™ Platform, Snapdragon Ride™ Flex SoC and Snapdragon® Cockpit Platform from Qualcomm Technologies, Inc. for next-generation ADAS and AI-enabled connected digital cockpits. Following the successful launch of the OX08D10, we introduced the new OX05D10 5MP CIS with TheiaCel® technology, and the OX12A10 12MP-resolution CIS

SUMMARY

which is designed to meet next-generation ADAS and autonomous driving machine vision requirements. We further launched the new 3MP-resolution OX03H10 CIS – our 3.0μm pixel automotive viewing sensor with TheiaCel® technology

In the medical CIS sector, we launched the new OCH2B30 camera module in June 2024, for 3D intraoral dental scanners. As intraoral scanners gradually replace traditional dental impressions, we are committed to applying our mature technology from the medical endoscope field to intraoral scanners, providing ultra-small camera modules to promote their application in dentistry.

We established a new machine vision department in 2024. We released the OG09A10 in April 2024, our large-format global shutter solution for factory automation and ITS, based on our patented PureCel®Plus-S stacked-die architecture. We also released our total camera solution, comprising the OG02B10 color global shutter image sensor and OAX4000 ASIC ISP. In addition to the above, we introduced the OG05B1B and OG01H1B sensors with 2.2 μm BSI pixels, and the OG02C10/1B, OG03A10/1B, and OG05C10/1B sensors with 3.45 μm BSI pixels.

In terms of Edge AI, we launched the new OP03050 and the new OG0TC BSI global shutter image sensor in July 2024, enabling eye and face tracking in AR/VR/MR consumer headsets and glasses. This is our first application of proprietary DCG™ HDR technology in a 2.2 μm pixel image sensor for the AR/VR/MR market.

OUR STRENGTHS

We believe the following strengths position us well to capitalize on future opportunities and deliver continued growth:

- We are a top 10 global fabless semiconductor company providing a broad spectrum of cutting-edge solutions;
- We have established technology leadership and superior innovation capabilities;
- Long-term relationships with a robust customer base supported by leading products and solutions that demonstrate superior performance, achieve high cost efficiency, and accelerate time to market;
- A fabless model with scalable operations supported by our long-term partnerships with leading foundry partners; and
- We have an experienced and established team with strong industry and technical knowledge and expertise.

OUR STRATEGIES

We commit to maintaining our position as a top 10 global fabless semiconductor company. Key elements of our strategy include:

- Continued strong investment in R&D in key technologies to further enhance our innovation capabilities;
- Deepen our presence in target markets, continuously enrich our product portfolio and solutions, and further support and extend our market leadership position;
- Optimization of the opportunities being created by the broadening of our product portfolio and the resulting efficiencies across our platform;

SUMMARY

- Continue to strengthen our engagement and collaboration with key stakeholders across our network and ecosystem; and
- Selectively conduct industry chain integration and strategic mergers and acquisitions.

CUSTOMERS AND SUPPLIERS

Our end-use customers include many of the world’s leading smartphone OEMs and ODMs, auto manufacturers, major notebook OEMs and ODMs, large medical equipment companies, surveillance devices manufacturers and a variety of consumer electronics manufacturers, and also directly through their contract manufacturers and supply chain partners. In 2022, 2023 and 2024, our top five customers contributed to 55.2%, 55.9% and 51.0% of our total revenue, respectively. Revenue from our largest customer alone accounted for 24.8%, 30.0% and 27.8% of our total revenue during each of these periods, respectively.

Our suppliers are primarily third-party foundries and packaging and testing service providers. In 2022, 2023 and 2024, our top five suppliers contributed to 58.0%, 61.0% and 61.8% of our total purchases, respectively. Our largest supplier accounted for 29.8%, 24.2% and 26.0% of our total purchase amount during each of these periods, respectively.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

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

Summary of Consolidated Statements of Comprehensive Income

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

	For the year ended December 31,					
	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
	(in millions, except for percentages)					
Revenue	20,040.2	100.0	20,984.3	100.0	25,706.8	100.0
Cost of sales	(15,299.0)	(76.3)	(16,800.8)	(80.1)	(18,467.6)	(71.8)
Gross profit	4,741.2	23.7	4,183.5	19.9	7,239.2	28.2
Selling and marketing expenses	(516.2)	(2.6)	(467.3)	(2.2)	(556.7)	(2.2)
General and administrative expenses	(799.3)	(4.0)	(662.6)	(3.2)	(1,070.9)	(4.2)
Research and development expenses	(2,518.5)	(12.6)	(2,239.4)	(10.7)	(2,685.8)	(10.5)
Net impairment losses on financial assets	35.4	0.2	(90.9)	(0.4)	(11.4)	—
Other income	118.7	0.6	95.9	0.5	96.9	0.4
Other gains, net	745.3	3.7	349.3	1.7	291.2	1.1
Finance costs, net	(466.6)	(2.3)	(438.1)	(2.1)	3.6	—

SUMMARY

	For the year ended December 31,					
	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
(in millions, except for percentages)						
Share of post-tax losses of equity accounted associates	(46.3)	(0.2)	(38.8)	(0.2)	(33.3)	(0.1)
Profit before income tax	1,293.7	6.5	691.6	3.3	3,272.8	12.7
Income tax (expense)/benefit	(342.7)	(1.7)	(147.6)	(0.7)	5.8	—
Profit for the year	951.0	4.8	544.0	2.6	3,278.6	12.7
Profit is attributable to:						
Owners of the Company	982.7	4.9	555.8	2.7	3,317.5	12.9
Non-controlling interests	(31.7)	(0.1)	(11.8)	(0.1)	(38.9)	(0.2)

Revenue

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

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

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

Note:

(1) Primarily including income from technical service.

In addition to the above, the following table sets forth the amounts and percentages of our revenue from within and outside Mainland China for the years indicated:

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

Note:

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

SUMMARY

Cost of Sales

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

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

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

Note:

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

Gross Profit and Gross Margin

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

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

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

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

SUMMARY

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

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

Summary of Consolidated Statements of Financial Position

For details of our fluctuation in key items of our consolidated statements of financial position and net current assets during the Track Record Period, see “Financial Information—Discussion of Certain Key Items of Consolidated Statements of Financial Position.”

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

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

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

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

Summary of Consolidated Statements of Cash Flows

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

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

SUMMARY

Key Financial Ratios

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

Notes:

- (1) ROE is calculated by dividing profit for the year attributable to the owners of our Company by the average balance of equity attributable to owners of our Company.
- (2) Inventory turnover days is calculated as the average of beginning and ending balance of inventories for the year divided by cost of sales for that year and multiplied by 365 days.
- (3) Accounts receivables turnover days is calculated as the average of beginning and ending balance of accounts receivables for the year divided by revenue for that year and multiplied by 365 days.
- (4) Gearing ratio is calculated by dividing net debt by equity attributable to owners of our Company. Net debt equals the sum of borrowings, Convertible Bonds and lease liabilities, deducted by the amount of cash and cash equivalents. As of December 31, 2024, there was no net debt balance.

RISK FACTORS

Our operations and the [REDACTED] involve certain risks and uncertainties, including (i) risks relating to our business and industries and (ii) risks relating to the [REDACTED], which are set out in the section headed “Risk Factors” in this document. You should read that section in its entirety carefully before you decide to [REDACTED] in the [REDACTED]. Some of the major risks we face include, but are not limited to:

- The semiconductor industry is highly competitive and rapidly evolving. If we are unable to compete effectively with existing or new competitors, our sales, market share and profitability could be adversely affected.
- Our future success depends on the timely development, introduction, marketing and selling of new semiconductor solutions and technologies, which we might not be able to achieve. The development of new and more complex solutions and technologies can also increase our cost of sales and adversely affect our gross profit margin.
- Our international strategy and ability to conduct business in international markets may be adversely affected by legal, regulatory, political and economic risks. Changes in international trade policies and [REDACTED] restrictions, including imposition of additional trade restrictions and sanctions, may adversely impact our reputation, business, investments, financial condition and results of operations.
- We depend on the increased acceptance of semiconductor applications in various verticals to grow our business and increase our revenue.
- Price pressures from market competition and fluctuating market conditions may negatively impact our revenue and gross profit margin.
- A substantial portion of our revenue has been derived from a small number of customers. The loss of, or significant reduction in the purchases by, one or more of such customers could materially and adversely affect our business, financial condition and results of operations.

SUMMARY

- We may be unable to adequately forecast demand for our semiconductor solutions due to the unpredictability of the sales cycle. If we fail to manage our inventory effectively as a result, our business, financial condition, results of operations and liquidity may be materially and adversely affected.
- Our success depends on our ability to achieve design wins and to convince our current and prospective customers to design our semiconductor solutions into their product offerings.
- We depend on third-party foundries, which reduces our ability to control our manufacturing process. Any interruption or shortage or loss of capacity from these foundries could materially interrupt our business operations and product offerings, and a significant increase in procurement costs could also affect our gross profit margin.
- Our sales through distributors increase the complexity of our business and may reduce our ability to forecast revenue.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Regulatory Update

Recent trade tensions, such as the ongoing U.S.-China trade dispute, have led to high tariffs, increased export controls and other restrictive measures targeting high-technology goods, semiconductors and electronics. In April 2025, the United States imposed a tariff of 145% on all Chinese goods, except for certain consumer electronics produced in China, which was lowered to 30% until August 14, 2025 based on the joint statement between China and U.S. issued on May 12, 2025. There is still a high degree of uncertainty surrounding U.S. tariff policy, how it will be implemented, and how other countries will react to it. It also remains unclear whether increased tariffs and trade tensions will further disrupt international trade or lead to a downturn in the global economy. See “Risk Factors—Risk Relating to Our Business and Industry—Our international strategy and ability to conduct business in international markets may be adversely affected by legal, regulatory, political and economic risks. Changes in international trade policies and investment restrictions, including imposition of additional trade restrictions and sanctions, may adversely impact our business, financial condition and results of operations” for more information.

On August 9, 2023, the U.S. government issued an executive order and the Treasury published an advanced notice of proposed rulemaking providing a conceptual framework for the Outbound Investment Security Program (or OISP). On June 21, 2024, Treasury issued a proposed rule for the OISP. On October 28, 2024, Treasury issued the Final Rule setting forth the OISP regulations that implement the executive order of August 9, 2023, which targets transactions by U.S. persons that involve persons and entities associated with “countries of concern,” currently China, including Hong Kong and Macau, with business in certain technology sectors. The Final Rule took effect on January 2, 2025. We are likely to be deemed a “Covered Foreign Person” engaged in the design and packaging of semiconductors specified in the OISP. Specifically, we are engaged in the design and packaging of integrated circuits that are covered by the definition of “notifiable transaction” but not covered by the definition of “prohibited transaction” (as defined in the OISP). The OISP could potentially limit our ability to raise additional capital from U.S. investors or prevent us from securing sufficient capital when needed and at reasonable cost, negatively affecting our business, financial condition and prospects.

SUMMARY

The OISP may be changed by executive actions of the U.S. government, including changes to the scope of activities and technologies applicable to notifiable or prohibited transactions or the scope and the availability of exceptions to the OISP’s prohibitions or notification requirements. Specifically, on January 20, 2025, the U.S. government issued a national security presidential memorandum, entitled “America First Trade Policy,” which, among other things, directs the Secretary of the Treasury and several other executive departments and offices of the U.S. government to review the OISP to determine if it includes “sufficient controls to address national security threats” and to determine whether the executive order implementing the OISP “should be modified or rescinded and replaced.” In addition, on February 21, 2025, the U.S. government issued a national security presidential memorandum entitled “America First Investment Policy” which, among other things, states that the U.S. government will consider possible application of the OISP to a wider range of technology sectors and application of restrictions to a wider range of investments, including publicly traded securities. On April 3, 2025, the White House reported that Treasury and the National Security Council were evaluating options relating to the OISP and that the Trump Administration plans to evaluate whether the scope of outbound investment restrictions should be expanded. See “Risk Factors—Risk Relating to Our [REDACTED]—[REDACTED] may be required to file notifications with the U.S. Treasury under the U.S. government’s new China-focused Outbound Investment Security Program, and we could be negatively impacted by possible changes to this program. These requirements and possible changes to the program may adversely affect our financial condition and the value of our [REDACTED]” for more information.

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

OUR LISTINGS ON THE SHANGHAI STOCK EXCHANGE AND THE SIX SWISS EXCHANGE AND REASONS FOR THE [REDACTED]

Since May 2017 and November 2023, our Company has been listed on the Shanghai Stock Exchange and on the SIX Swiss Exchange, respectively. As of the Latest Practicable Date, our Directors confirmed that we had no instances of material non-compliance with the rules of the Shanghai Stock Exchange or the SIX Swiss Exchange, respectively, and other applicable securities laws and regulations of the PRC in any material respects, and, to the best knowledge of our Directors having made all reasonable enquiries, there was no material matter that should be brought to the investors’ attention in relation to our compliance record on the Shanghai Stock Exchange or the SIX Swiss Exchange, respectively.

Our Company seeks to be [REDACTED] on the Hong Kong Stock Exchange in order to provide further capital for the development and expansion of our global business, further strengthen our business profile and market position in the industry, and better attract overseas [REDACTED] and talents. See “Business—Our Strategies” and “Future Plans and [REDACTED]” for more details.

SUMMARY

OUR CONTROLLING SHAREHOLDERS

Mr. YU Renrong is the founder of our Group, the chairman of the Board of Directors and an executive Director of our Company. See “Directors and Senior Management—Directors” for more details. Mr. YU Renrong is the direct beneficial owner of 333,472,250 A Shares of our Company and indirectly owns 74,132,662 A Shares of our Company through Shaoxing Weihao Management, which is ultimately controlled by Mr. YU Renrong. In addition, Mr. YU Xiaorong, brother of Mr. YU Renrong, is the direct beneficial owner of 972,000 A Shares of our Company. As advised by our PRC Legal Advisor, Shaoxing Weihao Management and Mr. YU Xiaorong are parties acting in concert with Mr. YU Renrong pursuant to PRC law. Each of Mr. YU Renrong, Shaoxing Weihao Management and Mr. YU Xiaorong is deemed to be interested in all the A Shares in which each of them is interested. Mr. YU Renrong, Shaoxing Weihao Management and Mr. YU Xiaorong constitute a group of our Controlling Shareholders, holding approximately 33.57% of the issued share capital of our Company immediately before the [REDACTED].

Immediately following the completion of the [REDACTED] and assuming that no new Shares are issued under the [REDACTED] and our Share Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED], our Controlling Shareholders will hold approximately [REDACTED] of the issued share capital of our Company.

For further details about our Controlling Shareholders, please see the section headed “Relationship with our Controlling Shareholders.”

[REDACTED] STATISTICS

[REDACTED]

SUMMARY

[REDACTED]

The net [REDACTED] from the [REDACTED] that we will receive, after deducting the [REDACTED] and other estimated expenses paid and payable by us in connection with the [REDACTED] will be:

	Net [REDACTED] (in HK\$ million)	
	(a) Assuming the [REDACTED] is not exercised at all	(b) Assuming the [REDACTED] is exercised in full
Assuming an [REDACTED] of HK\$[REDACTED] per H Share (being the minimum [REDACTED])	[REDACTED]	[REDACTED]
Assuming an [REDACTED] of HK\$[REDACTED] per H Share (being the mid-point of the [REDACTED] range) . . .	[REDACTED]	[REDACTED]
Assuming an [REDACTED] of HK\$[REDACTED] per H Share (being the maximum [REDACTED])	[REDACTED]	[REDACTED]

Assuming an [REDACTED] of HK\$[REDACTED] per H Share (being the mid-point of the [REDACTED] range of between HK\$[REDACTED] and HK\$[REDACTED] per H Share) and that the [REDACTED] is not exercised, in line with our strategies, we intend to use our [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

- Approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], will be used over the next five to ten years to invest in the research and development of key technologies, ensuring our continued leadership in advanced sensing technology, advanced display technology and analog solutions. We plan to further enhance our R&D by investing in fundamental research to strengthen our intellectual property and technological advantages while expanding our product portfolio to drive market penetration.
- Approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], will be used over the next five to ten years to strengthen global market penetration and business expansion. We plan to deepen our presence in target markets, grow our customer base, and increase our market share across all of our participating verticals. We plan to recruit and retain sales, marketing, and FAEs worldwide.
- Approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], will be used for strategic investments and/or acquisitions, with a focus on investment and acquisition opportunities that offer synergies with our existing product portfolio and support horizontal expansion into emerging areas.
- Approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], will be used for working capital and general corporate uses.

See the section headed “Future Plans and [REDACTED]” in this document for further information relating to our future plans and [REDACTED] from the [REDACTED], including the adjustment on the allocation of the net [REDACTED] in the event that the final [REDACTED] is set to be above or below the mid-point of the [REDACTED] range.

SUMMARY

WAIVERS AND EXEMPTIONS

In connection with the [REDACTED], we have applied for certain waivers and exemptions from strict compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance. Among the waivers and exemptions that we have applied for, we have applied to the SFC for an exemption from strict compliance with the requirement under paragraph 6 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in respect of the disclosure of executive Directors’ residential addresses. For further details, see “Waivers and Exemptions”.

DIVIDEND POLICY

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

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

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

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

Withholding taxes at a rate of 10% were levied on the aforementioned dividends paid to (i) QFIs, (ii) investors holding our A Shares through the Shanghai-Hong Kong Stock Connect regime,

SUMMARY

and (iii) investors holding our A Shares subject to selling restrictions pursuant to the Notice on Issues Relating to the Implementation of Differential Individual Income Tax Policies for Dividends from Listed Companies (《关于实施上市公司股息红利差别化个人所得税政策有关问题的通知》).

[REDACTED]

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

OUR SHAREHOLDING STRUCTURE

The following table set forth the shareholding structure of the Company showing the effect of the exercise of the [REDACTED] in full.

		As at the end of the [REDACTED] exercise period, assuming that the [REDACTED] is fully exercised	
	Description of Shares	Number of Shares	Approximate % of the issued share capital
Mr. YU Renrong and persons acting in concert ⁽¹⁾	A Shares	408,576,912	[REDACTED]
Other A Shareholders	A Shares	808,584,178	[REDACTED]
H Shareholders	H Shares	[REDACTED]	[REDACTED]
Total		[REDACTED]	100%

Note:

- (1) Represents (i) 333,472,250 A Shares of our Company directly held by Mr. YU Renrong; (ii) 74,132,662 A Shares of our Company directly held by Shaoxing Weihao Management which is ultimately controlled by Mr. YU Renrong; and (iii) 972,000 A Shares of our Company directly held by Mr. YU Xiaorong, brother of Mr. YU Renrong. As advised by our PRC Legal Advisor, Shaoxing Weihao Management and Mr. YU Xiaorong are parties acting in concert with Mr. YU Renrong pursuant to PRC law. Each of Mr. YU Renrong, Shaoxing Weihao Management and Mr. YU Xiaorong is deemed to be interested in all the A Shares in which each of them is interested.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the meanings set forth below. Certain technical terms are explained in the section headed “Glossary of Technical Terms” in this document.

“A Share(s)”	ordinary shares issued by our Company, with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in Renminbi
“A Shareholder(s)”	holder(s) of our A Share(s)
“Accountants’ Report”	the accountants’ report of our Company for the Track Record Period, as included in Appendix I to this document
“affiliate(s)”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	the Accounting and Financial Reporting Council of Hong Kong
“Articles” or “Articles of Association”	the articles of association of our Company, as amended, which shall become effective on the [REDACTED], a summary of which is set out in Appendix V to this document
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Beijing Jinghongzhi”	Beijing Jinghongzhi Technology Co., Ltd. (北京京鴻志科技有限公司), a company established on September 10, 2001 in the PRC, one of our Major Subsidiaries
“Beijing OmniVision”	Beijing OmniVision Technologies Company Limited (北京豪威科技有限公司), a company established on July 15, 2015 in the PRC, one of our Major Subsidiaries
“BIS”	the U.S. Department of Commerce’s Bureau of Industry and Security
“Board” or “Board of Directors”	the board of Directors of our Company
“business day”	a day on which banks in Hong Kong are generally open to the public for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong

[REDACTED]

DEFINITIONS

[REDACTED]

“China”, “Mainland China” or “PRC”	the People’s Republic of China, unless the context requires otherwise, excluding, for the purposes of this document only, the regions of Hong Kong, Macau and Taiwan of the People’s Republic of China
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance” or “CWUMPO”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company” or “the Company”	OmniVision Integrated Circuits Group, Inc. (豪威集成電路(集團)股份有限公司) (previously known as Will Semiconductor Co., Ltd. Shanghai (上海韋爾半導體股份有限公司)), a PRC company established on May 15, 2007, the A Shares of which have been listed on the Shanghai Stock Exchange (Stock Code: 603501)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning given to it under the Listing Rules and, unless the context otherwise requires, refers to the person(s) named in “Relationship with Our Controlling Shareholders” in this document
“Convertible Bonds”	the convertible bonds in the aggregate principal amount of RMB 2,440 million issued by the Company in December 2020
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of our Company
“EIT”	the enterprise income tax
“EIT Law”	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), as amended, supplemented or otherwise modified from time to time
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the government of Hong Kong

DEFINITIONS

“FCPA” the U.S. Foreign Corrupt Practices Act

[REDACTED]

“Frost & Sullivan” Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., our industry consultant

“Frost & Sullivan Report” an industry report commissioned by us and independently prepared by Frost & Sullivan

“GDR” a global depositary receipt which represents A Shares

[REDACTED]

“Group”, “our Group”, “the Group”, “we”, “us”, or “our” our Company and our subsidiaries from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time

“Guide for New Listing Applicants” the Guide for New Listing Applicants issued by the Stock Exchange in December 2023

“H Share(s)” shares in the share capital of our Company with a nominal value of RMB1.00 each, to be [REDACTED] and [REDACTED] on the Hong Kong Stock Exchange

“H Shareholder(s)” holder(s) of our H Share(s)

[REDACTED]

“Hong Kong” or “HK” the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Hong Kong dollars”, “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

[REDACTED]

“Hong Kong Takeovers Code” or “Takeovers Code”	Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC

[REDACTED]

DEFINITIONS

[REDACTED]

“Hunan Silicon”

Hunan Silicon Internet of Things Technology Co., Ltd. (湖南芯力特電子科技有限公司) (previously known as Changsha Dexin IoT Technology Co., Ltd.* (長沙得芯物聯科技有限公司)), a company established on December 31, 2020 in the PRC, one of our Major Subsidiaries

“IFRS”

International Financial Reporting Standards, as issued by the International Accounting Standards Board

“Independent Third Party(ies)”

person(s) or company(ies) who/which, to the best of our Directors’ knowledge, information and belief, is/are not our connected persons

[REDACTED]

DEFINITIONS

“Joint Sponsors”	the joint sponsors as named in the section headed “Directors and Parties Involved in the [REDACTED]” in this document
“Latest Practicable Date”	June 20, 2025, being the latest practicable date for ascertaining certain information in this document before its publication [REDACTED]
“Listing Committee”	the Listing Committee of the Hong Kong Stock Exchange [REDACTED]
“Listing Rules” or “Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Main Board”	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
“Major Subsidiaries”	the major subsidiaries of our Company listed in “History and Corporate Structure—Major Subsidiaries”
“MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Nomination Committee”	the nomination committee of the Board
“NPC”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)

[REDACTED]

DEFINITIONS

[REDACTED]

“OmniVision International Ontario”

OmniVision International Ontario LP, a partnership established on January 10, 2020 in Ontario, Canada, one of our Major Subsidiaries

“OmniVision Semiconductor Shanghai”

OmniVision Semiconductor (Shanghai) Co., Ltd. (豪威半導體（上海）有限責任公司) (previously known as Hua Wei Semiconductor (Shanghai) Co., Ltd.(華微半導體（上海）有限責任公司) and OmniVision Electronics (Shanghai) Co., Ltd.* (豪威電子（上海）有限公司)), a company established on January 19, 2001 in the PRC, one of our Major Subsidiaries

“OmniVision TDDI”

OmniVision TDDI Ontario Limited Partnership, a partnership established on June 9, 2021 in Ontario, Canada, one of our Major Subsidiaries

“OmniVision Technologies”

OmniVision Technologies, Inc., a company incorporated in Delaware, USA on February 28, 2000, one of our Major Subsidiaries

“OmniVision Technology Beijing”

OmniVision Technology (Beijing) Limited Corp (豪威科技（北京）股份有限公司) (previously known as Beijing Superpix Micro Technology Co., Ltd. (北京思比科微電子技術股份有限公司)), a company established on September 28, 2004 in the PRC, one of our Major Subsidiaries

“OmniVision Technologies Singapore”

OmniVision Technologies Singapore Pte. Ltd., a company established on March 30, 2012 in Singapore, one of our Major Subsidiaries

“OmniVision Touch & Display”

OmniVision Touch and Display Technologies Pte. Ltd., a company established on June 8, 2021 in Singapore, one of our Major Subsidiaries

[REDACTED]

DEFINITIONS

[REDACTED]

“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC Company Law”	the Company Law of the PRC (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time
“PRC government”	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
“PRC Securities Law”	the Securities Law of the PRC (《中華人民共和國證券法》), as amended, supplemented or otherwise modified from time to time

[REDACTED]

“QFIs”	Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration and Evaluation Committee”	the remuneration and evaluation committee of the Board
“RMB” or “Renminbi”	Renminbi, the lawful currency of Mainland China
“SAFE”	the State Administration for Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)

DEFINITIONS

“SAMR”	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai OmniVision”	OmniVision IC Group Co., Ltd. Shanghai (上海豪威集成電路集團有限公司) (previously known as OmniVision Sensor (Shanghai) Co., Ltd.* (豪威傳感器(上海)有限公司)), a company established on July 2, 2021 in the PRC, one of our Major Subsidiaries
“Shaoxing Weihao Business”	Shaoxing Weihao Business Management Partnership (Limited Partnership) (紹興韋豪企業管理諮詢合夥企業(有限合夥)), a partnership established on June 24, 2021 in the PRC, one of our Major Subsidiaries
“Shaoxing Weihao Management”	Shaoxing Weihao Equity Investment Funds Management Partnership (Limited Partnership) (紹興市韋豪股權投資基金合夥企業(有限合夥)), a partnership established on December 12, 2017 in the PRC, one of our Controlling Shareholders
“Share(s)”	ordinary share(s) in the capital of our Company with a nominal value of RMB 1.00 each, comprising A Shares and H Shares
“Shareholder(s)”	holder(s) of our Share(s)
“Shenzhen Jinghongzhi”	Shenzhen Jinghongzhi Logistics Co., Ltd. (深圳市京鴻志物流有限公司), a company established on May 15, 2014 in the PRC, one of our Major Subsidiaries
“SIX Swiss Exchange”	SIX Swiss Exchange AG
[REDACTED]	[REDACTED]
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Stock Option Incentive Plans”	the 2023 First Phase Stock Option Incentive Plan, the 2023 Second Phase Stock Option Incentive Plan, and the 2025 Stock Option Incentive Plan, the principal terms of which are set out in “Statutory and General Information — 4. Our Incentive Schemes — Stock Option Incentive Plans” in Appendix VI to this document
“Strategy and Development Committee”	the strategy and development committee of the Board
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Superpix Technology”	Superpix Technology (Hong Kong) Limited (思比科(香港)有限公司), a company established on March 25, 2019 in Hong Kong, one of our Major Subsidiaries
“TDDI Business”	Synaptics’ Asia-based single-chip LCD TDDI business we acquired in 2020
“Track Record Period”	the years ended December 31, 2022, 2023 and 2024
“U.S.”, “US”, “USA” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdictions
“U.S. dollars”, “US dollars” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	United States Securities Act of 1933 and the rules and regulations promulgated thereunder

[REDACTED]

“VAT”	value-added tax
“Waching Electronic”	HK WACHING ELECTRONIC (GROUP) LIMITED (香港華清電子(集團)有限公司), a company established on September 5, 2006 in Hong Kong, one of our Major Subsidiaries
“Will Semiconductor”	WILL semiconductor Limited (韋爾半導體香港有限公司), a company established on August 12, 2008 in Hong Kong, one of our Major Subsidiaries
“Zhejiang Will”	Zhejiang Will Equity Investment Co., Ltd. (浙江韋爾股權投資有限公司), a company established on June 15, 2020 in the PRC, one of our Major Subsidiaries
“%”	percent

DEFINITIONS

Unless otherwise specified, in this document:

- (a) certain amounts and percentage figures have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them; and
- (b) for ease of reference, the names of PRC laws and regulations, governmental authorities, institutions, nature persons or other entities (including certain of our subsidiaries) have been included in this document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are provided for identification purposes only.

GLOSSARY OF TECHNICAL TERMS

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

“μm”	micron
“4K2K”	a frame size of 3,840 x 2,160 or 4,096 x 2,160 pixels
“AI”	artificial intelligence
“ADAS”	advanced driver assistance systems
“AMOLED”	active matrix organic light emitting diodes, a type of organic light emitting diode that uses TFT to control individual pixels, enabling potentially better image quality and lower power consumption
“AR”	augmented reality, a technology that overlays virtual digital images and information onto real world environment
“ASIC”	application specific integrated circuit, an IC designed for specific purposes and manufactured for specific user requirements and electronic systems
“BSI”	backside illumination
“CAN”	Controller Area Network, a widely used field bus with a higher speed protocol primarily used in more demanding applications
“CAGR”	compound annual growth rate
“CCD”	charge-coupled device, a light sensitive IC that converts photons into electrical charges, which are then processed to form an image
“CIS”	CMOS image sensor
“CMOS”	complementary metal-oxide semiconductor, a technology used in the design and manufacturing of ICs
“DC”	direct current
“DCG”	dual conversion gain, an image sensor technology that allows each pixel to be read out with both a high and low conversion gain
“DDIC”	display driver integrated circuit, a semiconductor device that serves as an interface between microprocessors and display technologies

GLOSSARY OF TECHNICAL TERMS

“design win”	where a component or subsystem (such as a chip, sensor, or module) is selected by a customer to be integrated into their product design.
“DMS”	driver monitoring system
“Edge AI”	technology paradigm that combines the capabilities of AI with edge computing, deploying AI algorithms and models directly on edge devices, such as IoT sensors, smartphones, industrial machines and other local computing devices
“ESG”	environmental, social and corporate governance
“EVS”	event-based vision sensor, a type of imaging sensor that detects changes in light intensity at the pixel level
“fabless”	a business model of semiconductor companies that design and sell semiconductor products and solutions while relying on external foundries for semiconductor fabrication
“FAE”	field application engineer
“FHD”	full high definition
“foundry”	a semiconductor company with fabrication facilities that manufactures semiconductor chips for other companies
“fps”	frames per second
“HD”	high definition
“HDR”	high dynamic range
“HUD”	head-up display, projects driving related information onto the windshield or a small screen in front of the driver
“H/V”	horizontal/vertical
“IC”	integrated circuit
“IGBT”	insulated gate bipolar transistor, a power transistor that acts as a high-speed switch
“IoT”	Internet of Things, the network of physical objects that are embedded with sensors, software, and other technologies to connect and exchange data with other devices and systems over the internet
“ITS”	intelligent transportation system

GLOSSARY OF TECHNICAL TERMS

“LCD”	liquid crystal display, a flat panel display technology that uses liquid crystals to modulate light and create images
“LCOS”	liquid crystal on silicon, a microdisplay technology that combines liquid crystal and silicon backplane technology to create high-resolution, reflective displays
“LDO”	low dropout regulator, a type of voltage regulator that can maintain a stable output voltage
“LED”	light emitting diode
“LiDAR”	Light Detection and Ranging, a remote sensing method that uses laser light to measure distances to objects and create detailed 3D representations of the environment
“LIN”	Local Interconnect Network, a widely used field bus with a lower speed protocol that are used in less critical functions
“LOFIC”	lateral overflow integration capacitor, a component in CIS that enhances dynamic range by storing overflow charge from the photodiode in a large capacitor
“MCU”	microcontroller unit, a small, self-contained computer on a single IC
“MOSFET”	metal oxide semiconductor field effect transistor, a type of transistor used as an electronic switch or for signal amplification
“MP”	megapixels
“NIR”	near-infrared, a portion of the electromagnetic spectrum with wavelengths just beyond the visible light range
“NPU”	neural processing unit, a specialized hardware accelerator designed to handle complex computations required for AI and machine learning
“ODM”	original design manufacturer, a company that designs and manufactures products, often based on specifications provided by another company
“OEM”	original equipment manufacturer, a company that produces parts or equipment that are then used by another company to build their own finished products
“OLED”	organic LED, a flat panel display technology used in devices like TVs, monitors, and smartphones

GLOSSARY OF TECHNICAL TERMS

“PC”	personal computer
“PCB”	printed circuit board
“PMIC”	power management IC, an IC designed to manage and distribute power within an electronic device
“PSRR”	power supply rejection ratio, a measure of how well a circuit can reject noise or ripple present on its power supply
“QPD”	quad phase detection, a technique used in image sensors to improve autofocus performance and low-light capabilities
“RVC”	rear view camera
“SBC”	system basis chip, a semiconductor device that integrates various functions commonly needed in automotive electronic control units onto a single chip
“SerDes”	Serializer/Deserializer, an IC or a pair of ICs used in high-speed communication to convert parallel data into a serial stream for transmission and then back into parallel data at the receiving end
“SoC”	System-on-Chip, an IC that combines all or most components of an electronic system onto a single chip
“SLAM”	simultaneous localization and mapping, a technology that enables robots or other autonomous vehicles to build a map of an unknown environment while simultaneously determining their own location within that map
“SNR”	signal-to-noise ratio, a measure that compares the strength of a desired signal to the strength of background noise
“TCON”	timing controller, a component that controls the timing and placement of pixels on the screen, ensuring the image is displayed correctly
“TDDI”	touch and display driver integration, a technology that combines the touch sensor and display driver into a single chip
“TED”	TCON embedded driver, an IC that combines the functionality of a TCON and source drivers
“TVS”	transient voltage suppressor, a semiconductor device designed to protect electronic circuits from voltage spikes or surges
“VR”	virtual reality, computer-generated, simulated environment

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions, future events, or performance (often, but not always, through the use of words or phrases such as “aim”, “anticipate”, “aspire”, “believe”, “could”, “estimate”, “expect”, “goals”, “going forward”, “intend”, “may”, “objective”, “ought to”, “outlook”, “plan”, “project”, “projection”, “seek”, “schedules”, “should”, “target”, “vision”, “will”, “would”) are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this document), uncertainties and other factors some of which are beyond our Company’s control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to, the following:

- our mission, goals and strategies;
- our future business development, financial conditions and results of operations;
- expected growth of the industries in which we operate or into which we intend to expand;
- our expectations regarding demand for and market acceptance of our products and services;
- our expectations regarding our relationships with customers, business partners, suppliers and other partners;
- changes in the macro environment, regional and global economy, as well as industry trends related to our operations;
- our ability to adequately protect our reputation and brand image, as well as our intellectual property rights;
- our ability to obtain adequate capital resources to fund future development plans;
- our ability to control costs, as well as to achieve and maintain operational efficiency;
- our ability to attract and retain qualified personnel;
- competition in the industries and markets in which we operate or into which we intend to expand;
- our proposed [REDACTED];
- rapid developments in technology and our ability to successfully keep up with technological advancement;
- changes in currency exchange rates;
- relevant government policies and regulations relating to industries in which we operate;
- volatilities in interest rates, equity prices, volumes, operations, margins, risk management and overall market trends; and

FORWARD-LOOKING STATEMENTS

- various risks and uncertainties described in “Risk Factors”.

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution **[REDACTED]** against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update or otherwise revise any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. All forward-looking statements in this document are expressly qualified by reference to the cautionary statements in this section.

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

RISK FACTORS

You should carefully consider all of the information in this document, including the following risk factors before making any [REDACTED] decision in relation to the H Shares. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. The market price of the H Shares could fall significantly due to any of these risks, and you may lose all or part of your [REDACTED].

Risks Relating to Our Business and Industry

The semiconductor industry is highly competitive and rapidly evolving. If we are unable to compete effectively with existing or new competitors, our sales, market share and profitability could be adversely affected.

We continue to face intense competition in the semiconductor industry, especially in Asia, and expect the competition to intensify as more semiconductor companies enter the market and as our existing competitors continue to develop new technologies and launch new products and solutions. We are in direct and active competition with numerous competitors of varying size, technical capability and financial strength, with respect to one or more of our business lines, including advanced digital imaging, display and analog solutions. Many of our competitors have longer operating histories, stronger presence in key markets, greater name recognition, larger customer bases, more established strategic and financial relationships and greater financial, sales and marketing, distribution, technical and other resources than we do. Some of them also have their own manufacturing facilities, which in certain circumstances may give them the ability to price their products and solutions more aggressively than we can, to respond more rapidly to changing market opportunities than we can or to meet increased demands for their products and solutions more easily.

Our competitors primarily include large domestic and international semiconductor companies. Our competitors may have greater presence in key markets, greater access to advanced wafer foundry capacity, a more established and larger customer base, and, in general, better access to other resources than we do. In addition, downward pressure on pricing could adversely affect our growth and profitability. From time to time, other companies may enter into our markets and provide similar services and products that we offer. These new entrants may gain market share in the short term by pricing their semiconductor solutions significantly below current market levels, which puts additional downward pressure on the prices we can obtain for our solutions.

Some of our competitors have made or may make acquisitions or enter into partnerships or other strategic relationships to achieve competitive advantages. In addition, new entrants not currently considered our competitors may enter our markets through acquisitions, partnerships or strategic relationships. Industry consolidation may also bring in competitors with more comprehensive product offerings or greater pricing flexibility due to their expanded scale and financial resources. Strategic arrangements between our competitors and our third-party suppliers, including foundries and providers of packaging and other back-end services, could lead to preferential or exclusive arrangements benefiting our competitors while impairing our ability to secure sufficient capacity from such suppliers, hence adversely affecting our ability to meet customer demand for our solutions. In addition, competitors may enter into exclusive relationships with distributors or certain existing or potential end users of our solutions, which could reduce available distribution channels and demand for our solutions and impair our ability to sell our solutions and grow our business. Some of our customers are believed to be seeking, and may continue to seek, to develop their own semiconductor products and solutions which may compete with those we currently offer.

RISK FACTORS

In addition, increased competition in the semiconductor industry may result in rapid technological change, evolving standards, reductions in product selling prices and rapid product obsolescence. If we are unable to successfully cope with these competitive challenges, we may be unable to maintain and grow our business. Our inability to compete successfully could also adversely affect our results of operations and impair our financial condition.

Our future success depends on the timely development, introduction, marketing and selling of new semiconductor solutions and technologies, which we might not be able to achieve. The development of new and more complex solutions and technologies can also increase our cost of sales and adversely affect our gross profit margin.

Our competitiveness and future success depend on our ability to predict and adapt to the rapidly evolving market demand and to develop, introduce, market and sell our new solutions and technologies in a timely and cost-effective manner. Any failure to introduce these new solutions and technologies, to achieve design wins, or to otherwise achieve market acceptance in a timely manner and on commercially reasonable terms could harm our business, financial condition and results of operations.

The development of new semiconductor solutions and technologies is highly complex, and we may experience unexpected challenges and delays in completing the development and introduction of them. Customers will continue to expect the sophistication of our semiconductor solutions to increase, and the number of consumer and industrial products that use semiconductors has continued to grow. This propels us to continue to design and develop semiconductors with advanced technologies that can be utilized in a wide range of applications. As our semiconductor solutions integrate new and more advanced technologies and functions, they become more complex and increasingly difficult to design, develop and produce. Successful product development and technological enhancements depends on a number of factors, including:

- accurate prediction of market requirements and evolving technical standards, such as those surrounding imaging pixel resolution, output interface standards, power requirements, optical lens size, input standards and operating systems;
- development of advanced technologies and capabilities;
- timely development completion and introduction of new semiconductor solutions that satisfy our customers’ and their customers’ requirements and specifications;
- development of semiconductor solutions that maintain technological advantages over the solutions of our competitors, such as advantages with respect to the functionality and imaging pixel capability of our digital imaging solutions and our proprietary testing processes; and
- market acceptance of our new semiconductor solutions.

Accomplishing all of these factors is difficult, time consuming and expensive. We may be unable to develop new semiconductor solutions or technological enhancements in time to capture market opportunities, satisfy the requirements and specifications of our customers and their respective customers, or achieve significant or sustainable acceptance in new and existing markets. If our competitors develop new solutions or technologies on a more expedited basis than us or are successful in developing solutions that are accepted more rapidly and broadly by the market than our solutions, we could lose market share. Matching or surpassing technological advances that may be developed by

RISK FACTORS

our competitors could require an extended period of time. In addition, our solutions could become obsolete sooner than anticipated due to a rapid change in one or more of the technologies related to our solutions or the reduced life cycles of consumer and industrial products.

Even if we are able to develop new semiconductor solutions and achieve design wins, we may initially experience lower manufacturing yields from them than our other more established solutions, potentially affecting our gross profit margin at least in the short term. These new solutions and technologies also often have a higher cost structure than our existing solutions and technologies as we devote more time and effort to their development, and our suppliers and manufacturers may incur additional costs by acquiring new equipment or components in order to meet our design specification and capacity requirements.

Our international strategy and ability to conduct business in international markets may be adversely affected by legal, regulatory, political and economic risks. Changes in international trade policies and investment restrictions, including imposition of additional trade restrictions and sanctions, may adversely impact our reputation, business, investments, financial condition and results of operations.

International expansion is a significant component of our growth strategy and may require significant capital investment, which could strain our resources and adversely impact our operations and financial performance. We are subject to PRC law in addition to the laws of the foreign countries and regions in which we operate. If any of our operations, or our associates or agents, violate such laws, we could become subject to sanctions or other penalties, which could negatively affect our reputation, business, financial condition and results of operations.

In addition, we may face difficulties in managing our foundry partners, third-party providers of packaging services, distributors and other business partners on a global scale. Any negative changes in the global geopolitical environment may materially and adversely affect our ability to secure stable supplies from our foundry partners and, more generally, our ability to conduct our business. The following are some of the risks inherent in doing business globally that may not be applicable to companies focused on one single geographic market:

- difficulties in developing, staffing and simultaneously managing an overseas operation as a result of distance, language and cultural differences;
- challenges in formulating effective local sales and marketing strategies targeting users from various jurisdictions and cultures;
- geopolitical turmoil and instability in the regions where we operate, and any resulting disruption, instability or volatility in the global markets and industries resulting from such conflicts;
- political or social unrest or economic instability within a country or region;
- transportation and communication delays;
- longer customer payment cycles;
- the adverse effects of tariffs, duties, price controls, embargos or other restrictions that impair trade;
- currency exchange rate fluctuations;
- decreased visibility as to future demand;

RISK FACTORS

- difficulties in trade receivables collections;
- compliance with applicable foreign laws and regulations and unexpected changes in laws or regulations, including compliance with labor practices, environmental laws, and compliance costs across different legal systems; and
- claims and lawsuits, including class actions, brought against us from courts or regulators of other jurisdictions, which could materially and adversely affect our reputation, business and results of operations. See also “—If we become subject to litigation, legal or contractual disputes, governmental investigations or administrative proceedings, our management’s attention may be diverted and we may incur substantial costs and liabilities.”

Recent trade tensions, such as the ongoing U.S.-China trade dispute, have potentially led to high tariffs, increased export controls and other restrictive measures targeting high-technology goods, semiconductors and electronics. In April 2025, the United States imposed a tariff of 145% on all Chinese goods, except for certain consumer electronics produced in China, which was lowered to 30% until August 14, 2025 based on the joint statement between China and U.S. issued on May 12, 2025. There is still a high degree of uncertainty surrounding U.S. tariff policy, how it will be implemented, and how other countries will react to it. It also remains unclear whether increased tariffs and trade tensions will further disrupt international trade or lead to a downturn in the global economy. If any new tariffs, legislation, or regulations are implemented, or if existing trade agreements are renegotiated, such changes could adversely affect our business, financial condition, and results of operations.

In recent years, the United States has increased export controls restrictions on China including by adding increased controls to the Export Administration Regulations (the “EAR”), which includes a list of foreign persons on which certain trade restrictions are imposed (the “**Entity List**”). The export, re-export and/or in-country transfer of items subject to the EAR to a listed foreign person is generally prohibited unless the specified license requirements are met. In the past, certain of our customers have been added to the Entity List, and in some cases, a license has been required for the export, re-export, and in-country transfer of items to these customers. Additional customers or suppliers may become listed on the Entity List and subject to restrictions from sourcing or selling technologies, software, or components from or to us. We may not be able to obtain, extend or maintain the requisite regulatory permits in relation to our transactions with these customers and suppliers. These restrictions or regulations, and similar or more expansive restrictions or regulations that may be imposed by the U.S. or other jurisdictions in the future, may affect our ability to acquire technologies, systems, devices or components that may be critical to our technology infrastructure, product offerings and business operations. Any uncertainties and changes in these current or future restrictions or regulations may have a negative impact on our reputation and business.

Global trade disruption, significant introductions of trade barriers and bilateral trade frictions as well as investment restrictions, together with any future downturns in the global economy resulting therefrom, could adversely affect our financial performance and the financial performance of our investments. If the aforementioned trade-and investment-related issues continue, particularly due to geopolitical tensions, it could result in significant additional impacts on the industries in which we operate, the jurisdictions of our investments, and potentially lead to other adverse effects on our investments.

We depend on the increased acceptance of semiconductor applications in various verticals to grow our business and increase our revenue.

Our business strategy depends in large part on the continued growth of the various verticals into which we sell our semiconductor solutions, including the verticals for smartphone, automotive,

RISK FACTORS

medical, surveillance and emerging markets. If these verticals do not grow and develop as we anticipate, or our customers fail to market and sell their products as they anticipate in the verticals for reasons out of our control, we may be unable to sustain or grow the sales of our solutions. The seasonal and cyclical nature of the growth of the verticals of our semiconductor solutions could also adversely affect the demand of our solutions and our ability to accurately forecast market demand, leading to fluctuations in our business, financial condition and results of operations. For details, see “—Our business is subject to seasonal and cyclical fluctuations which may in turn cause fluctuations in our results of operations and cash flows from period to period.” In addition, our business and financial condition may be adversely affected if certain new verticals do not emerge or develop as expected. Securities analysts may factor revenue from such new verticals into their future estimates of our financial performance and should such verticals not develop as expected, such estimates, our business and financial condition could be adversely affected.

In particular, sales to the smartphone and automotive verticals account for a large portion of our revenue. We expect that sales of our solutions to the smartphone and automotive verticals will continue to account for a meaningful portion of our revenue in the future. Any factors adversely affecting the demand for our solutions in these verticals could cause our business to suffer and adversely affect our business, financial condition and results of operations.

If we do not continue to achieve design wins with key manufacturers or if we experience a cutback in orders from our major customers, our market share and revenue could decrease. The smartphone and automotive semiconductor markets are also subject to rapid technological change. In order to compete successfully in these verticals, we will have to correctly forecast customer demand for technological improvements and be able to deliver such solutions on a timely basis at competitive prices. If we fail to do so, our business, financial condition and results of operations could be materially and adversely affected.

Our solutions have also been and will continue to be incorporated into other consumer and industrial applications, including in the medical, surveillance, and emerging markets. As our solutions begin to fill a greater role in these other verticals, the challenges and risks that we face in these other verticals could increase and could be similar to some of the challenges and risks that we face in the smartphone vertical. If our sales to these verticals do not increase and/or these verticals do not grow as expected, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Price pressures from market competition and fluctuating market conditions may negatively impact our revenue and gross profit margin.

We have experienced and expect to continue facing, downward pressure on the prices of our products and solutions due to increasingly competitive conditions in the verticals we serve. We are faced with strong pricing pressure that we continue to experience. Unless we can increase unit sales volume or successfully introduce higher-value offerings, our revenue derived from existing products and solutions may decline. Historically, we have increased, and expect to continue increasing, our research, development and related expenses in the long-term to develop new products and solutions with more advanced features that can be sold at higher selling prices and/or manufactured at lower cost. However, if we are unable to do so in a timely manner, or if we are unable to successfully develop more cost-effective technologies, our financial results could be adversely affected. Sustained pricing pressure could adversely affect our gross profit margin. If we are unable to offset declining prices through cost reductions or product improvements, our profitability will be negatively impacted, which could materially affect our business, financial condition and results of operations.

RISK FACTORS

A substantial portion of our revenue has been derived from a small number of customers. The loss of, or significant reduction in the purchases by, one or more of such customers could materially and adversely affect our business, financial condition and results of operations.

Historically, a relatively small number of customers accounted for a substantial portion of our revenue. In 2022, 2023 and 2024, approximately 55.2%, 55.9% and 51.0%, respectively, of our revenue came from sales to our top five customers in the respective periods. Any material delay, alteration, cancelation or reduction of purchase orders from or change in the purchasing patterns of such customers, which may in turn be attributable to changes in their respective customers’ demand and purchasing patterns, could have a material and adverse impact on our business, financial condition and results of operations.

Our business, financial condition, results of operations and prospects will be affected by our ability to retain our existing customers and to attract new customers, as well as on the financial condition and success of our customers, including their ability to retain their respective customers and attract new customers. Furthermore, our major customers may have substantial bargaining power and leverage when negotiating contractual arrangements with us. Such customers have and may continue to seek advantageous pricing and other commercial terms and may require us, from time to time, to develop additional features in the solutions we sell to them. As a result, we may have to reduce the average selling price and/or incur increased average cost of our solutions, which may have a negative impact on our gross profit margin. If we are unable to retain one or more of our major customers, or if we are unable to maintain our current level of revenue and gross profits from such customers, our business, financial condition and results of operations could be impaired.

We may be unable to adequately forecast demand for our semiconductor solutions due to the unpredictability of the sales cycle. If we fail to manage our inventory effectively as a result, our business, financial condition, results of operations and liquidity may be materially and adversely affected.

We generally have no long-term or minimum purchase commitments from our customers. In addition, even when customers may not have the contractual right to cancel or reschedule orders, it is customary business practice in the semiconductor industry for suppliers like us to permit such cancelations or rescheduling in order to maintain good relationship with a customer or for other business reasons. As a result, we depend on our demand forecasts for various kinds of solutions to make manufacturing decisions and to manage our inventory. Demand for solutions, however, can change significantly between the time inventory is ordered and the date by which we target to sell it. Demand may be affected by seasonality, new product launches, changes in product cycles and pricing, product defects, changes in customer purchasing patterns with respect to our solutions and other factors, and our customers may not order solutions in the quantities that we expect. In addition, when we begin selling a new product, it may be difficult to establish supplier relationships, determine appropriate product selection, and accurately forecast market demand.

Cancelations of, reductions in, or rescheduling of customer orders could also result in the loss of anticipated sales without allowing us sufficient time to reduce our inventory and operating expenses, as a substantial portion of our expenses are fixed at least in the short term.

As of December 31, 2022, 2023 and 2024, we had inventories of RMB12.4 billion, RMB6.3 billion and RMB7.0 billion, respectively. As we plan to continue expanding our product offerings, we may increase our inventory level, which will make it more challenging for us to manage our inventory effectively and will put more pressure on our warehousing system. To weather the impact of rising manufacturing costs and tightening supplies, we may strategically raise our inventory

RISK FACTORS

level from time to time, which can cause potential liquidity constraint to our operating cash flow and expose us to greater risk of negative price fluctuations. If we fail to manage our inventory effectively, we may be subject to a heightened risk of inventory obsolescence, a decline in inventory values, and significant inventory write-downs or write-offs. In addition, we may be required to lower sale prices in order to reduce inventory level, which may lead to lower gross profit margin. High inventory levels may also require us to commit substantial capital resources, preventing us from using that capital for other important purposes. On the other hand, if we underestimate the demand for our products and solutions, or if our foundry partners fail to supply quality wafers in a timely manner, we may experience inventory shortages, which might result in missed sales, diminished brand loyalty and lost revenue. Any of the above may materially and adversely affect our business, financial condition and results of operations.

Our success depends on our ability to achieve design wins and to convince our current and prospective customers to design our semiconductor solutions into their product offerings.

Our success has been, and will continue to be, dependent upon manufacturers and their customers designing our semiconductor solutions into their products. To achieve design wins, which are decisions by manufacturers and their customers to design our solutions into their systems, we must define and deliver cost effective and innovative semiconductor solutions on a timely basis that satisfy the manufacturers’ and their customers’ requirements and specifications. Our ability to achieve design wins is subject to numerous risks including competition from other solutions, the compatibility of our solutions with newly developed technologies or designs used in the end products, as well as delays in our product development cycle. Even if our solutions meet our customers’ requirements and specifications, we may not eventually succeed in achieving a particular design win due to factors out of our control, such as the customers’ pre-existing relationship with a particular supplier or other business considerations. If we do not achieve a design win with a prospective customer, it may be difficult to sell our semiconductor solutions to such prospective customer in the future because once a manufacturer has designed a supplier’s solutions into its systems, it may be reluctant to change its source of components due to the significant costs, time, efforts and risks associated with qualifying a new supplier and, in many cases, modifying its design platforms. In addition, there is no guarantee that we will be able to continue to achieve design wins with customers with whom we have achieved design wins in the past. As manufacturers take on new projects, there is no obligation on their part to continue to design our solutions into their product offerings. Accordingly, if we fail to achieve design wins with key customers that embed semiconductors in their products, our market share or revenue could be adversely affected. Furthermore, to the extent that our competitors secure design wins, our ability to grow our business in the future will be impaired.

In addition, the selection process for semiconductors to be included in our customers’ product offerings is typically lengthy and may require us to incur significant design and research and development expenditures and dedicate scarce engineering resources in pursuit of a single design win with no assurance that our solutions will be selected. Because of our extended product life cycle, our revenue in future years is highly dependent on design wins we are awarded in prior years. It is possible that a design win will not result in meaningful revenue until one year or more or later, or at all. If we do not continue to achieve design wins, our revenue in the following years may deteriorate. Further, a significant portion of our revenue in a given period may depend on a single product design win with a large customer. As a result, the loss of any key design win or any significant delay in the production of the customer’s products into which our product is designed could adversely affect our business, financial condition and results of operations.

RISK FACTORS

We depend on third-party foundries, which reduces our ability to control our manufacturing process. Any interruption or shortage or loss of capacity from these foundries could materially interrupt our business operations and product offerings, and a significant increase in procurement costs could also affect our gross profit margin.

We adopt a fabless manufacturing strategy, where we focus on the design and sales of semiconductor products and solutions and partner with world-leading suppliers on wafer fabrication, packaging and testing. We have maintained long-standing partnership with world-leading foundries with whom we work collaboratively to leverage their state-of-the-art facilities. We believe our fabless model reduces our capital requirements, operating expenses and time to market, which in turn enables us to focus and devote our resources to developing our core competencies in research and development, technological innovation, and product design. Historically, we relied on a small number of foundries.

We typically secure manufacturing capacity in any particular period on a purchase order basis. The foundries generally have no obligation to supply products to us for any specific period, in any specific quantity or at any specific price, except as set forth in a particular purchase order. In general, our reliance on third-party foundries involves a number of significant risks, including:

- reduced control over delivery schedules, quality assurance, manufacturing yields and production costs;
- lack of guaranteed production capacity or product supply;
- unavailability of, or delayed access to, next generation or key process technologies; and
- financial difficulties or disruptions in the operations of third-party foundries due to causes beyond our control, including geopolitical uncertainties. See also “—Our international strategy and ability to conduct business in international markets may be adversely affected by legal, regulatory, political and economic risks. Changes in international trade policies and investment restrictions, including imposition of additional trade restrictions and sanctions, may adversely impact our reputation, business, investments, financial condition and results of operations.”

The size of the orders we place with the foundries depends on actual or anticipated sales volumes of our products. Because our foundry partners also provide services to other companies, in the event they receive increased orders from us or other companies that they service, they may be unable to provide us with the requested quantity of supplies, may subordinate our request to the requests of other companies or may increase the prices they charge us. In recent years, the global semiconductor industry, including us, experienced wafer supply constraints, which may force companies in the industry to take certain actions such as allocating available products and solutions among customers or increasing the prices of products and solutions. This could result in harm to customer relations, the loss of sales and, in some cases, the loss of future business with those customers. If constraints in supply exist or if for any reason our foundry partners are unable to provide a sufficient number of wafers to us on a timely basis and at acceptable yields and costs, we may be unable to achieve future growth, which could result in our revenue, gross profit margin and other financial results being materially and adversely affected.

The current global economic and geopolitical conditions could materially affect our foundry partners and cause them to be unable to provide necessary services to us. If any of our foundry partners were unable to continue manufacturing our wafers in the required quantities, at acceptable quality,

RISK FACTORS

yields and costs, or in a timely manner, we may have to identify and qualify substitute foundries, which could be time consuming and difficult, and could negatively impact our revenues in the short term as well as increase our costs or result in unforeseen manufacturing problems. In addition, if competition for foundry capacity increases, we may be required to pay higher prices for manufacturing services.

Meanwhile, our foundry partners may also be subject to upstream supply constraints. For example, the raw materials used for wafer fabrication are subject to availability constraints and price volatility caused by supply conditions, regulations, macroeconomic conditions and other unpredictable factors. In the event that the raw materials our foundry partners acquire from their upstream suppliers increase in price or reduce in availability, we may be required to increase the prices we charge our customers, which could result in decreased sales, and we may not successfully pass the increased costs to our customers, which could result in a loss or in decreased profits.

We are also exposed to additional risks if we transfer the production of our semiconductors from one foundry to another, as such transfer could interrupt our manufacturing process. Aiming to use the most advanced manufacturing process technology appropriate for our solutions that is available from third-party foundries, we periodically evaluate the benefits of migrating our solutions to alternative process technologies in order to improve performance and reduce costs. These ongoing efforts require us from time to time to modify the manufacturing processes for our solutions and to redesign some solutions, which in turn may result in delays in product deliveries. As new processes become more prevalent, we expect to continue to integrate greater levels of functionality, as well as more customer and third-party intellectual properties, into our solutions. We may not be able to achieve higher levels of design integration or deliver new integrated solutions on a timely basis. We may face difficulties, delays and increased expense as we transition our solutions to new processes and potentially to new foundries.

Larger suppliers could also be in a better position to bargain for higher prices, longer contract duration, higher deposit, higher breach of contract penalties or other preferential terms for their products and services, which could result in an increase in our cost or penalty expenses. The good working relationships we have established with third-party foundries could be disrupted, and our supply chain could suffer, if they were to experience a change in control.

Our sales through distributors increase the complexity of our business and may reduce our ability to forecast revenue.

In line with the market practice, we use distributors principally to facilitate the logistics of the transactions and provide credit to end-user customers. These distributors also assume responsibility for collections, product returns and customer support. Revenues from sales of our products and solutions to our distributors represented approximately 48.9%, 47.6% and 44.6% of our revenues in 2022, 2023 and 2024, respectively. We expect that sales through distributors will continue to represent a significant proportion of our total revenue, although they may vary from year to year. Indirect distribution introduces a number of operational and financial complexities, and our ability to manage these relationships effectively is critical to maintaining accurate forecasting, stable cash flows, and healthy gross margins.

Selling through distributors reduces our ability to accurately forecast sales and increases the complexity of our business, and may require us to, among other matters:

- manage a more complex supply chain;

RISK FACTORS

- monitor the level of inventory at each distributor;
- negotiate credits terms, return policies and pricing with each distributor;
- evaluate the impact of credit terms, return policies, pricing and unsold inventory associated with each distributor; and
- assess the financial condition and creditworthiness of our distributors.

Any failure to manage these challenges could cause us to inaccurately forecast sales and carry excess or insufficient inventory, thereby adversely affecting our business, financial condition and results of operations. In particular, failure to implement robust distributor management systems and controls—such as real-time inventory tracking, regular audits, contract enforcement, and financial monitoring—could result in inaccurate revenue forecasts, excess or obsolete inventory, write-downs, unexpected returns, or even legal disputes. These outcomes could materially and adversely affect our business, financial condition, results of operations, and stock price performance.

We mainly rely on third-party service providers for packaging and other back-end processes, which reduces our control over delivery schedules, product quality and costs. Any interruption or shortage or loss of capacity from these service providers could significantly interrupt our business operations and product offerings.

We rely on third-party service providers for substantially all of our semiconductor packaging processes. We also rely on several specialized service providers to perform other necessary processes, such as color filter application, and wafer probe tests. As high volume final product testing is a critical element in the production of our image sensors, we have installed high-throughput automated final test equipment built to our specifications at our testing facility in Shanghai, China. Recently, we have also introduced some of these specialized services at our Shanghai facility. Nevertheless, if for any reason one or more of these service providers become unable or unwilling to continue to provide services of acceptable quality, at acceptable costs or in a timely manner, our ability to deliver our solutions to our customers could be severely impaired. We would have to identify and qualify substitute service providers, which could be time consuming and difficult and could result in unforeseen operational problems. Substitute service providers might not be available or, if available, might be unwilling or unable to offer services on acceptable terms or prices.

In addition, if competition among fabless companies for packaging and color filter application or our other outsourced services increases, we may be required to invest significant amounts to secure access to these services, which could adversely impact our results of operations. The number of companies that provide these services is limited. In the event our current providers refuse or are unable to continue to provide these services to us, we may be unable to procure services from alternate service providers. Furthermore, if customer demand for our solutions increases, we may be unable to secure sufficient additional capacity from our current service providers on commercially reasonable terms, if at all. These factors may cause unforeseen product shortages or may increase our costs of manufacturing, which could adversely affect our business, financial condition and results of operations.

If our semiconductor solutions do not conform to, or are not compatible with, existing or emerging industry standards, demand for our semiconductor solutions may decrease, which in turn could harm our business, financial condition and results of operations.

We design our semiconductor solutions in conformity with prevailing industry standards. Some industry standards may not be widely adopted or implemented uniformly and competing standards may emerge that may be preferred by our customers.

RISK FACTORS

Our ability to compete in the future will depend on our ability to identify and ensure compliance with evolving industry standards in our target markets. The emergence of new industry standards could render our solutions incompatible. If industry groups or other major players adopt new or competing industry standards with which our solutions are not compatible, our solutions could become less desirable to our current or prospective customers. As a result, our sales could suffer, and we could be required to make significant expenditures to develop new solutions or modify the existing ones. Although we believe our solutions are compliant with applicable industry standards, we cannot guarantee that our future solutions and technological enhancements will conform to the then prevailing industry standards under all circumstances. If our solutions do not conform to, or are not compatible with, existing or emerging standards, our business, financial condition and results of operations could be materially and adversely affected.

Our lengthy and complex product cycle including designing, taping-out, fabricating, packaging and testing, in addition to our customers’ qualification and design cycle, may result in uncertainty and delays in revenue generation.

The production of our designs requires a lengthy manufacturing and packaging process, typically lasting approximately four months. Additional time may pass before a customer commences taking volume shipments of products that incorporate our solutions. Even when a manufacturer agrees to design our solutions into its products, it may not deliver final products incorporating our semiconductor solutions. See also “—Our customers may require our semiconductor solutions to undergo a lengthy and expensive qualification and verification process. If we are unsuccessful or delayed in qualifying any of our semiconductor solutions with a customer, our business, financial condition and results of operations could suffer.”

Given this lengthy cycle, we may experience a delay between the time we incur expenditures for research and development and sales and marketing efforts and the time we generate revenue, if any, from these expenditures. This delay makes it more difficult to forecast customer demand, which adds uncertainty to the manufacturing planning process and could adversely affect our business, financial condition and results of operations. In addition, the product life cycle for certain of our semiconductor solutions designed for use in certain applications can be relatively short. If we fail to appropriately manage the manufacturing and packaging process, our solutions may become obsolete before they can be incorporated into our customers’ products and we may never realize a return on investment for the expenditures we incur in designing, developing and producing these solutions.

Quality control and reliability is especially critical in the semiconductor industry, and any product defects, delays in delivery and adverse performance reliability could negatively affect our business, financial condition and results of operations, and may expose us to contractual liabilities, litigation risks and regulatory actions.

Our customers generally establish demanding specifications for quality, performance, and reliability that our solutions are required to meet. Our solutions are based upon evolving technology, and, because we integrate many functions on a single chip, are highly complex. The integration of additional functions into already complex solutions could result in a greater risk that customers or end-users could discover latent defects after we have already shipped significant quantities of a product, which might require product replacement or recall. Defective products can be caused by design, defective materials or component parts, or manufacturing difficulties. In particular, our third-party manufacturing processes or changes thereof, including raw material used in the manufacturing processes, may cause delays in production or cause our products to malfunction or fail. For example,

RISK FACTORS

minute levels of contaminants in the manufacturing environment, difficulties in the wafer fabrication process or other factors can cause a portion of the components on a wafer to be non-functional. These problems may be difficult to detect at an early stage of the manufacturing process and are often time-consuming and expensive to correct.

Despite our efforts to implement stringent testing and quality control measures, we may from time to time encounter product quality, performance and reliability issues. Delivery of products with defects or reliability, quality or compatibility problems may damage our reputation and ability to retain existing customers and attract new customers. If defects and failures occur in our products, we could experience lost revenue, increased costs, including warranty expense and costs associated with customer support, cancellations or rescheduling of orders or shipments, and product returns or discounts, any of which could harm our business, financial condition and results of operations. We may also face litigation and regulatory actions in relation to our product defects and failures. See “—If we become subject to litigation, legal or contractual disputes, governmental investigations or administrative proceedings, our management’s attention may be diverted and we may incur substantial costs and liabilities.”

Furthermore, we cannot guarantee that we will always achieve acceptable yields at third-party foundries, which may result in delays in the availability of components. Moreover, an increase in the rejection rate of these components, or our solutions incorporating them, during the quality control process before, during or after the manufacturing process may result in lower yields and margin, as well as disruptions to our delivery schedule.

In addition, changes in manufacturing processes required as a result of changes in product specifications, changing customer needs and the introduction of new business lines may significantly reduce manufacturing yields, potentially affecting our gross profit margin at least in the short term. Poor manufacturing yields over a prolonged period of time could adversely affect our ability to deliver solutions on a timely basis, increase our gross profit margin, and maintain a stable relationship with our customers, which could materially and adversely affect our business, financial condition and results of operations.

Our customers and/or end-use customers may require our semiconductor solutions to undergo a lengthy and expensive qualification and verification process. If we are unsuccessful in or delayed in qualifying any of our semiconductor solutions with a customer, our business, financial condition and results of operations could suffer.

Prior to purchasing our solutions, our customers and/or end-use customers require that our solutions undergo extensive qualification processes, which involve testing of our solutions in the customers’ systems, as well as testing for reliability. This qualification process may continue for several months. After our solutions are qualified, it can take several months or more before the customer commences volume production of components or systems that incorporate our solutions.

Moreover, qualification of a product by a customer does not assure final sales of the product to that customer. Even after successful qualification and sales of a product to a customer, a subsequent revision in our foundry partners’ manufacturing process or our selection of a new supplier may require a new qualification process with our customers, which may result in delays and our holding excess or obsolete inventory. Despite these uncertainties, we devote substantial resources, including research and development, sales, marketing and management efforts, to qualifying our solutions with customers in anticipation of sales. If we are unsuccessful or delayed in qualifying any of our solutions with a customer, sales of those solutions to the customer may be precluded or delayed, which may harm our business, financial condition and results of operations.

RISK FACTORS

We face various risks associated with our semiconductor distribution business. If we fail to manage and expand our relationships with our upstream suppliers, or otherwise fail to procure products on favorable terms, our business and prospects may suffer.

We source products from third-party suppliers for our semiconductor distribution business. In 2022, 2023 and 2024, our revenue generated from semiconductor distribution business amounted to approximately RMB3,564.8 million, RMB2,970.1 million and RMB3,938.9 million, respectively, accounting for 17.8%, 14.2% and 15.3% of our revenue in the same periods, respectively. Our major suppliers include domestic and cross-border manufacturers, distributors and resellers. Maintaining strong relationships with these suppliers is important to the growth of our business. In particular, we depend significantly on our ability to procure semiconductor components from suppliers on favorable pricing terms. We cannot assure you that our current suppliers will continue to sell semiconductor components to us on commercially acceptable terms, or at all. Even if we maintain good relationships with our suppliers, their ability to supply semiconductor components to us in sufficient quantity and at competitive prices may be adversely affected by economic conditions, labor actions, regulatory or legal decisions, customs and import restrictions, natural disasters or other causes. Our inventory management also presents risks, particularly in relation to products sourced from third-party suppliers. Managing inventory levels can become more complex due to limited visibility into end-market demand, potentially leading to excess or obsolete inventory. In addition, trade receivables collection cycles may be extended due to payment terms or disputes with downstream customers, which could impact cash flow stability. Inventory turnover days may also become less predictable, especially when sales depend on downstream distributors whose priorities may shift based on market conditions or competing product offerings. If we are unable to develop and maintain good relationships with suppliers that would allow us to obtain a sufficient amount and variety of electronic components with good quality on acceptable commercial terms, it may inhibit our ability to offer sufficient semiconductor components sought by our customers, or to offer these semiconductor components at competitive prices. In addition, for our semiconductor distribution business, in 2022, 2023 and 2024, we distributed products to 216, 224 and 226 downstream distributors which generated revenue for our semiconductor distribution business. These downstream distributors are independent third parties. Such sales may pose additional risks, such as channel conflict and inventory misalignment. Any adverse developments in our relationships with suppliers could materially and adversely affect our business, financial condition, results of operations and prospects. Any disputes with suppliers could adversely affect our reputation and subject us to damages and negative publicity. We also face potential liability, expenses for legal claims and harm to our business reputation in relation to the third-party semiconductor components we procure and resell. For details, see “—If we become subject to litigation, legal or contractual disputes, governmental investigations or administrative proceedings, our management’s attention may be diverted and we may incur substantial costs and liabilities.”

Strategic alliances, investments, acquisitions and divestures may affect our business, financial condition and results of operations. We may not be able to achieve our anticipated benefits and synergistic effects from such alliances, investments and acquisitions.

We may enter into strategic alliances with various third parties, such as our key customers and suppliers, to facilitate the implementation of our business strategies from time to time. Strategic alliances with third parties could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by the counterparty, and an increase in expenses incurred in establishing new strategic alliances, any of which may materially and adversely affect our business. We may have little ability to control or monitor such third parties’ actions. To the extent the

RISK FACTORS

third parties suffer negative publicity or harm to their reputations from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with such third parties.

In addition, we have in the past acquired or invested in additional assets, technologies or businesses that are complementary to our existing business. For example, we acquired Hunan Silicon in March 2023, which specializes in mixed-signal IC designs, and TDDI Business in 2020, both of which have enhanced our technological capabilities and synergies across our business lines. We expect to continue to evaluate and consider a wide array of potential strategic transactions as part of our overall business strategy, including potential acquisitions of businesses, technologies, services, products and other assets, as well as strategic investments, joint ventures and alliances.

Investments or acquisitions and the subsequent integration of new assets and businesses into our own would require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our business operations. The costs of identifying and consummating investments and acquisitions may be significant. We may also incur significant expenses in obtaining necessary approvals from relevant local government authorities. In addition, investments and acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities and exposure to potential unknown liabilities of the acquired business. The cost and duration of integrating newly acquired businesses could also materially exceed our expectations. We may also face challenges in international acquisitions, such as compliance with local law and regulation, limited access to target companies and cultural assimilation challenges. Such investments or acquisitions may fail to deliver the anticipated strategic or financial benefits, including cost savings, revenue growth, or technological advancements. Any such negative developments could have a material and adverse effect on our business, financial condition and results of operations.

In addition, our financial results could be adversely affected by our investments or acquisitions. The investments and acquired assets or businesses may not generate the financial results we expect. They could result in occurrence of significant investments and goodwill impairment charges, and amortization expenses for other intangible assets. As of December 31, 2024, we had investments accounted by equity method of RMB464.0 million and goodwill of RMB3,632.2 million. We performed impairment tests for our goodwill and long-term equity investments. Our long-term equity investments are tested for impairment if there are indicators of impairment at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and the present value of the asset’s estimated future cash flows. See “Financial Information—Material Accounting Policies and Critical Accounting Estimates and Judgments—Impairment of Long-term Assets.” Moreover, we share the results of the investments in associates which we account for as equity-accounted investments, although we have no control on the factors and risks that affect their business, results of operations and financial condition. We may not always be able to obtain gains from the equity-accounted investments. In 2022, 2023 and 2024, for example, our share of post-tax losses of equity accounted associates was a loss of RMB46.3 million, RMB38.8 million and RMB33.3 million, respectively. The decrease in such loss from 2022 to 2024 was primarily due to the improving business performance of our invested associates. If our equity-accounted investments were in a loss position, we would also pick up their loss in our consolidated statement of operations. We may in the future incur losses or impairment charges in connection with

RISK FACTORS

our investments or acquisitions and pick up the losses of our equity-accounted investments, which could depress our profitability and have a material and adverse impact on our financial results. In addition, changes in accounting principles relating to recognition and measurement of our investments may have a significant impact on our financial results.

From time to time, we may also divest under-performing businesses, or businesses that no longer fit our overall strategy. Such divestitures may have a negative impact on our financial performance for the relevant period.

Other risks associated with strategic alliances, investments, acquisitions and divestitures include:

- difficulty in realizing the potential technological benefits of the transaction;
- problems integrating the acquired key employees, operations, technologies or products into our existing business and semiconductor solutions;
- difficulty in maintaining uniform standards, controls, procedures and policies;
- adverse effects on existing business relationships with employees, customers, suppliers and strategic partners as a result of integration of new businesses and management personnel;
- risks associated with entering markets in which we lack experience; and
- negative publicity, litigation, government inquiries, investigations or actions against the companies we invest in or acquire, or even against our other businesses.

Our failure to address these risks successfully could have a material and adverse effect on our business, financial condition and results of operations.

We may not be able to sustain our historical growth rates or effectively implement our business strategies and expansion plans. If we do not successfully manage our growth, our ability to increase our revenue and improve our earnings could be adversely affected.

We have experienced rapid growth in recent years. However, there is no assurance that we will be able to maintain our historical growth rates in future periods. Our revenue growth may slow or our revenue may decline for any number of possible reasons, such as decreased customer orders, increased competition, slowdown in the growth or contraction of the semiconductor industry, changes in policies or general economic conditions, and natural disasters or outbreaks of pandemics. If our growth rate declines, investors’ perceptions of our business and business prospects may be adversely affected and the prices of our ordinary shares and H Shares could decline.

We plan to achieve our business growth by implementing a series of strategies, such as maintaining technology leadership and developing leading, feature-rich solutions, further increasing market share and penetrating our addressable markets, innovating our application-specific technologies to expand into new verticals, and continuing to strengthen global ecosystem through partnerships and supply chain optimization. There is no assurance that we will be able to implement our business strategies and expansion plans successfully, which in turn are subject to uncertainties and changing market conditions. Our plans for development and business expansion are formulated based on assumptions on the occurrence of certain future events, which may or may not materialize. We may encounter difficulties in implementing our business strategies such as failing to further expand our operations due to intense competition in the semiconductor industry and the new regulations in the

RISK FACTORS

semiconductor industry that we may not be familiar with. We may also not have timely access to adequate capital financing when suitable business opportunities arise. Further, there is also no assurance that any of our business strategies will yield the benefits or achieve the level of profitability we anticipate.

Our growth has placed, and will continue to place, a significant strain on our management and other resources. To manage our growth effectively, we must, among other things:

- continuously improve our operational, financial and accounting systems;
- train, manage and maintain good relations with our existing employee base;
- attract and retain qualified personnel with relevant experience;
- effectively manage trade receivables and inventory; and
- navigate evolving trade and investment policies—both domestically and internationally—that may impact our supply chain, market access, investment strategy, and overall business operations.

We must also manage multiple relationships with customers, business partners and other third parties, such as our foundry partners and packaging service providers. Moreover, future growth could significantly overburden our management and financial systems and other resources. We may not make adequate allowances for the costs and risks associated with our expansion. In addition, our systems, procedures or controls may not be adequate to support our operations, and we may not be able to expand quickly enough to capitalize on potential market opportunities. Our future results of operations will also depend, in part, on our ability to expand sales and marketing, research and development, accounting, finance and administrative support.

Our future results may fluctuate, fail to match past performance or fail to meet expectations as a result of conditions beyond our control, such as general economic conditions in the overseas and domestic markets, cyclical and other market conditions within our industry and the financial health and viability of our suppliers and customers.

Our results may fluctuate in the future, may fail to match our past performance or fail to meet our expectations and the expectations of securities analysts and investors as a result of conditions beyond our control. Our results and related ratios, such as gross profit margin, operating profit margin and effective tax rate may fluctuate for a variety of reasons beyond our control, including:

- general economic and political conditions in the countries and regions where we sell our semiconductor solutions;
- the timing of new product introductions by our customers and our competitors;
- seasonality and variability in the smartphone vertical and our other verticals;
- movements in exchange rates, which can impact our reported revenues, cost of goods sold, and profitability, especially given that we operate across multiple jurisdictions and transact in various currencies;
- fluctuations in interest rates, which may affect our financing costs, capital expenditures, and investment returns, particularly if we rely on variable-rate debt or seek to fund growth through external financing;
- unexpected changes in the manufacturing and delivery capabilities of our foundry partners and packaging service providers; and

RISK FACTORS

- The imposition of additional trade and investment restrictions, tariffs, export controls, or sanctions that could increase our costs, disrupt our supply chain, limit our access to key markets, or constrain our ability to invest in or collaborate with certain technologies or jurisdictions.

In particular, the semiconductor industry is highly cyclical and has experienced significant downturns in the past, characterized by reduced product demand, production overcapacity, increased inventory levels, industry-wide fluctuations in demand, and substantial erosion of average selling prices. These industry cycles can be exacerbated by macroeconomic volatility, including rising interest rates, inflationary pressures, currency fluctuations, and geopolitical instability. As a result, the cyclical nature of the semiconductor industry may cause us to experience substantial period-to-period fluctuations in our business, financial condition, and results of operations.

Our success depends on the continuing and collaborative efforts of our management team, and our business may be disrupted if we lose their services.

Our success heavily depends upon the continued services of our management. If one or more of our senior management were unable or unwilling to continue in their present positions, we might not be able to replace them easily or at all, and our business, financial condition and results of operations may be materially and adversely affected. If any of our senior management joins a competitor or forms a competing business, we may lose customers, suppliers, know-how and key professionals and staff members. Most of our senior management members have entered into employment agreements and confidentiality and non-competition agreements with us. However, if any dispute arises between our officers and us, we may have to incur substantial costs and expenses in order to enforce such agreements or we may be unable to enforce them at all. We may also incur increased operating expenses and be required to divert the attention of other senior executives away from their original duties to recruiting replacements for key personnel. In addition, we do not have key person insurance for any of our executive officers or other key personnel. Events or activities attributed to our executive officers or other key personnel, and related publicity, whether or not justified, may affect their ability or willingness to continue to serve our company or dedicate their full time and efforts to our company and negatively affect our reputation, resulting in an adverse effect on our business, operating results and financial condition.

If we are unable to recruit, train and retain qualified personnel or sufficient workforce while controlling our labor costs, our business may be materially and adversely affected.

Our future success depends, to a significant extent, on our ability to recruit, train and retain qualified personnel, particularly scientists, engineers, technicians and sales and marketing personnel with substantial experience in the semiconductor industry. Our experienced mid-level managers are instrumental in implementing our business strategies, executing our business plans and supporting our business operations and growth. The effective operation of our research and development departments, managerial and operating systems, sales and marketing teams and other functionalities also depends on the hard work and quality performance of our management and employees. Since our industry is characterized by high demand and intense competition for talent and labor, we can provide no assurance that we will be able to attract or retain qualified staff or other highly skilled employees that we will need to achieve our strategic objectives.

As of December 31, 2024, we had 5,376 full-time employees, a majority of whom worked in our research and development, production, and sales and marketing divisions. Competition for these

RISK FACTORS

personnel with the appropriate qualifications in the semiconductor industry can be intense, and we may experience difficulty in hiring and retaining such candidates. Failure to obtain stable and skilled personnel and other labor support may lead to underperformance of these functions and cause disruption to our business. Furthermore, our cost structure is vulnerable to increase in labor costs. If the compensation package we offer is not competitive in the market, we may not be able to provide sufficient incentives to or maintain a stable and dedicated talent pool. Any failure to address these risks and uncertainties could materially and adversely affect our business and results of operations. In addition, our ability to train and integrate new employees into our operations may also be limited and may not meet the demand for our business growth on a timely fashion, or at all, and rapid expansion may impair our ability to maintain our corporate culture.

Natural disasters, health epidemics, acts of war or terrorism and other business disruptions beyond our control may have a material adverse effect on our business operations, financial condition and results of operations.

We are vulnerable to natural disasters, health epidemics, terrorist attacks, armed conflicts, wars and other acts of violence, in addition to regional or international crisis, calamity or emergency, which may lead to significant loss of personnel and damages to properties, or otherwise cause material disruptions to our business and operations. Our business could also be harmed if such events interrupt the operations of our foundry partners and service providers, or the operations of our customers, distributors and other business partners. The ultimate impact of business interruption events, both in terms of direct impact on us and our supply chain, as well as on our customers (including their willingness to procure, potential supply chain issues as well as end-market demand), may not be known for a considerable period of time following the events.

Our business depends on the proper functioning of internal processes and information technology systems. A failure of these processes and systems, data breaches, cyber-attacks, or cyber-fraud may cause business disruptions, compromise our intellectual property or other sensitive information, litigation or government actions, or result in losses.

We rely on the efficient and uninterrupted operation of complex information technology applications, systems and networks to operate our business. The reliability and security of information technology infrastructure and software, and our ability to expand and continually update technologies in response to changing needs is critical to our business. Any significant interruption in these applications, systems or networks, including new system implementations, computer viruses, cyberattacks, security breaches, facility issues or energy blackouts, could have a material and adverse impact on our business, financial condition and results of operations.

Cyber-attacks attempting to obtain access to our computer systems and networks could result in the misappropriation of proprietary information and technology. Although we have not experienced a material breach or incident to date, there can be no assurance that a future breach or incident will not have a material impact on our operations and financial results. In the current environment, there are numerous and evolving risks to cybersecurity and privacy, including criminal hackers, state-sponsored intrusions, industrial espionage, employee malfeasance, and human or technological error. In the event of such breaches, we, our customers or other third parties could be exposed to potential liability, litigation, and regulatory action, as well as the potential loss of existing or potential customers, damage to reputation, and other financial loss. In addition, the cost and operational consequences of responding to attempted breaches and implementing remediation measures could be significant.

RISK FACTORS

Cyber-attacks or other catastrophic events could result in interruptions or delays to us, our customers, or other third-party operations or services, financial loss, potential liability, and damage our reputation and affect our relationships with customers and suppliers. Further, we may be subject to theft, loss, or misuse of personal and confidential data regarding our employees, customers and suppliers that is routinely collected, used, stored, and transferred to run our business. Such theft, loss, or misuse could result in significantly increased business and security costs or costs related to defending legal claims. Even though we have taken measures to comply with current privacy-related or data protection laws and regulations in each applicable jurisdiction, material changes in these laws and regulations could result in increased costs on us in order to maintain compliance.

Our business also depends on various outsourced IT services. We rely on third-party vendors to provide critical services and to adequately address cyber security threats to their own systems. Any material failure of third-party systems and services to operate effectively could disrupt our operations and could have a material and adverse effect on our business, financial condition and results of operations.

Our insurance coverage may not completely cover the risks related to our business and operations.

We maintain insurance policies that are required under the laws and administrative regulations of the jurisdiction where we operate as well as based on our assessment of our operational needs and industry practice. We maintain insurance policies on our buildings, equipment and inventories covering property damage and damage due to, among other events, fires, typhoons, earthquakes and floods. We maintain these insurance policies on our facilities and on transit of inventories. Additionally, we maintain director and officer liability insurance. In compliance with the applicable PRC laws and regulations, we also provide social security insurance including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and medical insurance to our employees. In addition, we also provide certain types of commercial insurance to our employees. We do not have insurance for business interruptions, nor do we maintain product liability insurance or key person insurance. We cannot assure you that our insurance coverage is sufficient to cover all of our risk exposure and prevent us from any loss, or that we will be able to successfully claim our losses under our current insurance policies on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or if the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected. Any liability or damage to, or caused by, our facilities or our personnel beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources.

Our use of some leased properties could be challenged by third parties or government authorities, and failure to renew our current leases or locate desirable alternatives for our facilities may cause interruptions to our business operations.

As of the date of this document, we are not aware of any material claims or actions being contemplated or initiated by government authorities, property owners or any other third parties with respect to our leasehold interests in or use of such properties. However, we cannot assure you that our use of such leased properties will not be challenged. In the event that our use of properties is successfully challenged, we may be forced to relocate the affected operations. In addition, we may become involved in disputes with the property owners or third parties who otherwise have rights to or interests in our leased properties. We can provide no assurance that we will be able to find suitable replacement sites on terms acceptable to us on a timely basis, or at all, or that we will not be subject to

RISK FACTORS

material liability resulting from third parties’ challenges on our use of such properties. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We must maintain effective internal control over financial reporting, and if we are unable to do so, the accuracy and timeliness of our financial reporting may be adversely affected.

We may in the future discover, areas of our internal control that need improvement. If we fail to maintain or implement an effective internal control system over financial reporting, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could, in turn, limit our access to capital markets, harm our business, financial condition and results of operations. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential penalties, regulatory investigations and civil or criminal sanctions.

Our ability to compete will be harmed if we are unable to protect, maintain or enforce our intellectual property rights adequately. Our patents, trade secrets, know-how and other proprietary information may be stolen, used in an unauthorized manner, or compromised, which could materially and adversely affect our results of operations, financial condition, business and prospects.

We believe that the protection of our intellectual property rights is, and will continue to be, important to the success of our business. We rely on a combination of patents, trade secret protection, non-disclosure and other contractual agreements and trademarks to establish and protect our proprietary intellectual property rights. Our inability to adequately protect our intellectual property rights could materially and adversely affect our competitive position, business, financial condition and results of operations.

Our ability to obtain additional patents is uncertain and the legal protection afforded by these patents may not adequately protect our rights or permit us to gain or keep competitive advantage. In addition, the specific content required of patents and patent applications that are necessary to support and interpret patent claims can be uncertain due to the complex nature of the relevant legal, scientific and factual issues. Changes in either patent laws or interpretations of patent laws in China, the United States or elsewhere may diminish the value of our intellectual property or narrow the scope of our patent protection. We cannot assure you that any patent will be issued as a result of any applications or, if issued, that any claims allowed will be sufficiently broad to protect our technology. It is possible that existing or future patents may be challenged, invalidated or circumvented. In addition, the cost to litigate infringements of our patents, or the cost to defend ourselves against patent infringement actions by others, could be substantial and, if incurred, could materially affect our business and financial condition. See “—If we become subject to litigation, legal or contractual disputes, governmental investigations or administrative proceedings, our management’s attention may be diverted and we may incur substantial costs and liabilities.”

Proprietary trade secrets and unpatented know-how are also very important to our business. We rely on trade secrets to protect certain aspects of our technology, especially where we do not believe that patent protection is appropriate or obtainable. However, trade secrets can be difficult to protect. Our employees, consultants, contractors, outside collaborators and other advisors may unintentionally or willfully disclose our confidential information to competitors, and confidentiality agreements may not provide an adequate remedy in the event of unauthorized disclosure of confidential or proprietary

RISK FACTORS

information. Enforcing a claim that a third party illegally obtained and is using our trade secrets may be expensive and time consuming and may not be successful at all. Moreover, our competitors may independently develop equivalent knowledge, methods and know-how. Failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

Assertions against us by third parties for infringement of their intellectual property rights could divert management attention, result in significant costs and cause our business, financial condition and results of operations to suffer.

The semiconductor industry is characterized by vigorous protection and pursuit of intellectual property rights and positions, which results in protracted and expensive litigation for many companies. We have received, and expect to continue to receive, notices of infringement of third-party intellectual property rights. We may receive claims from various industry participants alleging infringement of their patents, trade secrets or other intellectual property rights in the future. These claims may increase as our intellectual property portfolio becomes larger and/or more valuable. Intellectual property claims against us, and any resulting lawsuit, may cause us to incur significant expenses, subject us to liability for damages and invalidate our proprietary rights. Any potential intellectual property litigation against us would likely be time-consuming and expensive to resolve and could divert management’s time and attention and could also force us to take actions such as:

- ceasing the sale or use of products or services that incorporate the infringed intellectual property;
- obtaining from the holder of the infringed intellectual property a license to sell or use the relevant technology, which license may not be available on acceptable terms, if at all; or
- redesigning those products or services that incorporate the disputed intellectual property, which could result in substantial unanticipated development expenses and delay and prevent us from selling the solutions until the redesign is completed, if at all.

If we are subject to a successful claim of infringement and we fail to develop non-infringing intellectual property or license the infringed intellectual property on acceptable terms and on a timely basis, we may be unable to sell some or all of our solutions, and our business, financial condition and results of operations could be adversely affected. We may in the future initiate claims or litigation against third parties for infringement of our intellectual property rights or to determine the scope and validity of our proprietary rights or the proprietary rights of competitors. These claims could also result in significant expense and the diversion of technical and management attention.

In addition, third parties may assert claims of infringement and misappropriation of proprietary rights based on the use or resale of our solutions against our business partners with whom we do business. In addition, the end-user customers may also be named as parties in these claims. Under our agreements with certain suppliers and customers, we may be required to defend protracted and costly litigation on their behalf, regardless of the merits of these claims, or to indemnify these parties for such claims. If we are required or agree to defend or indemnify any of our suppliers, customers or their end-user customers in connection with any claims of infringement or misappropriation of proprietary rights or injunctions are secured by third parties that prevent the sale of products that incorporate our solutions, we could incur significant costs and expenses and experience a significant decrease in our revenue that could adversely affect our business, financial condition and results of operations.

RISK FACTORS

Our ability to design, introduce and sell our semiconductor solutions is dependent in part upon third-party intellectual property rights.

In the design and development of new semiconductor solutions, product enhancements and sales of current solutions, we rely in part on third-party intellectual properties such as software development tools and hardware testing tools. Furthermore, certain product features may rely on intellectual property acquired from third parties. The design requirements necessary to meet future customer demands for more features and greater functionality from semiconductor solutions may exceed the capabilities of the third-party intellectual property or development tools that are available to us. In addition, hardware and software tools and products procured or licensed from third parties may contain design or manufacturing defects that such third parties are unable to resolve, including flaws that could unexpectedly interfere with the operation of our solutions. Furthermore, some of the software licensed from third parties may not be available in the future on terms acceptable to us or allow our solutions to remain competitive. The loss of these licenses or the inability to maintain any of them on commercially acceptable terms could delay development of future solutions or the enhancement of existing solutions. If the third-party intellectual property that we use becomes unavailable or fails to produce designs that meet customer demands, our business could be harmed.

The intellectual property laws of different jurisdictions may differ and we may not be able to protect or enforce our intellectual property rights in certain jurisdictions.

Our international operation requires us to seek protection of our intellectual property in various jurisdictions including China, the United States, EU and other countries or regions, relying on a combination of trade secrets and regulatory protection methods. The issuance, scope, validity and enforceability of our patents and other intellectual property rights are highly uncertain and differ significantly in different jurisdictions. For example, filing and prosecuting patent applications and defending patents covering our technologies in all countries across the world could be prohibitively expensive. Competitors may use our technologies in jurisdictions in which we have not obtained sufficient intellectual property protection and may subsequently export otherwise infringing solutions to territories where we have intellectual property protection, taking advantage of the varying levels of law enforcement across jurisdictions. Furthermore, while we intend to protect our intellectual property rights in our significant markets, there can be no assurance that we will be able to initiate or maintain similar efforts in all jurisdictions in which we may expect to expand our business.

In addition, the laws of some jurisdictions do not protect intellectual property rights to the same extent as the laws or rules and regulations in jurisdictions such as the United States and Europe, and many companies have encountered significant difficulties in registering, protecting and defending such rights in certain jurisdictions. Furthermore, the legal systems of certain countries, particularly developing countries, may not favor the enforcement of patents, trade secrets and other intellectual property protection, which could make it difficult for us to stop the infringement of our patents or the sales and marketing of competing solutions in violation of our proprietary rights generally. Proceedings to enforce our patent rights in different jurisdictions, whether or not successful, could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly, and our patent applications at risk of not issuing as patents, and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate, and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to protect our intellectual property rights in such countries may be inadequate, which may have a material adverse effect on our business, financial condition and results of operations.

RISK FACTORS

We are subject to a broad range of laws and regulations. Any lack of requisite approvals, licenses or permits applicable to our business or any failure to comply with applicable laws or regulations may have a material and adverse impact on our business, financial condition and results of operations.

We are subject to regulation by various governmental agencies in the jurisdictions in which we operate. In addition, the laws and regulations our business is subject to are complex and change frequently. Failure to comply with the large body of laws and regulations to which we are subject or to successfully develop and implement policies, procedures and practices intended to facilitate compliance with such laws and regulations could have a material and adverse effect on our business and operations. In particular, our business is subject to governmental supervision and regulation by the relevant PRC regulatory authorities. Please refer to “Regulatory Overview” for further information on such regulatory authorities. Together, these authorities promulgate and enforce regulations that cover many aspects of our operations, including entry into these industries, the scope of permissible business activities, licenses and permits for various business activities.

In addition, new laws and regulations may be adopted from time to time to require additional licenses and permits other than those we currently have, and to address new issues that arise from time to time. If we are unable to maintain and renew one or more of our licenses and certificates when their current term expires, or obtain such renewals on commercially reasonable terms, our operations could be disrupted.

If we become subject to litigation, legal or contractual disputes, governmental investigations or administrative proceedings, our management’s attention may be diverted and we may incur substantial costs and liabilities.

We may from time to time become subject to various litigation, legal or contractual disputes, investigations or administrative proceedings arising in the ordinary course of our business, including various disputes with or claims from our employees, shareholders, suppliers, customers, contractors, business partners and other third parties that we engage for our business operations. We may be subject to litigation and regulatory proceedings relating to third-party and principal intellectual property infringement claims, contract disputes, employment related cases, cross-border payment and settlement disputes and other matters in the ordinary course of our business.

As our business expands, including across jurisdictions and through the addition of new businesses, we may encounter a variety of these claims, including those brought against us pursuant to anti-monopoly or unfair competitions laws or involving higher amounts of alleged damages. We have acquired and may acquire companies that may become subject to litigation, as well as regulatory proceedings. In addition, in connection with litigation or regulatory proceedings we may be subject to in various jurisdictions, we may be prohibited by laws, regulations or government authorities in one jurisdiction from complying with subpoenas, orders or other requests from courts or regulators of other jurisdictions. Our failure or inability to comply with the subpoenas, orders or requests could subject us to fines, penalties or other legal liability, which could have a material and adverse effect on our reputation, business, results of operations and financial condition.

As a [REDACTED] company, we may face additional exposure to claims and lawsuits, including securities law class actions. We will need to defend against these lawsuits, including any appeals should our initial defense be successful. The litigation process may utilize a material portion of our cash resources and divert management’s attention away from the day-to-day operations of us, all of which could harm our business. There can be no assurance that we will prevail in any of these cases,

RISK FACTORS

and any adverse outcome of these cases could have a material and adverse effect on our reputation, business, financial condition and results of operations. In addition, although we have obtained directors’ and officers’ liability insurance, the insurance coverage may not be adequate to cover our obligations to indemnify our Directors and officers, fund a settlement of litigation in excess of insurance coverage or pay an adverse judgment in litigation. Certain of our Directors may be subject to alleged class actions due to their current or previous directorships in other listed companies. Our Directors and executive officers may also face litigation or proceedings (including alleged or future securities class action) unrelated to their respective capacity as a Director or executive officer of our company, and such litigation or proceedings may adversely affect our public image and reputation.

Furthermore, our solutions have been incorporated into certain end-user products in the medical and automotive industries, and we expect that they will continue to increase as a percentage of our overall business. The use of the medical and automotive industry products into which our solutions are designed could result in an unsafe condition, injury, or even death as a result of, among other factors, component failures, manufacturing flaws, design defects or inadequate disclosure of product-related risks or product-related information. These factors could result in product liability claims seeking damages for personal injury, and we could be named as a defendant in such claims. Because the outcome of product liability claims is not predictable and is difficult to assess or quantify, we cannot provide assurance that such claims will not materially and adversely affect our business or damage the reputation of our solutions or that of our company.

In order to comply with environmental, occupational health and safety and other similar laws and regulations, we may need to modify our activities or incur substantial costs, and such laws and regulations, including any failure to comply with such laws and regulations, could subject us to substantial costs, liabilities, obligations and fines, or require it to have suppliers alter their processes.

The semiconductor industry is subject to a variety of international and domestic laws and regulations governing pollution, environmental protection and occupational health and safety. Compliance with current or future environmental and occupational health and safety laws and regulations could restrict our ability to expand our business or require us to modify processes or incur other substantial expenses which could harm our business. Environmental and occupational health and safety laws and regulations have tended to become more stringent over time, causing a need to redesign technologies, imposing greater compliance costs and increasing risks and penalties associated with violations, which could seriously harm our business.

We could be adversely affected by violations of applicable anti-corruption laws or violations of our internal policies designed to ensure ethical business practices.

We operate in a number of countries throughout the world, including in countries with a strong commitment to anti-corruption and ethical behavior. We are subject to the risk that we, our employees or any third-parties that we engage to do work on our behalf in certain countries may take action determined to be in violation of anti-corruption laws in any jurisdiction in which we conduct business. Corruption can result in huge economic losses due to fraud, theft and waste. Moreover, corruption can corrode critical public institutions, such as the courts, law enforcement and public pension administration, thereby undermining property rights, public confidence and social stability. As a result, corruption dramatically increases the systemic risks that exist in some of the jurisdictions in which we operate. We are thus exposed to the increased costs and risks of corruption where we operate, and there

RISK FACTORS

can be no assurance that any reform efforts will have a meaningful effect during our term. The United States has the FCPA, and other jurisdictions have adopted similar anti-corruption laws. Many of these laws have extraterritorial application. In addition, we will have internal ethics policies that we require our employees to comply with in order to ensure that our business is conducted in a manner that our management deems appropriate. If these anti-corruption laws or internal policies were to be violated, our reputation and operations could also be substantially harmed.

In recent years, the U.S. Department of Justice has devoted greater resources to enforcement of the FCPA. Other countries have also adopted or improved their anti-corruption legal regimes in recent years. We are committed, to the fullest extent permitted by applicable law, to complying with the FCPA and other anti-corruption laws and regulations, anti-bribery laws and regulations, as well as anti-boycott regulations to which they/we are subject. As a result, we could be adversely affected because of our unwillingness to participate in transactions that violate such laws or regulations. Such laws and regulations can make it difficult in certain circumstances for us to act successfully on investment opportunities and for Portfolio Entities to obtain or retain business.

Any violation of the FCPA or any similar anti-corruption law or regulation could result in substantial fines, sanctions, civil and/or criminal penalties and curtailment of operations in certain jurisdictions and might adversely affect our business, financial condition and results of operations. In addition, we will have internal ethics policies that we require our employees to comply with in order to ensure that our business is conducted in a manner that our management deems appropriate. If these anti-corruption laws or internal policies were to be violated, our reputation and operations could also be substantially harmed. In addition, we could incur costs and expenses associated with engaging external counsel or other third-party consultants or professionals in connection with inquiries or investigations relating to FCPA or other applicable anti-corruption laws or anti-bribery laws. In these cases, we could suffer significant losses from the cost of defense, interruption to ordinary operations and fines and penalties.

Non-compliance on the part of our Directors, employees, our business partners, or other third parties involved in our business could adversely affect our business.

We are exposed to the risk of non-compliance or improper conduct by our Directors, employees, business partners or other third parties. In particular, despite our efforts to provide training on a regular basis, it is not always possible to identify and deter such misconducts, and the precautions we take to detect and prevent such activities may not be effective in controlling unknown or unmanaged risks or losses, or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to comply with these laws or regulations. Any actual or alleged illegal or improper activities by our Directors and employees (including our senior management) could subject us to liability or negative publicity, whether or not such activities are directly related to us. Such activities and allegations may also affect our Directors' and employees' ability or willingness to continue to serve our company or dedicate their full time and efforts to our company and negatively affect our brand and reputation, resulting in an adverse effect on our business, financial condition and results of operations.

Our business partners, as well as other third parties who entered into business relationships with us, may also be subject to regulatory penalties or punishments because of their regulatory non-compliance, which may, directly or indirectly, disrupt our business. We cannot assure you that we will be able to identify irregularities or non-compliances in the business practices of our business partners or other third parties, or that such irregularities or non-compliance will be corrected in a prompt and proper manner, or at all.

RISK FACTORS

If any governmental investigations, lawsuits or other actions are instituted against us as a result of the actual or alleged illegal or improper activities by our Directors, employees, business partners, or other third parties involved in our business, and we are not successful in defending ourselves or asserting our rights, those actions could result in the imposition of significant civil, criminal and administrative penalties, including, without limitation, damages, monetary fines, individual imprisonment, disgorgement of profits, contractual damages, reputational harm, diminished profits and future earnings, which could have a significant impact on our business. Whether or not we are successful in defending against such actions or investigations, we could incur substantial costs, including legal fees and divert the attention of management in defending ourselves against any of these claims or investigations.

Any negative publicity with respect to us, the industry we are in or our business partners may materially and adversely affect our reputation, business, financial condition and results of operations.

We, our shareholders, Directors, senior management, employees and business partners may be subject to negative media coverage and publicity from time to time. Such negative coverage in the media and publicity could threaten the perception of our reputation. In addition, to the extent our employees and business partners were non-compliant with any laws or regulations, we may also suffer negative publicity or harm to our reputation. As a result, we may be required to spend significant time and incur substantial costs in response to allegations and negative publicity, and may not be able to diffuse them to the satisfaction of our investors and customers.

We may be exposed to credit risk due to customer defaults, which could harm our business, financial condition, results of operations and cash flows.

As of December 31, 2022, 2023 and 2024, our trade receivables were RMB2,501.9 million, RMB4,031.5 million and RMB3,963.9 million, respectively. The increased amount of our trade receivables exposes us to increased credit risk. We cannot assure you that in the future, we will be able to recover all the trade receivables. Should we fail to recover all the trade receivables, it will adversely affect our business, financial condition and results of operations. While we normally do not agree to extend the payment terms for our customers, we cannot guarantee that we will not have to do so in certain cases going forward. Any loss of or a sharp reduction in our customers’ sales, default by our customers, a prolonged delay in the payment of trade receivables or the extension of payment terms for our customers could adversely affect our cash flow, liquidity, business, financial condition and results of operations.

Failure to comply with the terms of our indebtedness or enforcement of our obligations under any guarantee or other similar arrangement could have an adverse effect on our cash flow and liquidity.

As of December 31, 2024, we had long-term borrowings of RMB3,472.0 million. Under the terms of our indebtedness and under any debt financing arrangement that we may enter into in the future, we are, and may be in the future, subject to covenants that could, among other things, restrict our business and operations. If we breach any of these covenants, our lenders under our credit facilities and holders of our unsecured senior notes will be entitled to accelerate our debt obligations. Any default under our credit facilities or unsecured senior notes could require that we repay these debts prior to maturity as well as limit our ability to obtain additional financing, which in turn may have a material and adverse effect on our cash flow and liquidity. In addition, enforcement against us under any guarantee and other similar arrangements we may enter into in the future could materially and adversely affect our cash flow and liquidity.

RISK FACTORS

We have granted, and may continue to grant, share options and other types of awards under our share incentive plans, which may result in increased share-based payments.

We have adopted share incentive plans to provide additional incentives to employees, Directors and consultants. We recorded RMB271.3 million and RMB245.6 million in share-based payments for the years ended December 31, 2022 and 2024, respectively and RMB31.5 million in reversal for share-based payments for the year ended December 31, 2023. We believe the granting of share-based awards is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based awards to employees in the future. As a result, our expenses associated with share-based payments may increase, which may have an adverse effect on our results of operations.

Changes in the fair value of our financial assets may materially and adversely affect our results of operations, financial condition and prospects.

As of December 31, 2024, our financial assets at fair value through other comprehensive income and through profit or loss in total amounted to RMB5,111.8 million, which primarily consisted of our investments in listed companies, private companies and industry funds which were measured at fair value through profit or loss and our investments in listed companies and private companies which were not held for trading and were measured at fair value through other comprehensive income. Financial assets at fair value through profit or loss are stated at fair value, and net changes in their fair value are recorded as other gains, net, and therefore directly affect our results of operations. We recorded losses of RMB221.2 million in 2022, and recognized gains of RMB246.9 million and RMB74.3 million in 2023 and 2024, respectively, arising from changes in fair value.

Asset valuations in future periods, reflecting then prevailing market conditions, may result in negative changes in the fair values of these financial investments, which could have a negative impact on our results of operations. We cannot assure you that market conditions and regulatory environment will create fair value gains and we will not incur any fair value losses on our financial assets at fair value through profit or loss in the future. In addition, the value we ultimately realize from the disposal of these investments may be lower than their current fair value. Any of these factors could require us to record negative fair value adjustments, which may have a material and adverse effect on our results of operations, financial condition or prospects.

We cannot assure you that we can always obtain necessary or reliable data to apply relevant financial valuation models for determination of fair values, due to factors beyond our control such as loss of data or insufficient market information. In such circumstances, we need to make assumptions, judgments and estimates in order to establish the fair value. Since assumptions are subjective in nature and inherently uncertain, the actual results may differ from our estimates. Any consequential impairments or write-downs in future periods could have a material and adverse effect on our results of operations, financial condition and prospects.

We may be required to record a significant charge to earnings if our goodwill, intangible assets or other long-term assets become impaired.

Under IFRS, long-term equity investments, investment properties measured using the cost model, fixed assets, construction in progress, right-of-use assets and intangible assets with finite useful

RISK FACTORS

lives are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. For goodwill acquired from business combination and intangible assets with indefinite useful lives or not ready for intended use, irrespective of whether there is any indication of impairment, impairment should be tested at each year-end. Factors that may be considered a change in circumstances indicating that the carrying amount of our intangible assets may not be recoverable include a decline in market price of such assets, slower growth rates or other adverse changes in our industry and the macroeconomic conditions, and if such assets become idle or obsolete.

We may be required to record a significant charge to earnings in our financial statements during the period in which we determine that our intangible assets or other long-term assets have been impaired. Any such charge would adversely impact our results of operations. As of December 31, 2024, we had intangible assets of RMB1,886.5 million, goodwill of RMB3,632.2 million and investments accounted by equity method of RMB464.0 million. Our investments or acquisitions and acquired assets or businesses may also result in occurrence of significant investments and goodwill impairment charges, and amortization expenses for other intangible assets. See “—Strategic alliances, investments, acquisitions and divestures may have a material and adverse effect on our business, financial condition and results of operations. We may not be able to achieve our anticipated benefits and synergistic effects from such alliances, investments and acquisitions.”

Our business is subject to seasonal and cyclical fluctuations which may in turn cause fluctuations in our results of operations and cash flows from period to period.

Our results of operations were subject to seasonality in the past due to a number of factors, many of which are beyond our control. These factors and other industry risks, many of which are more fully discussed in our other risk factors, include:

- the seasonal nature of the growth of end markets and customer demand for our solutions;
- our gain or loss of a large customer, or cutbacks in orders from such customers;
- competitive pricing pressures;
- our ability to achieve design wins;
- the availability of production capacity at our foundry partners;
- the growth of the market for semiconductor solutions and applications using semiconductor solutions;
- the deferral of customer orders in anticipation of new solutions, product designs or enhancements; and
- adverse changes in domestic or global economic conditions.

We also anticipate that the rate of orders from our customers may vary significantly from period to period, while our operating expenses are relatively fixed in the short-term. Consequently, if we do not achieve the revenue we expect in any period, expenses and inventory levels could be disproportionately high, adversely impacting our results of operations and cash flows for that period, and potentially in future periods.

RISK FACTORS

All of these factors are difficult to forecast and could result in fluctuations in our results of operations. Fluctuations in our results of operations could adversely affect our share price in a manner unrelated to our long-term operating performance.

Our future tax rates and tax payments could be higher than we anticipate and may harm our business, financial condition and results of operations, and we are subject to risks associated with changes in the preferential tax treatment applicable to some of our subsidiaries.

As a multinational corporation, we conduct our business in many countries and are subject to taxation in many jurisdictions. The taxation of our business is subject to the application of multiple and sometimes conflicting tax laws and regulations as well as multinational tax conventions. The application of tax law is subject to legal and factual interpretation, judgment and uncertainty. Furthermore, tax laws themselves are subject to change. For example, the Pillar 2 tax implementations as contemplated by various jurisdictions that we operate in may affect the taxation of our non-PRC subsidiaries’ earnings. A number of other factors will also affect our future tax rate, and some of these factors could increase our effective tax rate in future periods, which could adversely impact our results of operations. These factors include changes in non-deductible share-based payments, changes in the proportion and geographic mix of our revenue or earnings, changes in the valuation of our deferred tax assets and liabilities, changes in available tax credits, and the resolution of issues arising from tax audits.

Furthermore, local tax laws and regulations have provided certain preferential tax treatments applicable to different enterprises, industries and locations. We and some of our subsidiaries are currently taxed at preferential rates due to the nature of our business activities and/or the location of our operations. For example, we and some of our PRC subsidiaries enjoy a preferential income tax of 15.0% due to our qualifications as “High and New Technology Enterprise”. Certain of our subsidiaries in Singapore enjoys reduced rates of Singapore income tax on certain classes of income as approve by the Singapore Economic Development Board, an agency of the Government of Singapore. In order to retain these tax benefits in Singapore, we must meet several requirements as to capital and business spending, headcount and activities. If we fail to meet these requirements or if the Singapore government enacts changes to existing tax laws or regulations, the tax benefits that we have received may be terminated, revoked, or reduced. Any change or elimination of such preferential tax treatments may materially and adversely affect our business, financial condition and results of operations.

If we need additional capital in the future, it may not be available to us on favorable terms, or at all. Our ability to raise additional funds depends on a variety of factors, including our credit ratings and anticipated results of operations.

Our cash, cash equivalents and short term investments primarily come from cash provided by operating activities. Although we currently expect our available cash, cash equivalents and short term investments, together with cash we anticipate generating from operating activities, will be sufficient to satisfy our capital requirements for the foreseeable future, if we are unable to sell our inventories or collect on our trade receivables as anticipated, we may be required to raise additional capital through equity or debt financing. Such additional financing may not be available on acceptable terms, or at all, and could have a material and adverse effect on our business, financial condition, results of operations and prospects. If we raise additional funds through issuances of equity, convertible debt

RISK FACTORS

securities or other securities convertible into equity, our existing stockholders could suffer significant dilution in their percentage ownership and any new securities we issue could have rights, preferences and privileges senior to those of holders of our common shares. We are also subject to credit rating by third-party agencies, any decline in credit ratings could increase our financing cost, affect our ability to raise additional capital, and in turn have a material and adverse effect on the future growth of our business.

The strategic priorities and financial performance of many of our businesses are subject to the market and other dynamics related to carbon neutrality and ESG, which can pose risks in addition to opportunities.

There is an increasing focus from certain investors, customers and other parties in society concerning corporate responsibility, specifically related to ESG factors. Accordingly, there is an increased emphasis on corporate responsibility ratings and a number of third parties provide reports on companies in order to measure and assess ESG performance, which pose reputational, regulatory and other risks on us. We believe that it is our responsibility to devote substantial time and resources to develop technology and products designed to reduce carbon footprint. In the meantime, given the nature of our businesses and the industries we serve, we must anticipate and respond to market, technological, regulatory and other changes driven by broader trends related to decarbonization efforts in response to climate change, and these changes present both risks and opportunities for our businesses. The process of developing new technology products and enhancing existing products to mitigate climate change is often complex, costly and uncertain, and we may pursue strategies or make investments that do not prove to be commercially successful in the time frames expected, or at all, which could impact our operating results and financial conditions. Furthermore, our success in advancing decarbonization objectives across our businesses will depend in part on the actions of governments, regulators and other market participants to invest in infrastructure, create appropriate market incentives and to otherwise support the development of new technologies.

In addition, the ESG factors by which companies’ corporate responsibility practices are assessed may change, which could result in greater expectations of us and cause us to undertake costly initiatives to satisfy such new criteria. Alternatively, if we are unable to satisfy such new criteria or we are unable to respond or perceived to be inadequately responding to sustainability concerns, investors may conclude that our policies with respect to corporate responsibility are inadequate and choose to purchase products from a competitor of us. We risk damage to our brands and our reputation in the event that our corporate responsibility procedures or standards do not meet the standards set by various third parties.

In addition, in the event that we communicate certain initiatives and goals regarding ESG matters, we could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could be criticized for the scope of such initiatives or goals. Any of these circumstances could cause negative publicity and material and adverse effect on our business, financial condition and results of operations. Moreover, not all of our competitors may seek to establish climate or other ESG targets and goals, or at a comparable level to ours, which could result in our competitors achieving competitive advantages through lower costs in supply chain or operation, which could adversely affect our business, results of operations, financial condition and prospects.

We are subject to a broad range of increasingly strict laws and regulations relating to, among other areas, the environment, occupational health and safety and labor practices, in jurisdictions in

RISK FACTORS

which we operate. In particular, in terms of environmental protection, we are required to comply with laws, regulations and various industry standards relating to air emissions, discharges of waste water, waste gas and solid waste, noise pollution, toxic chemicals, waste treatment, and the energy efficiency of certain products, among other things.

We are also subject to periodic monitoring by environmental protection authorities in various jurisdictions in which we operate. Compliance with these laws and regulations is costly, and failure to comply could subject us to, among other things, legal liability, fines, suspension of production, a loss of license to operate certain facilities and other sanctions, unexpected interruptions to operations, securities litigation and a general loss of investor confidence, any one of which could have a material adverse impact on our business prospects, financial condition and results of operations as well as the market value of our Shares. Furthermore, future developments such as new and more restrictive or changes to existing laws and regulations relating to, among other areas, the environmental, occupational health and safety and labor practices, more aggressive enforcement of existing laws and regulations or the discovery of presently unknown environmental conditions may require us to make material changes to our products and operations or require additional expenditures, which could have an adverse effect on our business, financial condition and results of operations.

We may be the subject of anti-competitive, harassing, or other detrimental conduct by third parties including complaints to regulatory agencies, negative social media postings, and the public dissemination of malicious assessments of our business that could harm our reputation and cause us to lose market share, customers and revenues.

We may be the target of anti-competitive, harassing, or other detrimental conduct by third parties. Such conduct includes complaints, anonymous or otherwise, to regulatory agencies. We may be subject to government or regulatory investigation as a result of such third-party conduct and may be required to expend significant time and incur substantial costs to address such third-party conduct, and there is no assurance that we will be able to conclusively refute each of the allegations within a reasonable period of time, or at all. Additionally, allegations, directly or indirectly against us, may be posted online by anyone, whether or not related to us, on an anonymous basis. Customers value readily available information concerning distributors, retailers, manufacturers, and their products and services and often act on such information without further investigation or authentication and without regard to its accuracy. The availability of information on social media is virtually immediate, as is its impact. Social media immediately publish the content their subscribers and participants post, often without filters or checks on the accuracy of the content posted. Information posted may be inaccurate and adverse to us, and it may harm our reputation, business operations and financial performance. The harm may be immediate without affording us an opportunity for redress or correction. Our reputation may be negatively affected as a result of the public dissemination of anonymous allegations or malicious statements about our business, which in turn may cause us to lose market share, customers and revenues.

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

We are or may in the future become subject to a variety of litigation and legal compliance risks. Unfavorable outcomes regarding these assessments could have a material adverse effect on our financial statements in any particular reporting period. Results of legal and regulatory proceedings

RISK FACTORS

cannot be predicted with certainty and for some matters, such as class actions, no insurance is cost-effectively available. Regardless of merit, legal and regulatory proceedings may be both time-consuming and disruptive to our operations and could divert the attention of our management and key personnel from our business operations. Such proceedings could also generate significant adverse publicity and have a negative impact on our reputation and brand image, regardless of the existence or amount of liability. We estimate loss contingencies and establish accruals as required by the applicable accounting standard, based on our assessment of contingencies where liability is deemed probable and reasonably estimable, in light of the facts and circumstances known to us at a particular point in time. Subsequent developments in legal proceedings, volatility in foreign currency exchange rates and other factors may affect our assessment and estimates of the loss contingency recorded and could result in an adverse effect on our results of operations in the period in which a liability would be recognized or cash flows for the period in which amounts would be paid. Actual results may significantly vary from our reserves.

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

The legal systems of the geographic markets where we operate vary significantly from jurisdiction to jurisdiction. Some jurisdictions have a civil law system based on written statutes, while others are based on common law. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value. The legal systems of some geographic markets where we operate are consistently evolving. Laws and regulations that are recently enacted may not sufficiently cover all aspects of economic activities in such markets. In particular, the interpretation and enforcement of these laws and regulations are subject to future implementations, and the application of some of these laws and regulations to our businesses is not settled. Since local administrative and court authorities are authorized to interpret and implement statutory provisions and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we have in many of the geographic markets where we operate.

These uncertainties may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual rights or claims. In addition, the regulatory uncertainties may be exploited through unmerited or frivolous legal actions, claims concerning the conduct of third parties, or threats intended to extract payments or benefits from us.

Furthermore, many of the legal systems in the geographic markets where we operate are influenced by government policies and internal interpretations, some of which are not published on a timely basis or at all and may have retroactive effects. There are other circumstances where key regulatory definitions are unclear, imprecise or missing, or where interpretations adopted by regulators are inconsistent with those applied by courts in analogous cases. As a result, we may not become aware of our violation of certain policies or rules until sometime after the violation has occurred. In addition, administrative and court proceedings in certain of our geographic markets may be protracted, resulting in substantial costs and diversion of resources and management attention.

Operating across multiple jurisdictions also increases our compliance burden and cost base. We must navigate different legal standards, licensing requirements, labor laws, tax regimes, and reporting obligations, often requiring localized legal counsel and compliance infrastructure. These complexities may slow down decision-making, increase operational overhead, and heighten the risk of inadvertent noncompliance.

RISK FACTORS

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

We are listed on the Shanghai Stock Exchange and are subject to extensive requirements relating to the supervision of listed companies in China. Failure to comply with such evolving laws and regulations on corporate governance and public disclosure, among other matters, may lead to penalties, disciplinary actions and other negative consequences.

As a publicly traded company in China, we are subject to heightened scrutiny regarding corporate governance and public disclosure relating to supervision of listed companies in the PRC, which may increase both our costs and the risk of non-compliance. For example, we are subject to the supervision of the CSRC, which is charged with the protection of investors and the oversight of companies whose securities are publicly traded in China, and to new and evolving regulatory measures under applicable law. Any non-compliance of the applicable requirements may cause us to incur penalties or become subject to other disciplinary actions.

Moreover, because these laws, regulations and standards are subject to varying interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. If we fail to address and comply with these regulations and any subsequent changes, we may be subject to penalty and our business may be harmed.

Changes in the political and economic policies, as well as the interpretation and enforcement law, rules and regulations, may affect our business, financial condition, results of operations and prospects.

Our business, financial condition, results of operations and prospects are affected by the economic, political, and legal developments in the jurisdictions where we operate. The overall economic growth is influenced by the governmental regulations and policies in relation to resource allocation, monetary policies, preferential treatment to particular industries or companies and others. Any of the foregoing would affect our business, financial condition, results of operations and prospects. Laws, rules and regulations in relation to economic matters are promulgated from time to time, including those related to such as foreign investment, corporate organization and governance, commerce, taxation, finance, foreign exchange and trade, so as to develop a comprehensive system of commercial law. In addition, the interpretation and implementation of the laws and regulations may also evolve from time to time, and we cannot assure you that our business operations will not be affected in the future.

You may experience difficulties in effecting service of legal process or enforcing foreign judgments against us.

A judgment of a court of another jurisdiction may be reciprocally recognized or enforced in Mainland China only if the jurisdiction has a treaty with Mainland China or if the jurisdiction has been otherwise deemed by the courts of Mainland China to satisfy the requirements for reciprocal

RISK FACTORS

recognition, subject to the satisfaction of other requirements. However, Mainland China is not a party to treaties providing for the reciprocal enforcement of judgments of courts with certain foreign countries such as the United States, and enforcement in Mainland China of judgments of a court in these jurisdictions may consequently be difficult or impossible.

Fluctuations in exchange rates could have an adverse effect on our business, financial condition and results of operations. Conversion between RMB and other currencies may affect our business and operations, our ability to pay dividends and meet our financial obligations, and the value of your investment.

A substantial portion of the Group’s revenue and cost are not denominated in Renminbi. Fluctuations in foreign exchange rates against the Renminbi could result in changes in reported revenue and results of operations due to the foreign exchange impact of translating these transactions into Renminbi. Currency fluctuations could decrease revenue and increase our cost of sales.

The conversion of Renminbi into foreign currencies, including U.S. dollars, is based on rates set by the PBOC. The Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. The value of Renminbi against the U.S. dollar and other currencies is affected by changes in the global political and economic conditions and by China’s foreign exchange policies, among other things. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar or other currencies in the future. It is difficult to predict how market forces, international relationships or policies may impact the exchange rate between Renminbi and the U.S. dollar or other currencies in the future.

Any significant appreciation or depreciation of Renminbi may materially and adversely affect our revenue, earnings and financial position, and the value of any dividends we may pay. For example, to the extent that we need to convert U.S. dollars we receive into Renminbi to pay our operating expenses, appreciation of Renminbi against the U.S. dollar could have an adverse effect on the Renminbi amount we could receive from the conversion. Conversely, a significant depreciation of Renminbi against the U.S. dollar may significantly reduce the U.S. dollar equivalent of our earnings.

There are limited hedging options available to reduce our exposure to exchange rate fluctuations. We do not currently maintain any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. As a result, fluctuations in exchange rates may have a material and adverse effect on your investment.

Our Company is a PRC tax resident and is subject to PRC tax on its global income, and the dividends payable to investors and gains on the sale of our H Shares by our [REDACTED] are subject to PRC tax.

As a PRC-incorporated company, under applicable PRC tax laws, we are required to pay tax on our global income. Under applicable PRC tax laws, regulations and statutory documents, non-PRC resident individuals and enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares.

Non-PRC individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC (《中华人民共和国个人所得税法》) with respect to PRC source income or

RISK FACTORS

gains at a rate of 20%. For a Non-PRC individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless a reduction is approved by the competent tax authority of the State Council or exempted by an international convention or agreement to which the PRC government is a party. We are required to withhold related tax from dividend payments paid to non-PRC resident individuals, unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. Non-resident individual H Share holders should be aware that they may be obligated to pay PRC income tax on the dividends and bonus realized from the H Shares.

Non-PRC resident enterprises that do not have establishments or premises in China, or that have establishments or premises in China but their income is not related to such establishments or premises are subject to the EIT at the rate of 10% on dividends received from Chinese companies and gains realized upon disposition of equity interests in Chinese companies pursuant to the EIT Law and other applicable PRC tax regulations and statutory documents, which may be reduced or eliminated under special arrangements or applicable treaties between China and the jurisdiction where the non-resident enterprise resides. Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, payment of any such refund will be subject to the PRC tax authorities’ verification. As of the date of this document, there were no specific rules on how to levy tax on gains realized by non-resident enterprise H Share holders through the sale or transfer by other means of the H Shares. If any such tax were to be levied, the [REDACTED] of our H Shares may be materially and adversely affected.

Risks Relating to the [REDACTED]

We will be concurrently subject to [REDACTED] and regulatory requirements of Mainland China, [REDACTED] and Switzerland.

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

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

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

RISK FACTORS

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

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

The price and [REDACTED] of our H Shares may be volatile, which could lead to substantial losses to [REDACTED].

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

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

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

RISK FACTORS

In addition, while investors subscribing shares in the [REDACTED] are not subject to any restrictions on the disposal of the H Shares they subscribed (except as disclosed in the section headed “[REDACTED]”), they may have existing arrangements or agreement to dispose part or all of the H Shares they hold immediately or within certain period upon completion of the [REDACTED] for legal and regulatory, business and market, or other reasons. Such disposal may occur within a short period or any time or period after the [REDACTED]. Any [REDACTED] of the H Shares subscribed by such [REDACTED] pursuant to such arrangement or agreement could adversely affect the [REDACTED] of our H Shares and any sizeable sale could have a material and adverse effect on the [REDACTED] of our H Shares and could cause substantial volatility in the [REDACTED] of our H Shares.

The interests of our Controlling Shareholder may not be aligned with the interests of other Shareholders.

Immediately following the completion of the [REDACTED] and assuming the [REDACTED] are not exercised, Mr. YU Renrong, our Controlling Shareholder, will hold approximately [REDACTED] of the issued share capital of our Company (taking into account the shares held by persons acting in concert with him). This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their shares of our Company as part of a sale of our Company and might reduce the price of our H Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Controlling Shareholder may differ from the interests of our other Shareholders. It is possible that our Controlling Shareholder may exercise their substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

Each of Mr. YU Renrong and Shaoxing Weihao Management has from time to time pledged the A Shares they owned to certain PRC financial institutions as collateral in order to obtain financing. As of the Latest Practicable Date, Each of Mr. YU Renrong and Shaoxing Weihao Management has pledged 173,708,400 A Shares, representing approximately 14.27% of the total issued share capital of our Company, and 56,896,000 A Shares, representing approximately 4.67% of the total issued share capital of our Company, respectively. Mr. YU Renrong is the ultimate beneficial owner of the general partner of Shaoxing Weihao Management. See “Substantial Shareholders” for more information. If an event of default occurs under the relevant security agreements, the lenders may be able to enforce their rights against part or all of the pledged Shares of our Company thereunder through legal proceedings. In such event, Mr. YU Renrong and/or Shaoxing Weihao Management may no longer be able to maintain the current level of interest in our Company, which could adversely affect the influence of our Controlling Shareholders over us.

Our historical dividends may not be indicative of our future dividend policy, and there can be no assurance whether and when we will pay dividends in the future.

We have declared dividends in the past. We protect our Shareholders’ interest by ensuring a consistent dividend policy. However, there is no assurance that dividends of any amount will be declared or distributed by us in any year in the future. Under the applicable laws and regulations of Mainland China, the payment of dividends may be subject to certain limitations, and the calculation of our profit under the Accounting Standards for Business Enterprises may differ in certain respects from the calculation under IFRS. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors, after taking into account various factors, including but not limited to

RISK FACTORS

our results of operations, financial condition, cash flows, capital expenditure requirements, market conditions, our strategic plans and prospects for business development, regulatory restrictions on the payment of dividends and other factors as our Directors may deem relevant, and subject to the approval at Shareholders’ meeting. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the applicable laws and regulations of Mainland China. See “Financial Information—Dividend Policy” for further details of our dividend policy. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our historical dividends should not be taken as indicative of our dividend policy in the future.

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

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

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

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

We strongly caution our [REDACTED] not to rely on any information contained in press articles or other media regarding us, our Shares and the [REDACTED]. Prior to the publication of this document, there may be press and media coverage regarding the [REDACTED] and us. Such press and media coverage may include references to certain information that does not appear in this

RISK FACTORS

document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and our [REDACTED] should not rely on such information.

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

Certain facts, forecast and other statistics in this document are derived from various government and official resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, information from official government sources has not been independently verified by us, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED] or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our [REDACTED] that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our [REDACTED] should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

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

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

U.S. persons purchasing our H Shares in the [REDACTED] may be required to file notifications with the U.S. Treasury under the U.S. government’s new China-focused Outbound Investment Security Program, and we could be negatively impacted by possible changes to this program. These requirements and possible changes to the program may adversely affect the value of our [REDACTED] securities.

On August 9, 2023, the U.S. government issued an executive order and the U.S. Department of the Treasury (“Treasury”) published an advanced notice of proposed rulemaking providing a

RISK FACTORS

conceptual framework for outbound investment controls focused on China, including Hong Kong and Macau (the “**Outbound Investment Security Program**” or the “**OISP**”). On June 21, 2024, Treasury issued a proposed rule for the OISP. On October 28, 2024, Treasury issued a final rule (the “**Final Rule**”) setting forth the OISP regulations that implement the executive order of August 9, 2023, which targets transactions by U.S. persons that involve persons and entities associated with “countries of concern,” currently China, including Hong Kong and Macau, with business in certain technology sectors. The Final Rule took effect on January 2, 2025. The OISP could apply to certain U.S. persons (including their controlled foreign entities, if applicable) outside the United States who may participate in the [REDACTED] through offshore transactions in accordance with Regulation S.

The OISP could potentially limit our ability to raise additional capital from U.S. [REDACTED] or prevent us from securing sufficient capital when needed and at reasonable cost, negatively affecting our business, financial condition and prospects. We are likely to be deemed a “Covered Foreign Person” engaged in the design and packaging of semiconductors specified in the OISP. Specifically, we are engaged in the design and packaging of integrated circuits that are covered by the definition of “notifiable transaction” but not covered by the definition of “prohibited transaction” (as defined in the OISP). Certain U.S. person transactions with Covered Foreign Persons that meet the criteria described above are covered by the OISP’s U.S. person notification requirements. Even though U.S. persons’ purchase of certain publicly traded securities, such as our currently outstanding A Shares that already are traded on the Shanghai Stock Exchange and GDRs listed on the SIX Swiss Exchange, may be neither prohibited transactions nor notifiable transactions under an exception in the Final Rule (the “**Publicly Traded Securities Exception**”), it appears unlikely that U.S. persons’ purchase of our H Shares to be issued in the [REDACTED] would be eligible for the Publicly Traded Securities Exception. If the Publicly Traded Securities Exception is unavailable, U.S. persons (as defined under the Final Rule) that either purchase our H Shares in the [REDACTED] or are the parent of a non-U.S. person that purchases our H Shares in the [REDACTED] would be required to file a notification regarding such purchases with Treasury no later than 30 days after the relevant purchase. [REDACTED] should consult their legal counsel regarding the applicability of the Publicly Traded Securities Exception to the [REDACTED], notification obligations, if any, applicable to them under the OISP, and the procedures for filing such notifications. Failing to comply with the OISP notification requirements or failing to provide accurate and complete information in the filing under the OISP may subject the relevant U.S. persons to civil penalties including fines of up to the greater of two times the transaction value or US\$377,700 (as such amount may be adjusted for inflation), and — for willful violations — criminal penalties of fines of up to US\$1 million and imprisonment of up to 20 years.

The OISP may be changed by executive actions of the U.S. government, including changes to the scope of activities and technologies applicable to notifiable or prohibited transactions or the scope and the availability of exceptions to the OISP’s prohibitions or notification requirements. Specifically, on January 20, 2025, the U.S. government issued a national security presidential memorandum, entitled “America First Trade Policy,” which, among other things, directs the Secretary of the Treasury and several other executive departments and offices of the U.S. government to review the OISP to determine if it includes “sufficient controls to address national security threats” and to determine whether the executive order implementing the OISP “should be modified or rescinded and replaced.” In addition, on February 21, 2025, the U.S. government issued a national security presidential memorandum entitled “America First Investment Policy” which, among other things, states that the U.S. government will consider possible application of the OISP to a wider range of technology sectors and application of restrictions to a wider range of investments, including publicly traded securities. On April 3, 2025, the White House reported that Treasury and the National Security Council were

RISK FACTORS

evaluating options relating to the OISP and that the Trump Administration plans to evaluate whether the scope of outbound investment restrictions should be expanded. Possible changes to the OISP could limit or, in the worst-case scenario, eliminate our ability to raise capital or contingent equity capital (such as convertible bonds) from U.S. [REDACTED] in the future, or our ability to raise such capital may be significantly and negatively affected, which could be detrimental to our capital-raising capacity and our business, financial condition and prospects. In addition, changes to the Publicly Traded Securities Exception or other aspects of the OISP could prohibit the purchase or [REDACTED] of our [REDACTED] securities by U.S. persons, impose new notification or other regulatory requirements, or make our [REDACTED] securities less attractive to such [REDACTED]. In such cases, the value of our [REDACTED] securities could significantly decline, and our liquidity may be materially and adversely affected.

WAIVERS AND EXEMPTIONS

In preparation for the [REDACTED], we have sought the following waivers from strict compliance with the Listing Rules and exemption from the CWUMPO.

Rules	Subject matter
Rules 8.12 and 19A.15 of the Listing Rules	Management presence in Hong Kong
Rules 3.28 and 8.17 of the Listing Rules	Appointment of joint company secretaries
Paragraph 26 of Appendix D1A to the Listing Rules	Particulars of any alterations in the capital of any member of our Group
Rule 17.02(1)(b) of, and Paragraph 27 of Appendix D1A to the Listing Rules	
Paragraph 10 of Part I of the Third Schedule to the CWUMPO	Disclosure requirements in respect of share incentive plans
[REDACTED]	[REDACTED]
Paragraph 6 of the Third Schedule to the CWUMPO	Disclosure of Directors’ residential addresses
Rules 4.04(2) and 4.04(4)(a) of the Listing Rules	Acquisitions after the Track Record Period

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 and Rule 19A.15 of the Listing Rules.

Our Group’s management headquarters, senior management, business operations and assets are primarily based outside Hong Kong. The Directors consider that the appointment of executive directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, our Group and therefore would not be in the best interests of our Company or the Shareholders as a whole. Therefore, our Company does not, and does not contemplate in the foreseeable future that we will, have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under the Listing Rules.

Accordingly, we have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with Rules 8.12 and 19A.15 of the Listing Rules. We will ensure that there is an effective channel of communication between the Stock Exchange and us by way of the following arrangements:

- (i) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorized representatives who shall act at all times as the principal channel of communication with the Stock Exchange. Each of our authorized representatives will be readily contactable by the Stock Exchange by telephone, facsimile and/or e-mail to deal promptly with enquiries from the Stock Exchange. Both of our authorized representatives are authorized to communicate on our behalf with the Stock Exchange. At present, our two authorized representatives are Mr. JIA Yuan, our executive Director and deputy general manager, and Ms. REN Bing, our joint company secretary;

WAIVERS AND EXEMPTIONS

- (ii) pursuant to Rule 3.20 of the Listing Rules, each Director will provide their contact information to the Stock Exchange and to the authorized representatives. This will ensure that the Stock Exchange and the authorized representatives should have means for contacting all Directors promptly at all times as and when required;
- (iii) we will endeavor to ensure that each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period; and
- (iv) pursuant to Rule 3A.19 of the Listing Rules, we have retained the services of Guotai Junan Capital Limited as compliance adviser (the “**Compliance Adviser**”), who will act as an additional channel of communication with the Stock Exchange. We will ensure that the Compliance Adviser will have access at all times to our authorized representatives, our Directors and other officers. We shall also ensure that such persons will promptly provide such information and assistance as the Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser’s duties as set forth in Chapter 3A of the Listing Rules. We shall ensure that there are adequate and efficient means of communication among our Company, our authorized representatives, our Directors, and other officers and the Compliance Adviser, and will keep the Compliance Adviser fully informed of all communications and dealings between us and the Stock Exchange.

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of their academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (i) a member of The Hong Kong Chartered Governance Institute;
- (ii) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and
- (iii) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing the “relevant experience”, the Hong Kong Stock Exchange will consider the individual’s:

- (i) length of employment with the issuer and other issuers and the roles he/she played;
- (ii) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the CWUMPO and the Takeovers Code;
- (iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (iv) professional qualifications in other jurisdictions.

WAIVERS AND EXEMPTIONS

Our Company appointed Ms. REN Bing, our board secretary and Ms. LAU Yee Wa of Corporate Services of Tricor Services Limited as joint company secretaries of our Company. For further details, please see the section headed “Directors and Senior Management — Joint Company Secretaries” for their biographies.

Ms. Lau is a Chartered Secretary, a Chartered Governance Professional and an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Lau meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

Our Company’s principal business activities are outside Hong Kong. Our Company believes that it would be in the best interests of our Company and the corporate governance of our Group to have as its joint company secretary a person such as Ms. REN Bing, who is an employee of our Company and who has day-to-day knowledge of our Company’s affairs. Ms. REN Bing has the necessary nexus to the Board and close working relationship with management of our Company in order to perform the function of a joint company secretary and to take the necessary actions in the most effective and efficient manner.

Accordingly, we have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules for a three-year period from the [REDACTED], in accordance with paragraphs 11 to 16 of Chapter 3.10 of the Guide for New Listing Applicants, on the conditions that: (i) Ms. LAU Yee Wa is appointed as a joint company secretary to assist Ms. REN Bing in discharging her functions as a company secretary and in gaining the relevant experience under Rule 3.28 of the Listing Rules; the waiver will be revoked immediately if Ms. Lau, during the three-year period, ceases to provide assistance to Ms. REN Bing as the joint company secretary; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by our Company. In addition, Ms. REN Bing will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance her knowledge of the Listing Rules during the three-year period from the [REDACTED]. Our Company will further ensure Ms. REN Bing has access to the relevant training and support that would enhance her understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange. Before the end of the three-year period, the qualifications and experience of Ms. REN Bing and the need for on-going assistance of Ms. Lau will be further evaluated by our Company. We will demonstrate Ms. REN Bing, having benefited from the assistance of Ms. Lau for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

WAIVER IN RESPECT OF ALTERATION IN SHARE CAPITAL

Paragraph 26 of Appendix D1A to the Listing Rules requires this document to include the particulars of any alterations in the capital of any member of our Group within the two years immediately preceding the issue of this document.

As of the Latest Practicable Date, we had more than 80 subsidiaries globally. It would be unduly burdensome for us to disclose the required information in respect of all of its subsidiaries as our Company would have to incur additional costs and devote additional resources in compiling and

WAIVERS AND EXEMPTIONS

verifying the relevant information for such disclosure, which would not be material nor meaningful to [REDACTED]. The non-disclosure of such information will not prejudice the interests of our Shareholders or potential [REDACTED].

We have identified 17 subsidiaries (collectively, the “**Major Subsidiaries**” and each a “**Major Subsidiary**”) that we consider are material to our operations and/or contributed significantly to our financial performance during the Track Record Period. None of the non-Major Subsidiaries is individually material to us in terms of its contribution to our Company’s total assets, total revenue or total net profits, or holds any major assets and intellectual property rights. By way of illustration, after intercompany eliminations, (i) the aggregate assets of the Company and its Major Subsidiaries represent 85.43%, 82.00% and 79.50% of the Group’s total assets as of December 31, 2022, 2023 and 2024; (ii) the aggregate revenue of the Company and its Major Subsidiaries for the years ended December 31, 2022, 2023 and 2024 represents 91.63%, 92.33% and 91.58% of the Group’s total revenue for the respective period; and (iii) the aggregate net profits of the Company and its Major Subsidiaries for the years ended December 31, 2022, 2023 and 2024 represent 114.95%, 106.14% and 106.92% of the Group’s total net profits for the respective period. None of the other subsidiaries of our Company that are not Major Subsidiaries individually contributes to 5% or more of our Group’s total assets as of December 31, 2022, 2023 and 2024 or 5% or more of our Group’s revenue or net profits for each of the years ended December 31, 2022, 2023 and 2024. Accordingly, the remaining subsidiaries which are not Major Subsidiaries in our Group are relatively insignificant to the overall results of our Group.

We have disclosed the particulars of the changes in the share capital of our Company and the Major Subsidiaries in the section headed “Statutory and General Information — 1. Further Information About Our Group — C. Further Information About Our Major Subsidiaries” in Appendix VI to this document.

We have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under paragraph 26 of Appendix D1A to the Listing Rules, in respect of disclosing the particulars of any alteration in the capital of any member of our Group within the two years immediately preceding the issue of this document.

WAIVER AND EXEMPTION IN RELATION TO THE SHARE INCENTIVE PLANS DISCLOSURE REQUIREMENTS

The Listing Rules and the CWUMPO prescribe certain disclosure requirements in relation to the share options granted by our Company (the “**ESOP Disclosure Requirements**”):

- (a) Rule 17.02(1)(b) of the Listing Rules stipulates that all material terms of a scheme must be clearly set out in this document. Our Company is also required to disclose in this document full details of all outstanding options and their potential dilution effect on the shareholdings upon [REDACTED] as well as the impact on the earnings per share arising from the issue of shares in respect of such outstanding options;
- (b) Paragraph 27 of Appendix D1A to the Listing Rules requires our Company to set out in this document particulars of any capital of any member of our Group that is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee; and

WAIVERS AND EXEMPTIONS

- (c) Paragraph 10 of Part I of the Third Schedule to the CWUMPO requires our Company to disclose, amongst others, details of the number, description and amount of any shares in or debentures of our Company which any person has, or is entitled to be given, an option to subscribe for, together with the particulars of the option, that is to say, (a) the period during which it is exercisable; (b) the price to be paid for shares or debentures subscribed for under it; (c) the consideration (if any) given or to be given for it or for the right to it; and (d) the names and addresses of the persons to whom it or the right to it was given or, if given to existing shareholders or debenture holders as such, the relevant shares or debentures must be specified in the document.

Pursuant to paragraphs 6 to 7 of Chapter 3.6 of the Guide for New Listing Applicants, the Stock Exchange would normally grant waivers from disclosing the names and addresses of certain grantees if the issuer could demonstrate that such disclosures would be irrelevant and unduly burdensome, subject to certain conditions specified therein.

Our Company and its subsidiaries may, from time to time, adopt share incentive plans. For details of our Stock Option Incentive Plans which involve the issuance of new A Shares, see section headed “Appendix VI — Statutory and General Information — 4. Our Incentive Schemes” in this document.

As of the Latest Practicable Date, our Company had granted outstanding options to 747 grantees, 1,978 grantees, and 3,361 grantees who are employees of our Group, to subscribe for an aggregate of 5,292,612 A shares, 9,040,000 A shares, and 19,983,400 A Shares under the 2023 First Phase Stock Option Incentive Plan, the 2023 Second Phase Stock Option, and the 2025 Stock Option Incentive Plan, respectively. The A Shares underlying the granted outstanding options under the 2023 First Phase Stock Option Incentive Plan, the 2023 Second Phase Stock Option, and the 2025 Stock Option Incentive Plan represent approximately [REDACTED]%, [REDACTED]% and [REDACTED]% of the total number of Shares in issue immediately after completion of the [REDACTED], respectively (assuming that no new Shares are issued under the [REDACTED] and our Shares Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED]). Other than Mr. JIA Yuan, Mr. WU Xiaodong, Ms. QIU Huanping, Mr. WANG Song, Mr. XU Xing and Ms. REN Bing, none of the grantees is a Director or senior management, of our Company.

We have applied to: (i) the Stock Exchange for a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Listing Rules; and (ii) the SFC for a certificate of exemption under section 342A of the CWUMPO exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the CWUMPO, respectively, on the ground that strict compliance with the above requirements would be unduly burdensome for our Company and the exemption would not prejudice the interests of the [REDACTED] for the following reasons:

- (a) given that a large number of grantees are not Directors, members of the senior management or connected persons of our Company, strict compliance with such disclosure requirements in setting out full details of all the grantees under the Stock Option Incentive Plans in this document would be costly and unduly burdensome for us in light of a significant increase in cost and timing for information compilation and [REDACTED] preparation. For example, we would need to collect and verify the addresses of a large number of grantees to meet the disclosure requirement;

WAIVERS AND EXEMPTIONS

- (b) the grant and exercise in full of the options under the Stock Option Incentive Plans will not cause any material adverse impact to the financial position of our Group. There are 739 grantees, 1,975 grantees, and 3,350 grantees who are not Directors, members of the senior management or connected persons of our Company who have been granted outstanding options to acquire an aggregate of 4,924,412 A Shares, 8,980,418 A Shares, and 19,300,938 A Shares under the 2023 First Phase Stock Option Incentive Plan, the 2023 Second Phase Stock Option, and the 2025 Stock Option Incentive Plan, respectively, representing approximately [REDACTED]%, [REDACTED]%, and [REDACTED]% of the total number of Shares in issue immediately after completion of the [REDACTED], respectively (assuming that no new Shares are issued under the [REDACTED] and our Share Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED]), which is not material in the circumstances of our Company;
- (c) there will not be any new H Shares issued under the Stock Option Incentive Plans as the foregoing plans are A-share incentive schemes;
- (d) non-compliance with the above disclosure requirements would not prevent us from providing our potential [REDACTED] with an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Company; and
- (e) material information relating to the shares under the Stock Option Incentive Plans has been disclosed in this document to provide [REDACTED] with sufficient information to make an informed assessment of the potential dilutive effect and impact on earnings per Share of the options in making their [REDACTED] decision, and such information includes:
 - (i) a summary of the latest terms of the Stock Option Incentive Plans;
 - (ii) the aggregate number of Shares subject to the options and the percentage of our Shares of which such number represents;
 - (iii) the dilutive effect and the impact on earnings per Share upon full exercise of the options immediately following completion of the [REDACTED] (assuming that no new Shares are issued under the [REDACTED] and our Share Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED]);
 - (iv) full details of the options granted by the Company to Directors, members of senior management and connected persons (if any) of our Company, on an individual basis, are disclosed in this document, and such details include all the particulars required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix D1A to the Listing Rules and paragraph 10 of Part 1 of the Third Schedule to the CWUMPO;
 - (v) with respect to the options granted to other grantees (other than those referred to in (iv) above), disclosure are made on an aggregate basis, categorized into lots based on the number of Shares underlying each individual grantee, being (1) 1 to 5,000; (2) 5,001 to 10,000; (3) 10,001 to 20,000; (4) 20,001 to 30,000; and (5) over 30,000 for each lot of Shares, the following details are disclosed in this document, including (1) the aggregate number of such grantees and the number of Shares subject to the options; (2) the consideration paid for the grant of the options; and (3) the exercise period of the options and the exercise price for the options; and
 - (vi) the particulars of the waiver and exemption granted by the Stock Exchange and the SFC, respectively.

WAIVERS AND EXEMPTIONS

We have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the applicable ESOP Disclosure Requirements on the conditions that:

- (i) on an individual basis, full details of the options under each of the Stock Option Incentive Plans granted by the Company to each of our Directors, members of senior management of the Group and connected persons of our Company, will be disclosed in the section headed “Appendix VI — Statutory and General Information — 4. Our Incentive Schemes” as required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the CWUMPO;
- (ii) in respect of the options under the Stock Option Incentive Plans granted to remaining grantees (being the other grantees who are not our Directors, senior management or connected persons of our Company), disclosure will be made, on an aggregate basis for each of the Stock Option Incentive Plans, categorized into lots based on the number of Shares underlying each individual grantee, being (1) 1 to 5,000; (2) 5,001 to 10,000; (3) 10,001 to 20,000; (4) 20,001 to 30,000; and (5) over 30,000 for each lot of Shares, the following details are disclosed in this document, including (1) their aggregate number of grantees and number of Shares underlying the options under the Stock Option Incentive Plans, (2) the consideration (if any) paid for the grant of the options under the Stock Option Incentive Plans, and (3) the exercise period of the options and the exercise price of the options granted under the Stock Option Incentive Plans;
- (iii) aggregate number of Shares underlying the options granted under the Stock Option Incentive Plans and the percentage to our total issued share capital represented by such number of Shares as of the Latest Practicable Date;
- (iv) the dilutive effect and impact on earnings per Share upon the full exercise of the options under the Stock Option Incentive Plans will be disclosed in the section headed “Appendix VI — Statutory and General Information — 4. Our Incentive Schemes”;
- (v) a summary of the major terms of the Stock Option Incentive Plans will be disclosed in the section headed “Appendix VI — Statutory and General Information — 4. Our Incentive Schemes”;
- (vi) a full list of all the grantees with outstanding options under the Stock Option Incentive Plans containing all the particulars as required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Listing Rules be made available for public inspection in accordance with “Documents Delivered to the Registrar of Companies and Available on Display — Document Available for Inspection” in Appendix VII to this document;
- (vii) the grant of a certificate of exemption under the CWUMPO from the SFC exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the CWUMPO; and
- (viii) the particulars of the waiver will be disclosed in this document.

We have applied for, and the SFC has granted, a certificate of exemption under section 342A of the CWUMPO from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the CWUMPO on the conditions that:

- (i) on an individual basis, full details of the options under the Stock Option Incentive Plans granted by the Company to each of our Directors, members of

WAIVERS AND EXEMPTIONS

- senior management of the Group and connected persons of our Company, will be disclosed in the section headed “Appendix VI — Statutory and General Information — 4. Our Incentive Schemes” as required under paragraph 10 of Part I of the Third Schedule to the CWUMPO;
- (ii) in respect of the options under the Stock Option Incentive Plans granted to remaining grantees (being the other grantees who are not our Directors, senior management or connected persons of our Company), disclosure will be made, on an aggregate basis, categorized into lots based on the number of Shares underlying each individual grantee, being (1) 1 to 5,000; (2) 5,001 to 10,000; (3) 10,001 to 20,000; (4) 20,001 to 30,000; and (5) over 30,000 for each lot of Shares, the following details are disclosed in this document, including (1) their aggregate number of grantees and number of Shares underlying the options under the Stock Option Incentive Plans, (2) the consideration (if any) paid for the grant of the options under the Stock Option Incentive Plans, and (3) the exercise period of the options and the exercise price of the options granted under the Stock Option Incentive Plans;
 - (iii) a full list of all the grantees with outstanding options under the Stock Option Incentive Plans, containing all the details as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance be made available for public inspection in accordance with “Documents Delivered to the Registrar of Companies and Available on Display — Document Available for Inspection” in Appendix VII to this document; and
 - (iv) the particulars of the exemption will be disclosed in this document which will be issued on or before [REDACTED].

[REDACTED]

WAIVERS AND EXEMPTIONS

[REDACTED]

DISCLOSURE OF DIRECTORS’ RESIDENTIAL ADDRESSES

Paragraph 6 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires this document to include the addresses of the directors and paragraph 45 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance provides that such address means the place of usual residence of the directors.

We have applied for, and the SFC [has granted] us, a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with paragraph 6 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in respect of the disclosure of the residential addresses of Mr. YU Renrong, our executive Director and chairman of the Board, and Mr. LYU Dalong, our non-executive Director (the “**Relevant Directors**”) on the ground that such disclosure would be inappropriate having considered the following factors:

(a) Unnecessary attention and real risks to Relevant Directors

The Relevant Directors are high profile public figures. The corporate decisions and speeches made by them often generate interest in the general public and the media. Given the [REDACTED] would inevitably attract significant media and public attention, it is reasonable for our Company to believe that the disclosure of the residential addresses of the Relevant Directors may expose the Relevant Directors and their families to unnecessary attention, disturbance and personal safety risks.

(b) Risks to our business operations

Public disclosure of the Relevant Directors’ residential addresses may also distract or deter the Relevant Directors from effectively managing the business and other Board affairs. If the Relevant

WAIVERS AND EXEMPTIONS

Directors become susceptible to actual or perceived attacks to themselves and their families by virtue of the disclosure, their ability to focus on their duties and make sound decisions for our Company may be affected. Meanwhile, it may facilitate the potential theft or fraud of confidential information or other malicious activities against the Relevant Directors, causing financial losses, reputational damage or legal disputes to the Relevant Directors and the Company.

(c) Minimal impact on [REDACTED]

The addresses of our head office and principal place of business as well as the business addresses of the Relevant Directors have been disclosed in this document, such that the communicability and accountability of the Relevant Directors are not compromised. All other material information in relation to the Relevant Directors as required to be disclosed under the Listing Rules and the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, including their names, age, working experience, academic background and qualifications, have been properly disclosed in this document. Given our Company’s business and financial performance as set out in this document as well as our disclosure track record, the non-disclosure of the residential addresses of the Relevant Directors would have minimal impact on the decision of the potential [REDACTED] to [REDACTED] in the H Share of our Company, would not interfere with the provision of information to [REDACTED] to make an informed assessment of the Relevant Directors’ character, experience and integrity acting as directors of a H-share listed issuer, and would not prejudice the interests of the [REDACTED] public or affect their ability to make informed [REDACTED] decisions. On the contrary, the Relevant Directors are the key figures to our business, and any coercion, harassment or other actual or potential security threats that may be incurred as a result of the public disclosure of their personal addresses, or damage to the Company’s reputation or disruption of its operations, could have a material adverse effect on our business, financial position and results of operations, thereby exposing the Shareholders to the risk of substantial loss of their [REDACTED]. The exemption is granted by the SFC on the conditions that (i) the business addresses of the Relevant Directors are disclosed in this document; (ii) the particulars of the exemption are disclosed in this document, and (iii) this document is issued on or before [REDACTED].

WAIVER IN RESPECT OF COMPANY AND BUSINESS TO BE ACQUIRED AFTER THE TRACK RECORD PERIOD

Pursuant to Rules 4.04(2) and 4.04(4)(a) of the Listing Rules, the accountants’ report to be included in a [REDACTED] must include the income statements and balance sheets of any subsidiary or business acquired, agreed to be acquired or proposed to be acquired since the date to which its latest audited accounts have been made up in respect of each of the three financial years immediately preceding the issue of the [REDACTED] (the “**Target Historical Financial Information**”).

According to Note (4) to Rule 4.04 of the Listing Rules, the Stock Exchange may consider an application for a waiver from strict compliance with Rules 4.04(2) and 4.04 (4) taking into account the following:

- (i) all the percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) of each acquisition are less than 5% by reference to the most recent financial year of the applicant’s trading record period;
- (ii) if the acquisition will be financed by the proceeds raised from a public offer, the new applicant has obtained a certificate of exemption from the Commission in respect of the

WAIVERS AND EXEMPTIONS

relevant requirements under paragraphs 32 and 33 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

- (iii) (a) where a new applicant’s principal activities involve the acquisition of equity securities (the Stock Exchange may require further information where securities acquired are unlisted), the new applicant is not able to exercise any control, and does not have any significant influence over the underlying company or business to which rules 4.04(2) and 4.04(4) relate, and has disclosed in its [REDACTED] the reasons for the acquisition and a confirmation that the counterparties and their respective ultimate beneficial owners are independent of the new applicant and its connected persons. In this regard, “control” means the ability to exercise or control the exercise of 30% (or any amount specified in the Takeovers Code as the level for triggering a mandatory general offer) or more of the voting power at general meeting, or being in a position to control the composition of a majority of the board of directors of the underlying company or business; or

(b) with respect to an acquisition of a business (including acquisition of an associated company and any equity interest in a company other than in the circumstances covered under sub-paragraph (a) above) or a subsidiary by a new applicant, the historical financial information of such business or subsidiary is unavailable, and it would be unduly burdensome for the new applicant to obtain or prepare such financial information; and the new applicant has disclosed in its [REDACTED] information required for the announcement for a discloseable transaction under rules 14.58 and 14.60 on each acquisition. In this regard, “unduly burdensome” will be assessed based on each new applicant’s specific facts and circumstances (e.g. why the financial information of the acquisition target is not available and whether the new applicant or its controlling shareholder has sufficient control or influence over the seller to gain access to the acquisition target’s books and records for the purpose of complying with the disclosure requirements under rules 4.04(2) and 4.04(4)).

Acquisition of Company X

We propose to acquire the majority equity interest of Company X (the “**Proposed Acquisition of Company X**”) for a preliminary consideration of less than RMB100 million, which is expected to be settled in cash. The consideration is based on the due diligence result and arm’s length negotiations between the original owners of Company X (the “**Original Owners of Company X**”) and us, taking into account a number of factors including the potential strategic alliance in the relevant business. We intend to use our internal resources to satisfy the cash consideration. As of the Latest Practicable Date, we have entered into a letter of intent agreement with the Original Owners of Company X and the completion of the Proposed Acquisition of Company X is subject to the entering into of the definitive agreement along with other customary closing conditions.

Company X is a circuit design company that specializes in microcontroller products. We believe that the Proposed Acquisition of Company X is aligned with our business and growth strategy, and it is expected that the Proposed Acquisition of Company X would enable our Group to further build and enhance the Company’s R&D capability in that area. As of the Latest Practicable Date, the Company is still in the progress of performing due diligence works with respect to Company X.

WAIVERS AND EXEMPTIONS

According to the financial statements of Company X audited by Company X’s statutory auditors in accordance with China Accounting Standards and Accounting Regulations for Business Enterprises issued by the Ministry of Finance of the PRC (the “**PRC GAAP**”):

- (a) the total assets of Company X amounted to RMB23.8 million as of December 31, 2024, and its total revenue, loss before tax and loss after tax amounted to RMB 1,615, RMB 71.5 million and RMB 71.5 million, respectively, for the year ended December 31, 2024;
- (b) the total assets of Company X amounted to RMB 35.4 million as of December 31, 2023, and its total revenue, loss before tax and loss after tax amounted to RMB 619, RMB 114.0 million and RMB 114.0 million, respectively, for the year ended December 31, 2023; and
- (c) the total assets of Company X amounted to RMB 101.5 million as of December 31, 2022, and its total revenue, loss before tax and loss after tax amounted to nil, RMB 73.9 million and RMB 73.9 million, respectively, for the year ended December 31, 2022.

Conditions to the waivers granted by the Stock Exchange

We have applied to the Stock Exchange for, and the Stock Exchange, a waiver from strict compliance with Rule 4.04(2) and 4.04(4) of the Listing Rules in respect of the Proposed Acquisition of Company X on the following grounds:

1. The applicable percentage ratios of the Proposed Acquisition of Company X are all less than 5% by reference to the most recent financial year of the Company’s Track Record Period

The applicable percentage ratios for the Proposed Acquisition of Company X are significantly less than 5% by reference to the most recent financial year of the Company’s Track Record Period. Accordingly, we consider that the Proposed Acquisition of Company X is immaterial and do not expect it to have any material effect on the financial condition of the Group.

2. The Proposed Acquisition will not be financed by the [REDACTED] raised from the [REDACTED]

We will use our internal resources to satisfy the cash consideration payable by us in relation to the Proposed Acquisition of Company X.

3. The historical financial information of Company X is not available or would be unduly burdensome to obtain or prepare

Although we have entered into a letter of intent with the Original Owners of Company X, we do not currently have any equity interest in Company X and do not have any representation at the board of directors of Company X and therefore it will require considerable time and resources for us and our reporting accountants to fully familiarize with the management accounting policies of Company X and compile the necessary financial information and supporting documents for disclosure in this document. Moreover, Company X does not have audited historical financial information which is readily available for disclosure in the document in accordance with the Listing Rules. As such, it would be impracticable within the tight timeframe for us to disclose the audited financial information of Company X as required under Rules 4.04(2) and 4.04(4) of the Listing Rules.

In addition, considering that the Proposed Acquisition of Company X is immaterial and is not expected to have any material effect on the financial condition of the Group, it would not be meaningful and would be unduly burdensome for us to prepare and include the financial information of Company X during the Track Record Period in this document.

WAIVERS AND EXEMPTIONS

4. Alternative disclosure in this document

We have provided alternative information in this document in connection with the Proposed Acquisition of Company X required for the announcement for a disclosable transaction under Rules 14.58 and 14.60 of the Listing Rules of the Proposed Acquisition of Company X. Since the applicable percentage ratios for the Proposed Acquisition of Company X are significantly less than 5% by reference to the most recent financial year of the Company’s Track Record Period, the Company believes that the current disclosure in the document is adequate for potential **[REDACTED]** to form an informed assessment of the Group.

For the avoidance of doubt, the identity of Company X is not disclosed in this document because (i) disclosure of the name of Company X in this document is commercially sensitive and may jeopardize the Company’s ability to consummate the proposed investment (including, for example, as a result of the Company’s competitors approaching Company X with alternative investment proposals after seeing its name disclosed in this document) and (ii) given the competitive nature of the industry in which the Company operates, it is commercially sensitive to disclose the identity of Company X to avoid our competitors anticipating our plans of business growth.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Position	Address	Nationality
Mr. YU Renrong (虞仁榮先生)	Executive Director and Chairman of the Board	OmniVision Technology Park, 88 Shangke Road, Pilot Free Trade Zone, Shanghai, PRC ^{note}	Chinese
Mr. WU Xiaodong (吳曉東先生) . . .	Executive Director	Room 2102, No.25, Lane 666, Jinxiu Road, Pudong New Area, Shanghai, PRC	Chinese
Mr. JIA Yuan (賈淵先生)	Executive Director and Deputy General Manager	No.38, Lane 99, Pu Ming Road, Pudong New Area, Shanghai, PRC	Chinese
Ms. QIU Huanping (仇歡萍女士) . . .	Executive Director	Room 2002, No.112, Lane 2388, Chengshan Road, Pudong New Area, Shanghai, PRC	Chinese
Mr. LYU Dalong (呂大龍先生)	Non-executive Director	OmniVision Technology Park, 88 Shangke Road, Pilot Free Trade Zone, Shanghai, PRC ^{note}	Chinese
Ms. CHEN Yu (陳瑜女士)	Non-executive Director	Room 901, No.39, Lane 308, Yushan Road, Pudong New Area, Shanghai, PRC	Chinese
Mr. ZHU Liting (朱黎庭先生)	Independent non-executive Director	Room 103, No.28, Lane 380, Honggu Road, Changning District, Shanghai, PRC	Chinese
Ms. FAN Mingxi (范明曦女士)	Independent non-executive Director	House 13, Headland Village, Headland Drive, Discovery Bay, New Territories, Hong Kong SAR	Chinese (Hong Kong)
Mr. MOU Lei (牟磊先生)	Independent non-executive Director	Room 1202, No. 41 Yongjia Road, Huangpu District, Shanghai, PRC	Chinese

See “Directors and Senior Management” for further details.

Note: Being the business addresses of Mr. YU Renrong and Mr. LYU Dalong. We have applied to the SFC, and the SFC [has granted], an exemption from the strict compliance with the requirements

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

under paragraph 6 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. Accordingly, our Company is only required to disclose the business addresses of Mr. YU Renrong and Mr. LYU Dalong, instead of their residential addresses. For details, see “Waivers and Exemptions — Disclosure of Directors’ Residential Addresses.”

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors

UBS Securities Hong Kong Limited

52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

China International Capital Corporation Hong Kong Securities Limited

29/F, One International Finance Centre
1 Harbor View Street
Central
Hong Kong

Ping An of China Capital (Hong Kong) Company Limited

Units 3601, 07 & 11-13, 36/F, The Center
99 Queen’s Road Central
Hong Kong

GF Capital (Hong Kong) Limited

27/F, GF Tower
81 Lockhart Road
Wan Chai
Hong Kong

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

Legal advisers to our Company

As to Hong Kong and U.S. laws

Jones Day

31st Floor, Edinburgh Tower
The Landmark
15 Queen’s Road Central
Hong Kong

As to PRC laws

Tian Yuan Law Firm

Suite 509, Tower A
Corporate Square
35 Financial Street
Xicheng District
Beijing, PRC

**Legal advisers to the Joint
Sponsors and the [REDACTED]**

As to Hong Kong and U.S. laws

Kirkland & Ellis

26/F, Gloucester Tower
The Landmark
15 Queen’s Road Central
Hong Kong

As to PRC laws

JunHe LLP

20/F, China Resources Building
8 Jianguomenbei Avenue
Beijing, PRC

**Independent Auditor and
Reporting Accountant**

BDO Limited

*Certified Public Accountants
Registered Public Interest Entity Auditor*
25/F, Wing On Centre
111 Connaught Road
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Industry Consultant

**Frost & Sullivan (Beijing) Inc.,
Shanghai Branch Co.**
Room 2504, Wheelock Square
1717 West Nanjing Road
Jing'an District
Shanghai
PRC

[REDACTED]

CORPORATE INFORMATION

Registered Office	7/F, Building C, Block 1 No. 3000 Longdong Avenue Pilot Free Trade Zone Shanghai PRC
Headquarters and Principal Place of Business in the PRC	OmniVision Technology Park 88 Shangke Road Pilot Free Trade Zone Shanghai PRC
Principal Place of Business in Hong Kong	Room 1912, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong
Company Website	<u>www.omnivision-group.com</u> <i>(the information contained on this website does not form part of this document)</i>
Joint Company Secretaries	Ms. REN Bing (任冰女士) OmniVision Technology Park 88 Shangke Road Pilot Free Trade Zone Shanghai PRC Ms. LAU Yee Wa (劉綺華女士) Room 1912, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong
Authorized Representatives	Mr. JIA Yuan (賈淵先生) OmniVision Technology Park 88 Shangke Road Pilot Free Trade Zone Shanghai PRC Ms. REN Bing (任冰女士) OmniVision Technology Park 88 Shangke Road Pilot Free Trade Zone Shanghai PRC
Audit Committee	Mr. MOU Lei (牟磊先生) (<i>Chairman</i>) Mr. ZHU Liting (朱黎庭先生) Ms. FAN Mingxi (范明曦女士)

CORPORATE INFORMATION

Remuneration and Evaluation Committee

Mr. ZHU Liting (朱黎庭先生) (*Chairman*)
 Mr. MOU Lei (牟磊先生)
 Ms. FAN Mingxi (范明曦女士)

Nomination Committee

Ms. FAN Mingxi (范明曦女士) (*Chairwoman*)
 Ms. QIU Huanping (仇歡萍女士)
 Mr. MOU Lei (牟磊先生)

Strategy and Development Committee

Mr. YU Renrong (虞仁榮先生) (*Chairman*)
 Mr. ZHU Liting (朱黎庭先生)
 Ms. FAN Mingxi (范明曦女士)

[REDACTED]

Compliance Adviser

Guotai Junan Capital Limited
 27/F, Low Block
 Grand Millennium Plaza
 181 Queen’s Road Central
 Hong Kong

Principal Bank

Shanghai Pudong Development Bank Zhangjiang Innovation Sub-branch
 No. 56 Boyun Road Zhangjiang Hi-Tech Park
 Pudong New Area
 Shanghai
 PRC

INDUSTRY OVERVIEW

Certain information and statistics presented in this section and elsewhere in this document were derived from official government publications and other publicly available sources as well as from the Frost & Sullivan Report, a market research report prepared by Frost & Sullivan, an independent global consulting firm that was commissioned by us. We have no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by us or any other parties involved in the [REDACTED], or any of our or their respective directors, officers, or representatives. For discussions of risks relating to our industries, see “Risk Factors — Risks Relating to Our Business and Industry.”

Overview of the Global Semiconductor Industry

The semiconductor industry is a vital sector of the global technology ecosystem, focused on the design, manufacture, and distribution of semiconductor devices — the building blocks and foundational components that power virtually all modern electronics. Semiconductors are utilized in a wide range of applications include consumer electronics such as smartphones, tablets, PCs, smart home devices and wearable devices, as well as automobiles, wireless infrastructure, cloud data centers, data networking, robotics, and various emerging technology sectors. The development and innovation of semiconductor technologies have enabled hardware to deliver enhanced functionality, improved power efficiency, faster data transmission, greater storage capacity, stronger connectivity, and more intelligent human-device interactions.

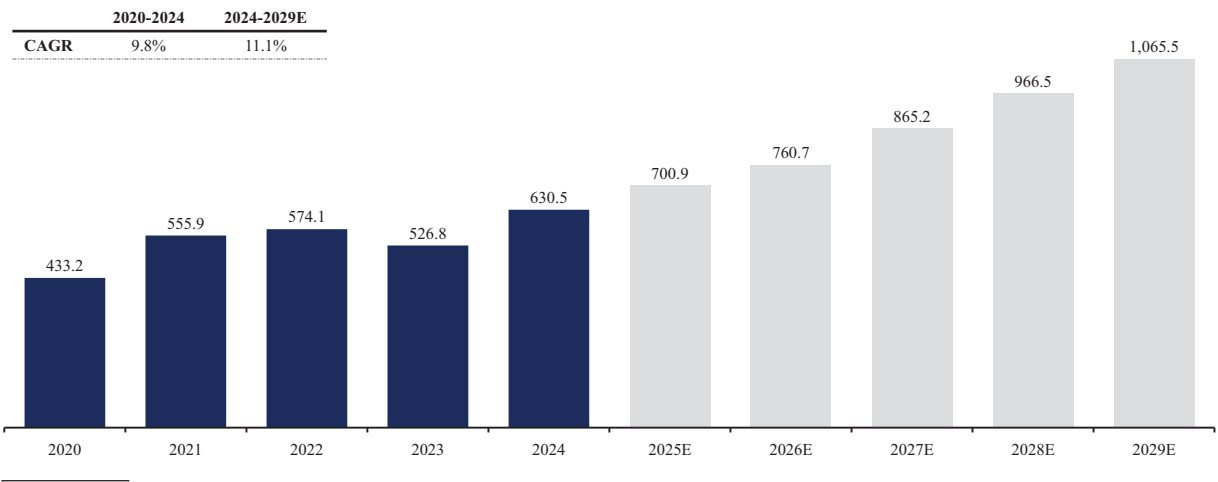
Within the semiconductor industry, three key operational frameworks have emerged: the fabless model, the foundry model, and the IDM (Integrated Device Manufacturer) model. In the fabless model, companies focus exclusively on the design and development of semiconductors, outsourcing the fabrication process to specialized third-party manufacturers known as foundries. This allows fabless firms to remain capital-efficient, agile, and focused on innovation. In contrast, foundries are dedicated to the manufacturing of chips for other firms, offering access to advanced process technologies without requiring customers to invest in their own fabrication facilities. The IDM model, on the other hand, involves a single company managing both the design and manufacturing processes internally. While this approach provides greater control over the entire value chain, it also involves much more capital investment and operational complexity. The fabless model has been driven by its inherent advantages, including reduced capital expenditure, increased flexibility in choosing manufacturing partners, and faster time-to-market, making it particularly attractive to companies operating in fast-evolving technology sectors.

Over the past decade, the rapid development of mobile networks and the proliferation of smart devices have been major drivers of the significant innovation and growth in the semiconductor market. In particular, the rapid evolution of smart phones, from a simple communication tool to a wide selection of feature-rich devices essential to our daily life, has propelled the innovation of advanced semiconductor technologies. Together with the continued advancement of consumer electronics, next-generation automotive technologies, including EVs, smart vehicles, and autonomous driving, combined with intelligent surveillance, Edge AI, smart devices, data centers and servers, AI chips, IoT, 5G, and cloud-based AI solutions, these evolving and emerging applications are expected to further drive the growth of the global semiconductor industry over the coming decade. According to Frost & Sullivan, the market

INDUSTRY OVERVIEW

size of the global semiconductor industry increased from US\$433.2 billion in 2020 to US\$630.5 billion in 2024, representing a CAGR of 9.8%, and is expected to further increase at a CAGR of 11.1% to reach US\$1,065.5 billion in 2029.

Size of global semiconductor market, in terms of revenue
USD billion, 2020-2029E



Source: WSTS; Frost & Sullivan

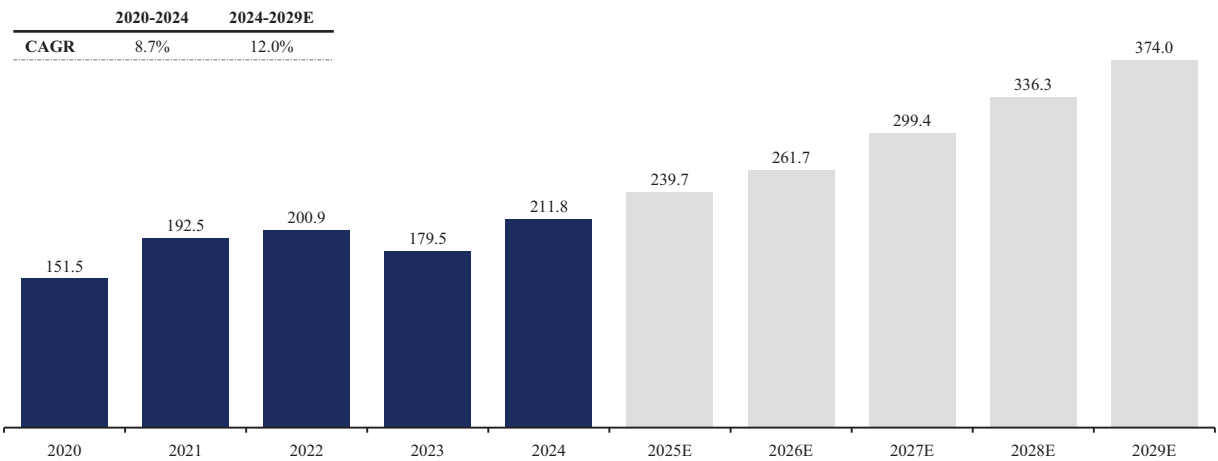
Overview of the Semiconductor Industry in China

Against the backdrop of long-term growth in the global semiconductor market, China’s semiconductor industry has also experienced rapid development over the past decade. This growth has been supported by the broader shift of the global semiconductor supply chain to Asia, rising domestic demand, and increasing strategic attention from the PRC government. In recent years, the industry has seen a marked shift toward localized supply chain development, a trend often referred to as the “China for China” strategy. This transition has been largely driven by external constraints, especially U.S. export controls on advanced semiconductors and manufacturing equipment, which have limited Chinese firms’ access to critical technologies. As a result, self-reliance in key technology sectors has become an increasingly urgent priority. While the semiconductor industry had already gained strategic importance, these geopolitical developments have accelerated efforts to build a fully domestic supply chain. The development of the semiconductor sector is now widely recognized as a national imperative, with various regions launching IC industry development funds to provide targeted financial support. These initiatives have created a favorable environment for companies across the semiconductor value chain.

INDUSTRY OVERVIEW

China has become the manufacturing hub for consumer electronics and industrial devices as well as one of the largest markets for these applications. Growing demands from end markets, such as smartphones, automotive, Edge AI, and AI-driven data centers and servers, are further driving momentum in the sector. The semiconductor industry in China is expected to outgrow the global market. According to Frost & Sullivan, the market size of the semiconductor industry in China increased from US\$151.5 billion in 2020 to US\$211.8 billion in 2024, representing a CAGR of 8.7%, and is expected to further increase at a CAGR of 12.0% to reach US\$374.0 billion in 2029.

Size of semiconductor market in China, in terms of revenue
USD billion, 2020-2029E



Source: Frost & Sullivan

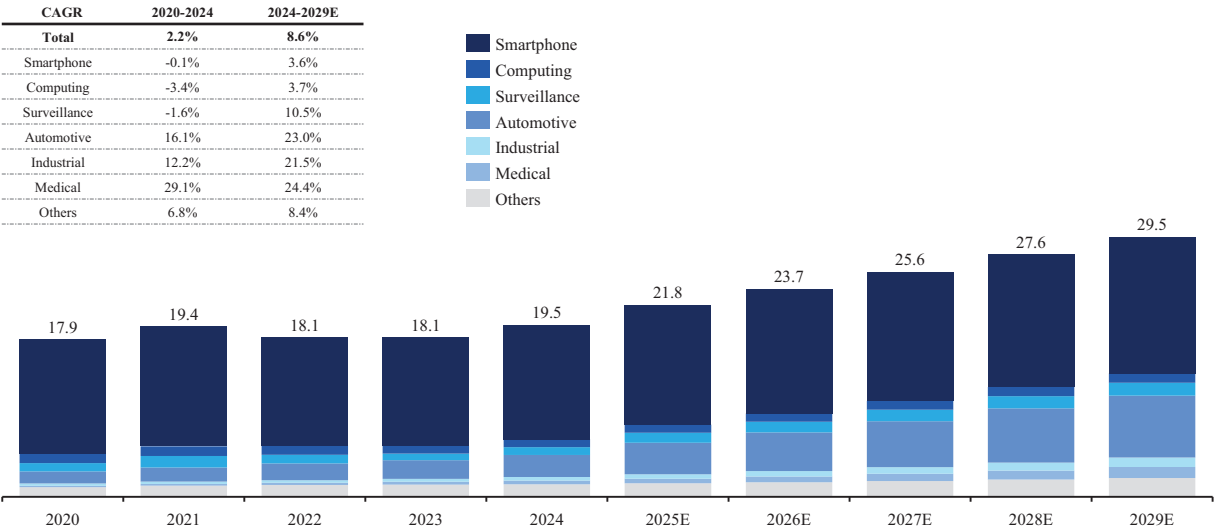
Overview of CIS Market

In the camera module, the image sensor is the most important component that determines the imaging quality of the camera as well as the structure and specifications of other components. Image sensors are sensors that detect and convert the variable attenuation of light waves into signals, which include optical information such as hue, saturation and lightness. The smallest sensing unit is a pixel. The quantity and quality of each pixel determine the image quality of a sensor. CIS and CCD image sensors are the two mainstream image sensors at present. And CIS is the most prevailing type of image sensors, and is inexpensive to produce and power-efficient, supporting HDR and providing fast readout. Thus, CISs are widely used in smartphones, consumer electronics, surveillance, automotive, and a broad array of other applications.

INDUSTRY OVERVIEW

According to Frost & Sullivan, the global CIS market grew from US\$17.9 billion 2020 to US\$19.5 billion in 2024, representing a CAGR of 2.2%, and is expected to further expand at a CAGR of 8.6% to reach US\$29.5 billion in 2029. The chart below sets forth the global CIS market size, including a breakdown by vertical.

Size of global CIS market, in terms of revenue
USD billion, 2020-2029E



Source: Frost & Sullivan

Development Trends of the CIS Market

Several key development trends are shaping the competitive landscape of the industry:

- *Higher Resolution.* One of the most prominent trends in the CIS market is the continuous push toward higher resolution. From smartphones to automotive cameras and surveillance systems, there is an increasing demand for sensors exceeding 100MP. This trend enables sharper imaging, greater detail capture, and improved performance in HD applications such as 8K video recording and ultra-high-resolution photography.
- *HDR.* HDR performance has become an important feature in modern CIS designs, particularly for applications that require clear imaging in challenging lighting conditions. Enhanced HDR capabilities allow sensors to capture a wider range of brightness levels within a single frame, improving image clarity in high-contrast environments such as backlit scenes or rapidly changing outdoor lighting.
- *Improved Low-Light / All-Lighting Performance.* As image sensors are deployed in increasingly diverse environments, the ability to deliver high-quality images under all lighting conditions — especially low-light scenarios — is essential. Advances in pixel architecture, light absorption efficiency, and noise reduction algorithms have significantly improved low-light performance, enabling clearer night vision in smartphones, security cameras, and automotive vision systems.
- *Reduced Power Consumption.* Power efficiency remains a key design priority, especially for mobile and wearable devices where battery life is critical. The latest CIS technologies incorporate advanced power-saving architectures and low-power standby modes, allowing for continuous operation without compromising performance. This is particularly important for always-on applications in Edge AI, IoT, and smart sensing systems.

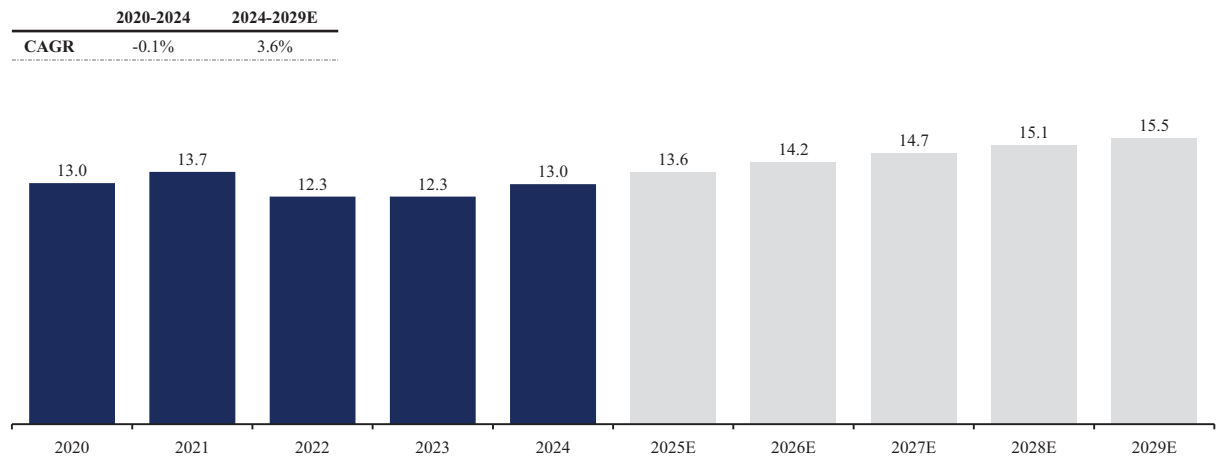
INDUSTRY OVERVIEW

These ongoing developments reflect the broader shift toward smarter, more capable imaging solutions that support next-generation applications across multiple industries.

Smartphones

Smartphones represent the largest vertical in the global CIS market, constituting over 65% of its market size in 2024, according to Frost & Sullivan. Driven by 5G penetration, proliferation of multi-camera devices, the pursuit for better image quality and more diversified imaging features and innovative functions, the global smartphone CIS market remained stable from US\$13.0 billion in 2020 to US\$13.0 billion in 2024, and is expected to expand at a CAGR of 3.6% to reach US\$15.5 billion in 2029. The chart below sets forth the global smartphone CIS market size.

Size of global smartphone CIS market, in terms of revenue
USD billion, 2020-2029E



Source: Frost & Sullivan

The following key drivers and trends contribute to the rapid growth of the smartphone CIS market:

- *5G penetration and proliferation of multi-camera.* The global rollout of 5G networks continues to drive smartphone replacement cycles and spur demand for advanced feature upgrades. To enhance photography capabilities, modern smartphones now commonly integrate multi-camera systems that combine wide-angle, telephoto, and macro lenses. By 2024, over 65% of flagship models featured quad- or penta-camera setups, with foldable devices emphasizing ultra-thin, multi-sensor designs to optimize form factor and performance.
- *Resolution upgrade.* Smartphone CIS technologies are rapidly evolving, with a clear trend toward higher resolution enabled by larger sensor sizes and more advanced pixel architectures. Leading flagship models now feature sensors exceeding 200MP, offering image clarity that rivals traditional DSLR cameras. At the same time, 8K video recording has become a standard capability in high-end devices. These hardware advancements are complemented by AI-driven pixel binning and multi-frame fusion algorithms, which significantly improve detail capture and image quality in low-light conditions — continuously expanding the possibilities of mobile photography.

INDUSTRY OVERVIEW

- *Miniaturization.* CIS miniaturization remains a key priority for compact smartphone designs. Advances in TSV packaging and stacked architectures — such as those seen in solutions like the OV50K — have enabled pixel sizes as small as 0.56μm, supporting the development of camera modules that are up to 20% thinner. These innovations are especially beneficial for foldable devices.
- *Diversified features.* Beyond resolution improvements, CIS innovation is shifting beyond resolution to include advanced imaging capabilities. Key trends include dual-mode visible/IR sensing for depth mapping and biometrics, enhanced NIR performance for low-light imaging, and LOFIC technology enabling ultra-wide dynamic range (up to 14 stops) with minimal motion blur. Emerging architectures like dual-layer transistor pixels and AI-ISP co-processing are also redefining autofocus speed, real-time image processing, and system responsiveness — driving smarter, more adaptive mobile and automotive vision solutions.
- *Domestic replacement trend.* The adoption of domestically produced CIS in mid-to-high-end smartphones is gaining momentum as part of China’s broader push for semiconductor self-reliance.

Automotive

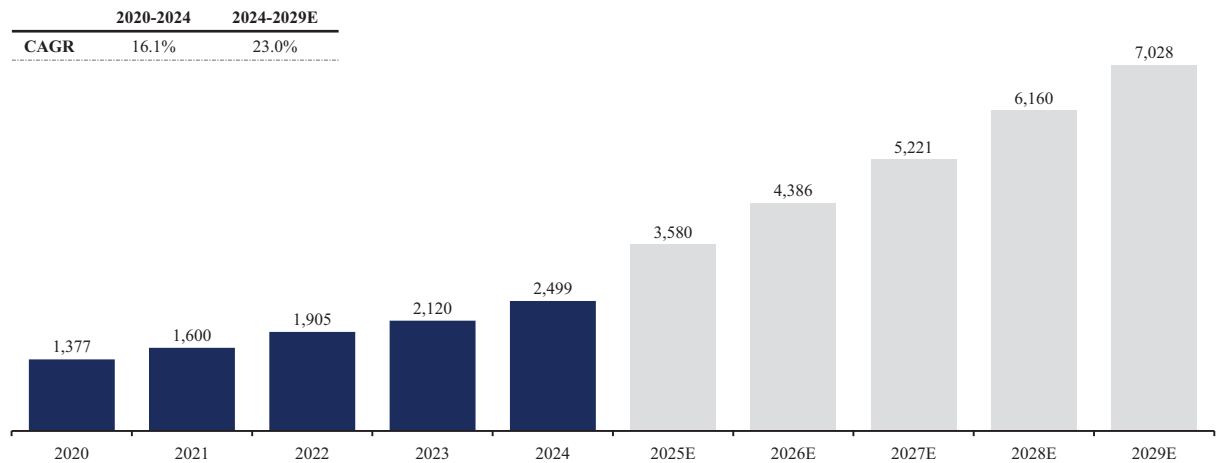
Automotive is one of the fastest-growing vertical for CIS applications. CIS usage in vehicles is expanding rapidly, evolving from basic rear-view cameras and dashcams to advanced applications such as surround-view systems, ADAS, e-mirrors, and DMS. This growth is driven not only by an increasing number of cameras per vehicle, but also by rising average single-camera module value, fueled by the demand for higher resolution, enhanced low-light performance, and functional safety features required for high-level autonomous driving. The automotive CIS market is thus being propelled by both quantity increases across various automotive systems and feature upgrades with higher values aimed at enabling intelligent sensing and safer driving experiences. Moreover, the growing popularity of autonomous driving technologies is accelerating the attach rate of CIS sensors in vehicles.

However, the automotive CIS market is characterized by long design cycles, rigorous quality requirements, and stringent safety certifications. CIS providers must engage closely with auto manufacturers early in the development process to design sensors that meet demanding performance standards and pass a range of reliability tests — such as ISO 26262 functional safety certification, AEC-Q reliability testing, and IATF16949 quality management system certification. Due to the requirement for better reliability and the long cycle for OEM qualification, development timelines in this sector are significantly extended. It typically takes two to five years from initial design-in to volume production of an automotive image sensor. As a result, once a sensor vendor secures supplier certification, automakers are generally reluctant to switch vendors during the lifecycle of a given vehicle model.

INDUSTRY OVERVIEW

According to Frost & Sullivan, the global automotive CIS market grew from US\$1,377 million in 2020 to US\$2,499 million in 2024, representing a CAGR of 16.1%, and is expected to reach US\$7,028 million in 2029, representing a CAGR of 23.0% from 2024. The chart below sets forth the global automotive CIS market size.

Size of global automotive CIS market, in terms of revenue
USD million, 2020-2029E

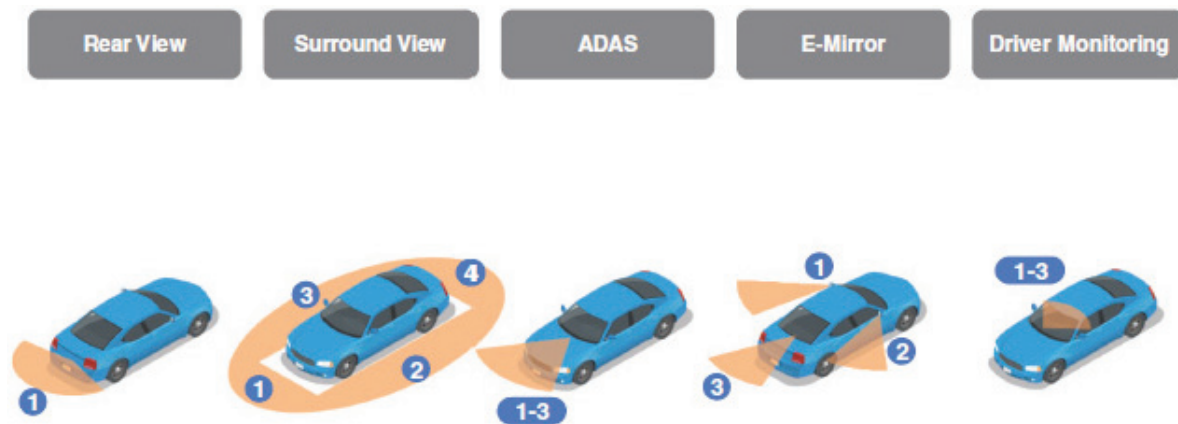


Source: Frost & Sullivan

The following key trends and drivers contribute to the rapid growth of the automotive CIS market:

- *Growing demand for ADAS and autonomous driving.* The growing adoption of ADAS and the push toward autonomous driving have significantly increased demand for automotive CIS. Driven by both consumer safety expectations and regulatory requirements, Level 2+ autonomous features, such as lane-keeping assist, automated parking, and traffic jam pilots, are now standard in premium vehicle segments. These systems rely on multi-sensor fusion, including cameras, radar, and LiDAR, to enable real-time environmental perception. As a result, flagship models now integrate 10–14 automotive cameras, supporting functions such as 360° surround view, DMS, and occupant safety systems. The integration of AI-powered vision processing enables real-time hazard detection, while OTA updates ensure continuous performance improvement and compliance with evolving standards like Euro NCAP 2025.

INDUSTRY OVERVIEW



Number of cameras

- *Resolution upgrade.* Automotive CIS technology has seen a significant resolution upgrade, with 8MP+ sensors becoming increasingly common. These high-resolution sensors enable advanced applications such as 4K surround-view systems and license plate recognition at distances exceeding 150 meters. This evolution supports higher fidelity imaging, which is critical for object identification and situational awareness in autonomous and semi-autonomous driving environments.
- *Differentiated requirements for other technologies.* Automotive CIS are increasingly differentiated by advanced capabilities beyond resolution. These include HDR, LFM, and ultra-low-light performance to ensure clarity in challenging conditions. Global shutter designs reduce motion artifacts, while ASIL-B/C functional safety compliance guarantees reliability under extreme environments. Features like occupant monitoring and AI-enhanced processing are also driving higher sensor value and enabling smarter automotive vision systems.
- *Favorable policies to promote EVs.* Compared to ICE vehicles, EVs typically have more advanced intelligent features, such as sophisticated ADAS and smart cockpits. Global support for EVs has intensified as major markets expand regulatory frameworks and fiscal incentives to accelerate adoption. The European Union’s Euro 7 emissions standards, effective from 2025, impose stricter CO₂ limits for cars and vans, pushing automakers toward electrification. Meanwhile, China’s updated New Energy Vehicle Industrial Development Plan (2025–2035) sets a target of achieving 40% zero-emission vehicle sales by 2030 — more than double its previous goal. In the United States, federal tax credits under the Inflation Reduction Act prioritize domestically manufactured EVs, complementing California’s mandate to phase out internal combustion engine (ICE) vehicle sales by 2035. China continues to lead with aggressive policy measures, including extended purchase subsidies, license plate exemptions in major cities, and significant investments in ultra-fast charging infrastructure. These initiatives have driven EV sales to account for over 40% of China’s total auto market in 2024. According to the International Energy Agency (IEA), global EV penetration is expected to surpass 20% by 2025, reflecting the growing momentum of electrification worldwide. These enhanced intelligent functionalities usually rely on a greater number of cameras, which in turn drives an increase in demand for CISs within the automotive sector, propelled by the growth in EV sales.

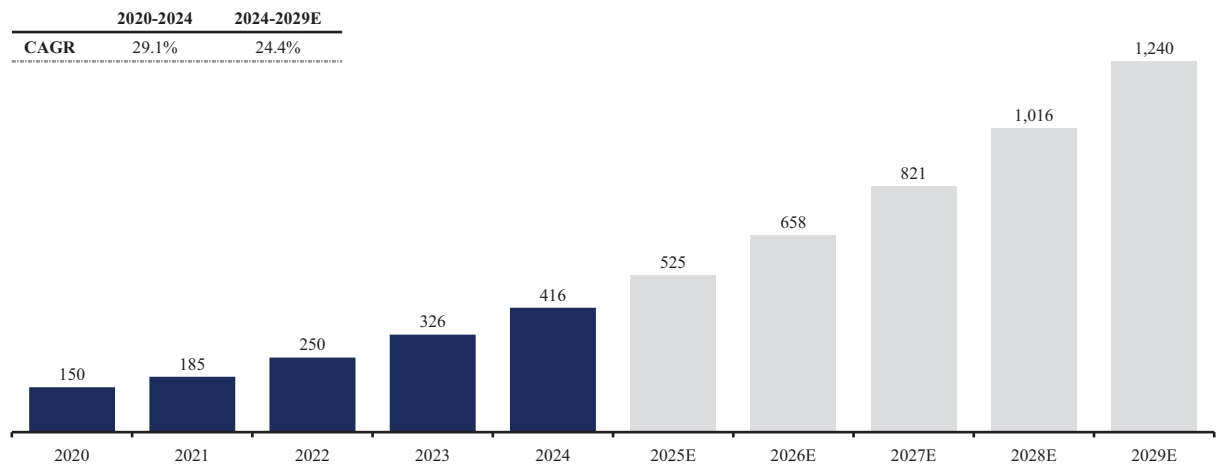
INDUSTRY OVERVIEW

Medical

The medical sector is a rising vertical for CIS applications. This growth is driven by the rising number of surgical procedures, increasing preference for minimally invasive techniques, and the growing prevalence of chronic conditions such as digestive disorders. Heightened concerns around cross-contamination are also shaping market dynamics. Endoscopes represent the primary application for medical cameras and CIS, where image quality, size, and reliability are critical. As demand for minimally invasive procedures expands, so does the need for smaller, higher-resolution image sensors with enhanced performance capabilities. At the same time, concerns over infection risks from improperly sterilized reusable devices are accelerating the adoption of single-use endoscopes and catheters, which offer clear advantages in terms of safety, convenience, and cost-effectiveness — further driving demand for compact, high-performance CIS solutions.

According to Frost & Sullivan, the global medical CIS market grew from US\$150 million in 2020 to US\$416 million in 2024, representing a CAGR of 29.1%, and is expected to reach US\$1,240 million in 2029, representing a CAGR of 24.4%. The chart below sets forth the global medical CIS market size.

Size of global medical CIS market, in terms of revenue
USD million, 2020-2029E



Source: Frost & Sullivan

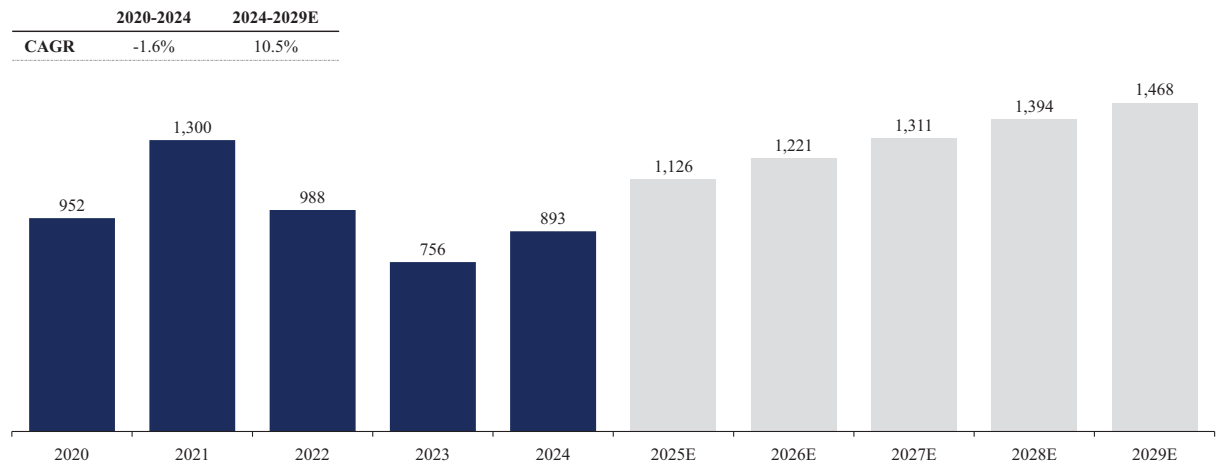
Surveillance

Surveillance represents a broadly utilized vertical for CIS applications, driven by the proliferation of intelligent ecosystems such as smart homes, smart communities, and smart manufacturing. CISs are deployed across both consumer-grade applications, including home security systems, doorbell cameras, and motion-activated devices, as well as large-scale deployments in public transportation hubs, office buildings, and industrial facilities. With the gradual increase in the complexity of video surveillance systems, the performance requirements for CIS have also intensified. Sensors are now expected to deliver superior performance in low-light imaging, HDR, HD/Ultra HD resolution, and intelligent identification capabilities. In response, CIS technologies are advancing rapidly — from HD to FHD — featuring higher sensitivity, lower power consumption, and built-in AI functions tailored to meet the specific demands of each application scenario. CIS vendors offering such tailor-made features are well positioned to gain share in the market.

INDUSTRY OVERVIEW

According to Frost & Sullivan, the global surveillance CIS market fluctuated from US\$952 million in 2020 to US\$893 million in 2024, and is expected to further expand at a CAGR of 10.5% to reach US\$1,468 million in 2029. The chart below sets forth the global surveillance CIS market size.

Size of global surveillance CIS market, in terms of revenue
USD million, 2020-2029E



Source: Frost & Sullivan

Other Emerging Markets

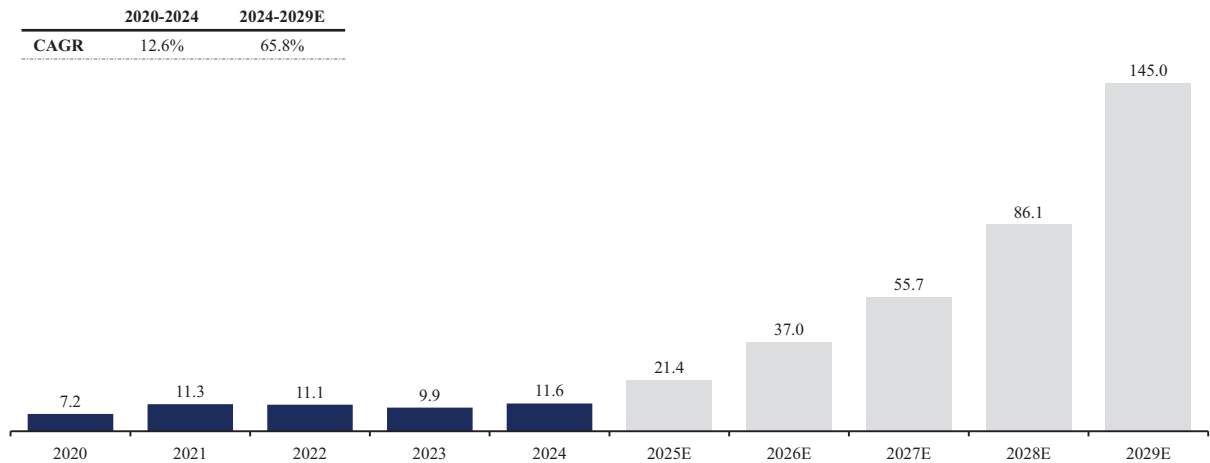
CIS are increasingly being adopted across emerging markets — represented by machine vision, smart glasses and Edge AI, among others — to enable advanced photography and sensing functionalities. These fast-growing segments are expected to create continuous market opportunities, driving both innovation and demand for next-generation sensor technologies.

Notably, smart glasses is emerging as the next digital frontier for CIS applications, fueled by global trends in smart technology adoption and AI integration. Global technology leaders are making significant investments across the smart glasses value chain, spanning hardware, software, content, and applications. Modern smart glasses incorporate multiple CIS units to support critical features such as gesture detection, depth and motion sensing, and head and eye tracking.

INDUSTRY OVERVIEW

According to Frost & Sullivan, the shipment of global smart glasses market increased from 7 million in 2020 to 12 million in 2024, representing a CAGR of 12.6%, and expects to reach 145 million in 2029, representing a CAGR of 65.8%.

Size of global smart glasses market, in terms of shipment
Million, 2020-2029E



Source: Frost & Sullivan

Overview of the Display IC Market

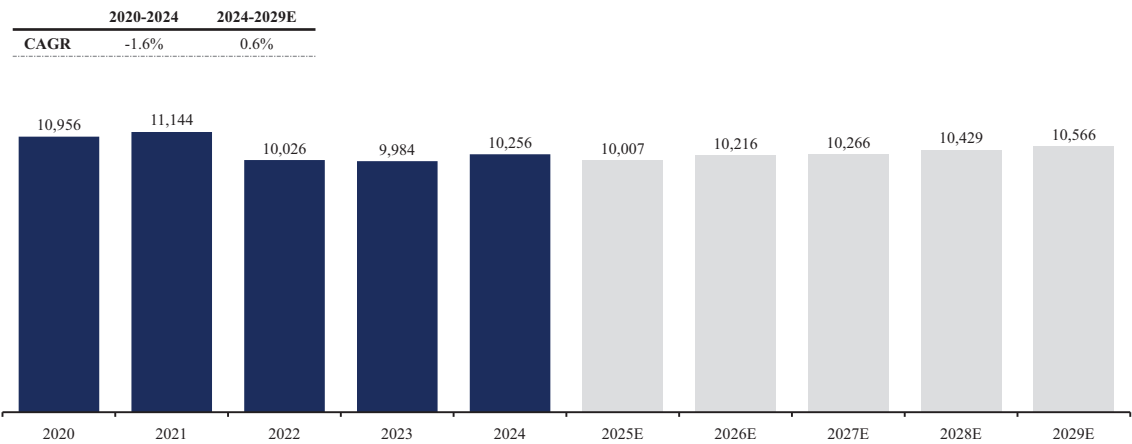
Display Driver IC (“DDIC”) Market

DDICs are semiconductor IC which provide the interface between processors and display devices, such as cathode ray tubes, LCD panels and OLED panels, LED, ePaper, and others. DDICs accept commands and data via industry-standard interfaces — such as TTL, CMOS, RS232, SPI, or I2C — and generate output signals with appropriate voltage, current, timing, and demultiplexing characteristics to render the desired text or image on the screen. In many cases, display driver ICs function as application-specific microcontrollers, often integrating memory components such as RAM, Flash, EEPROM, or ROM. Embedded firmware and display fonts stored in fixed ROM enable efficient control of display content and formatting. Today, LCD and OLED technologies dominate the market, both requiring advanced DDICs to manage panel operations while enabling displays to be more dynamic, design-friendly, and power-efficient.

INDUSTRY OVERVIEW

According to Frost & Sullivan, the global DDIC market is expected to grow from US\$10,256 million in 2024 to US\$10,566 million in 2029, representing a CAGR of 0.6%. The chart below sets forth the global DDIC market size.

Size of global display driver IC market, in terms of revenue
USD million, 2020-2029E



Source: Frost & Sullivan

Compared to LCD, each pixel on an OLED display is able to provide its own illumination so there is no need for separate backlight. Therefore, OLED displays offer improved image quality with lower power consumption, and enable ultra-thin, foldable and transparent designs with better durability. With the growing popularity of OLED displays, the OLED DDIC market is expected to grow at a faster pace than the overall DDIC market. According to Frost & Sullivan, the market size of OLED DDIC increased from US\$2,225 million in 2020 to US\$4,941 million in 2024, representing a CAGR of 22.1%, and is expected to further increase at a CAGR of 5.9% and reach US\$6,585 million in 2029.

China has the largest end markets for smartphones and televisions, which are the main demand drivers of display panels. Moreover, these applications are also predominantly manufactured and assembled in China. As a result, China has become the largest DDIC market, accounting for more than 55.9% of global shipment in 2024, according to Frost & Sullivan.

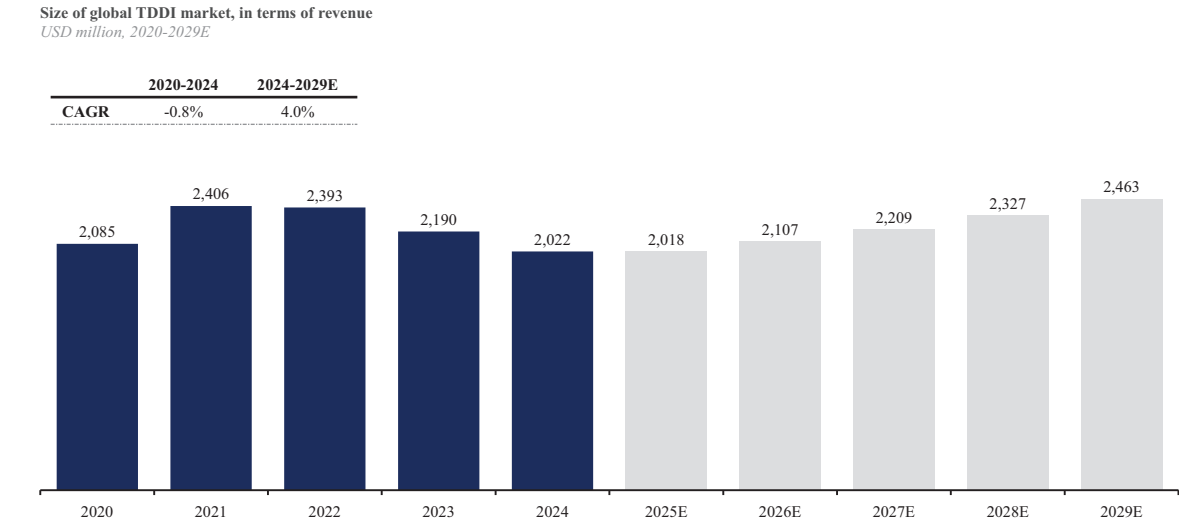
Micro LED has emerged as a next-generation display technology with key advantages over OLED. Unlike OLED, which uses organic materials that degrade over time, Micro LED uses inorganic emitters that offer higher brightness, longer lifespan, and better stability. As a result, it is gaining traction in smart devices such as AR headsets. In AR, Micro LED is often paired with waveguide technology to deliver high-quality visuals. It is also seen as a strong candidate for future micro-display systems. While adoption is still limited, growth is expected to accelerate in the coming years.

TDDI Market

TDDI combines the functions of a display driver IC and a touch controller into a single chip, significantly enhancing system integration. This integration enables thinner, lighter, and more cost-effective mobile devices with improved display performance. TDDI receives data from the mainboard, processes it through analog-to-digital conversion and algorithmic optimization, and then adjusts the deflection of liquid crystal molecules by controlling output voltage — thereby precisely managing screen display effects. Compared to traditional architectures where display and touch functions are handled separately, TDDI offers superior noise management through unified control, resulting in cleaner signal transmission and enhanced overall display quality.

INDUSTRY OVERVIEW

The TDDI technology has become a widely adopted solution. This is particularly the case in the smartphone vertical, given that TDDI enables higher screen-to-body ratios and thinner designs. Larger screens such as tablets, computers and automotive displays are increasingly adopting the TDDI technology as well. According to Frost & Sullivan, the global TDDI market is expected to grow from US\$2,022 million in 2024 to US\$2,463 million by 2029, representing a CAGR of 4.0%. The chart below sets forth the global TDDI market size.



Source: Frost & Sullivan

- As an innovative DDIC solution, the TDDI technology, which combines touch and display chips into one, have become a widely adopted solution. This is particularly the case in the smartphone vertical, given that TDDI enables higher screen-to-body ratios and thinner designs. Larger screens such as tablets, computers and automotive displays are increasingly adopting the TDDI technology as well.

Global display driver IC shipments have grown steadily alongside expanding display panel production, with LCD panels maintaining a dominant share and OLED adoption gradually rising. Consumer demand for superior viewing experiences is pushing display drivers to support higher resolution, faster frame rates, and lower power consumption. The direction of IC development varies by panel size: small consumer electronics require highly integrated chips to enable slim, power-efficient designs, while large-size devices emphasize high-resolution performance to meet premium display expectations.

Overview of the Analog IC Market

Analog semiconductors devices used to process analog signals such as temperature, speed, sound and electrical current. An IC is classified as analog if at least 50% of its chip area is occupied by analog circuitry. These semiconductors encompass a wide range of product categories and are essential for bridging the gap between physical inputs and digital processing in electronic systems. A key type of analog IC is the PMIC, including LDOs and DC-DC converters, which provide critical power regulation and efficiency functions. These components are vital in battery-operated systems such as smartphones, PCs, earbuds, and other portable electronics — as well as in automotive and industrial applications.

Analog ICs are broadly categorized into general-purpose analog chips, which serve universal functions across industries, and application-specific analog chips, tailored for specialized performance in targeted fields. PMICs and analog signal processing ICs also play important roles in managing energy flow and handling tasks like sensing, transmitting, and reproducing real-world signals with high fidelity.

INDUSTRY OVERVIEW

General-Purpose Analog ICs

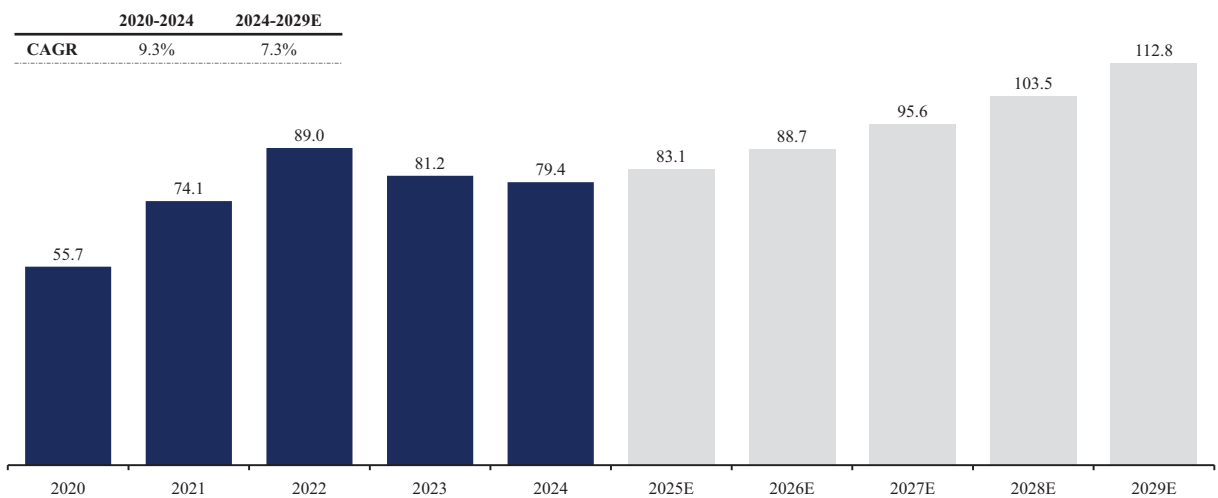
- *Amplifiers and Comparators:* Used for signal conditioning, including amplification, filtering, buffering, and comparison (e.g., current sense amplifiers, transimpedance amplifiers).
- *Signal Conversion ICs:* Convert signals between analog and digital domains (ADCs, DACs) or between voltage and frequency forms.
- *Interface ICs:* Ensure signal integrity during transmission across physical media such as cables or PCB traces.
- *PMICs:* Regulate, convert, and distribute DC power for system efficiency and stability.

Application-Specific Analog Circuits

- *Consumer:* Designed for personal electronics such as smartphones, wearables, and home appliances.
- *Computer:* Includes ICs used in computing systems, storage devices, and peripherals.
- *Communications:* Supports voice and data infrastructure and end-equipment applications outside military use.
- *Automotive:* Powers infotainment, ADAS, and other automotive electronic systems.
- *Industrial and Others:* Deployed across industrial automation, medical diagnostics, and aerospace.

According to Frost & Sullivan, the global analog IC market grew from US\$55.7 billion in 2020 to US\$79.4 billion in 2024, representing a CAGR of 9.3%, and is expected to further expand at a CAGR of 7.3% and reach US\$112.8 billion in 2029. The chart below sets forth the global analog IC market size.

Size of global analog IC market, in terms of revenue
USD billion, 2020-2029E



Source: WSTS; Frost & Sullivan

INDUSTRY OVERVIEW

The shift from traditional ICE vehicles to EVs is significantly boosting demand for analog ICs, as EVs rely entirely on electricity and require extensive power management ICs across various systems. The rise of electrification, coupled with advancements in autonomous driving, is increasing the need for sensors like millimeter-wave radar, with higher autonomy levels requiring more analog chips. As autonomous technology matures, EVs will demand even greater power efficiency and conversion capabilities, further elevating the value of analog ICs. In parallel, 5G infrastructure development — particularly base station construction — is driving growth in analog IC demand due to the need for high-frequency components such as amplifiers and converters. Additionally, the rollout of 5G has accelerated smartphone upgrades, with 5G devices requiring more analog ICs than their 4G counterparts due to increased system complexity and power consumption. Stricter performance requirements and emerging trends in AI-enabled smartphones and PCs — such as larger battery capacities — are further contributing to rising analog IC content and value in consumer electronics.

The key development trends include in analog ICs are high integration and low power consumption. Driven by rapid growth in emerging applications such as IoT, AI, EVs, cloud computing, and 5G, the global analog IC industry is expected to maintain strong momentum over the medium to long term. Automotive electrification and industrial energy efficiency demands are pushing analog chips toward higher performance and integration. In consumer electronics, compact and low-power designs remain critical for enhancing user experience, while the automotive sector emphasizes energy-saving capabilities. Diverse industry needs are fueling demand for analog ICs that are smaller, more integrated, and energy-efficient.

Riding on the large end-market demand and the trends of supply chain localization, China’s analog IC market is growing rapidly and Chinese companies are catching up on high-end analog ICs through technology innovations in recent years. According to Frost & Sullivan, China is the largest market for analog ICs and the market size in China contributes to approximately 35% of the global analog IC market in 2024 and is expected to increase to 42% in 2029.

INDUSTRY OVERVIEW

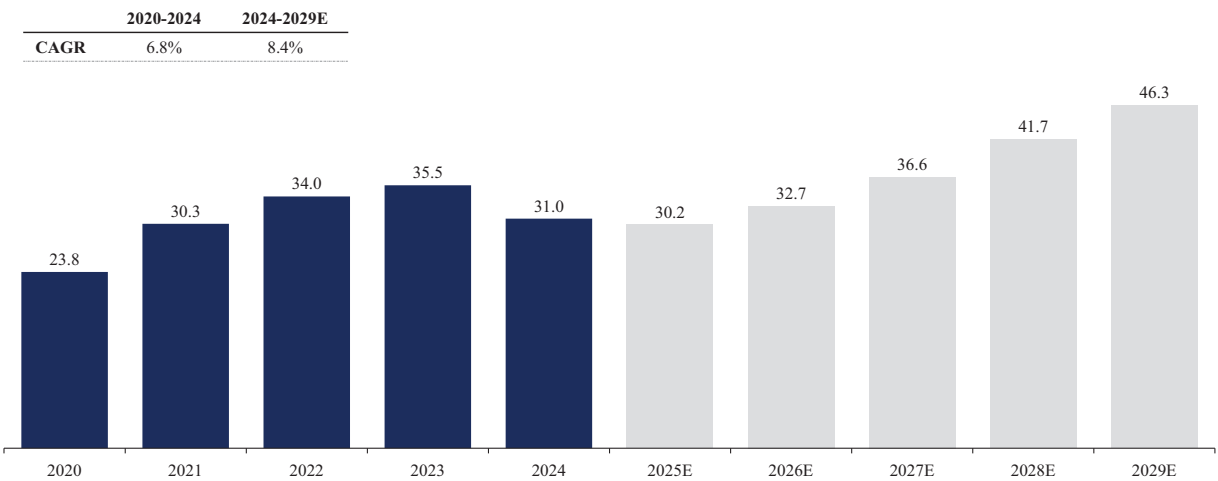
Overview of the Discrete Semiconductors Market

Discrete semiconductors include components such as TVS diodes, MOSFETs, Schottky diodes, and a variety of other singular-function devices. These components typically perform individual electronic functions such as voltage regulation, surge protection, power conversion, rectification, switching, mixing, and amplification. They are widely used across applications in computers, tablets, smartphones, telecommunications equipment, transportation systems — including EVs — as well as portable medical electronics. Discrete devices refer to electronic components with independent, non-integrated functions that cannot be separated from their core purpose. As one of the foundational and core areas of the semiconductor industry, discrete semiconductors play a critical role in enabling the operation of diverse electronic systems. From a technological perspective, the discrete semiconductor market is driven by the increasing demand for miniaturization and efficient power management in increasingly complex electronic applications. From a market demand standpoint, the growing electronic content across consumer, industrial, and automotive systems is fueling the need for high-energy, power-efficient devices — particularly MOSFETs and IGBTs in automotive applications.

The global discrete semiconductor market is relatively fragmented, with a large number of companies offering various product categories. Supply is largely influenced by upstream production capacity, while demand is pulled by growth in downstream end-markets across the value chain.

According to Frost & Sullivan, the global discrete semiconductor market grew from US\$23.8 billion in 2020 to US\$31.0 billion in 2024, representing a CAGR of 6.8%, and is expected to further expand at a CAGR of 8.4% to reach US\$46.3 billion in 2029. The chart below sets forth the global discrete semiconductor market size.

Size of global discrete semiconductor market, in terms of revenue
USD billion, 2020-2029E



Source: WSTS; Frost & Sullivan

Competitive Landscape of the CIS Market

The global CIS market is highly concentrated and the top five players had a combined market share of 84.1% in 2024, in terms of revenue, according to Frost & Sullivan. We have been consistently ranked as one of the top three players in the global CIS market and our market share reached 13.7% in 2024.

INDUSTRY OVERVIEW

The following table set forth the competitive landscape of the global CIS market.

Top Five Players in Global CIS market, in terms of revenue (2024)

Ranking	Players	Relevant Revenue (USD billion)	Market Share
1	Company A	8.6	44.0%
2	Company B	3.2	16.4%
3	The Group	2.7	13.7%
4	Company C	1.1	5.8%
5	Company D	0.8	4.3%

Notes:

1. Company A is one of the leading global players in the image sensor market, renowned for its innovative technology in CMOS sensors used in mobile devices, cameras, and automotive systems.
2. Company B is a major player in the CIS market, providing high-performance sensors for smartphones, automotive applications, and security surveillance.
3. Company C is a leading semiconductor company, providing a wide range of image sensors and solutions for automotive, industrial, and consumer applications.
4. Company D is a prominent player in the CIS industry, focusing on the development of sensors for applications such as mobile, automotive, and security systems.

Source: Frost & Sullivan Report

We have maintained leadership across major verticals. According to Frost & Sullivan, in 2024, we are the world’s third largest smartphone CIS provider with a market share of 10.5% and the largest automotive CIS provider with a market share of 32.9%.

The following tables set forth the competitive landscape of the CIS market by industry sector.

Top Five Players in Global Smartphone CIS market, in terms of revenue (2024)

Ranking	Players	Relevant Revenue (USD billion)	Market Share
1	Company A	6.0	46.4%
2	Company B	2.8	21.6%
3	The Group	1.4	10.5%
4	Company E	0.5	4.0%
5	Company F	0.5	3.9%

Note:

1. Company E is a leading global semiconductor company, specializing in DRAM, NAND flash memory, and image sensors for various applications, including smartphones, computing, and automotive systems.
2. Company F is a prominent Chinese company focused on the design and manufacturing of image sensors, providing solutions for mobile devices, security cameras, and automotive applications.

Source: Frost & Sullivan Report

Top Five Players in Global Automotive CIS market, in terms of revenue (2024)

Ranking	Players	Relevant Revenue (USD billion)	Market Share
1	The Group	0.8	32.9%
2	Company C	0.8	30.4%
3	Company A	0.4	17.6%
4	Company B	0.1	3.2%
5	Company D	0.1	2.8%

Source: Frost & Sullivan Report

INDUSTRY OVERVIEW

SOURCES OF INFORMATION

We commissioned Frost & Sullivan, an independent global consulting firm that offers industry research and market strategies and provides growth consulting and corporate training to conduct a detailed research on and analysis of the global semiconductor market. We have agreed to pay a fee of RMB550,000 to Frost & Sullivan in connection with the preparation of the Frost & Sullivan Report. We have extracted certain information from the Frost & Sullivan Report in this section, as well as in “Summary,” “Risk Factors,” “Business,” “Financial Information,” and elsewhere in this document to provide our potential [REDACTED] with a more comprehensive presentation of the industries where we operate.

During the preparation of the Frost & Sullivan Report, Frost & Sullivan performed both primary and secondary research, and obtained knowledge, statistics, information, and industry insights on the industry trends of the target research markets. Primary research involved discussing the status of the market with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan’s own database. Frost & Sullivan has independently verified the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan’s research may be affected by the accuracy of assumptions used and the choice of primary and secondary sources.

The Frost & Sullivan Report was compiled based on the following assumptions: (i) the economy of Mainland China and the global economy are likely to maintain steady growth in the near future; and (ii) the social, economic, and political environment of Mainland China and the world is likely to remain stable from 2024 to 2029.

Our Directors confirm that, after making reasonable enquiries, there is no adverse change in the market information since the date of the Frost & Sullivan Report that may qualify, contradict or have a material impact on the information.

REGULATORY OVERVIEW

PRC GOVERNMENT REGULATION

A significant portion of the Group’s business is subject to Chinese laws, administrative regulations, departmental rules and other normative documents. This section sets out a summary of the most important and relevant industrial policies, laws, regulations and normative documents governing the Company’s business operations.

I. INDUSTRIAL POLICIES

1. Outline of the 14th Five-Year Plan (2021-2025) for National Economic and Social Development and Long-Range Objectives for 2035

Pursuant to the Outline of the 14th Five-Year Plan (2021-2025) for National Economic and Social Development and Long-Range Objectives for 2035 (《中華人民共和國國民經濟和社會發展第十四個五年規劃和 2035 年遠景目標綱要》) promulgated by the National People’s Congress of the People’s Republic of China (NPC) on March 12, 2021, China will formulate and implement strategic scientific programs and scientific projects in the basic and core areas concerning national security and development, and carry out pioneering and strategic national projects in artificial intelligence, quantum information, IC, life and health, brain science, biological breeding, aerospace science and technology, deep earth and deep sea, among other frontier fields. In addition, China will foster advanced manufacturing clusters and promote the innovation and development of industries such as IC, aerospace equipment, high-tech ships and ocean engineering equipment, robots, advanced railway equipment, advanced power equipment, engineering machinery, high-end CNC machine tools, medicine and medical equipment.

2. The National Informatization Plan during the 14th Five-Year Plan period

Pursuant to the National Informatization Plan during the 14th Five-Year Plan period (《“十四五”國家信息化規劃》) released by the Office of the Central Cyberspace Affairs Commission on December 27, 2021, China will accelerate the development of key technologies of IC, and promote innovation in computing chips, memory chips, etc., accelerate the research and development of key materials such as IC design tools, etc.

3. The Development of Digital Economy during the 14th Five-Year Plan period

Pursuant to the Development of Digital Economy during the 14th Five-Year Plan period (《“十四五”數字經濟發展規劃》) issued by the State Council on December 12, 2021, China will focus on breakthroughs in key technologies in high-end chip and take the lead in the layout of integration and innovation of cutting-edge technologies, focus on the next-generation mobile communication technology, quantum information, neural chip, brain-like intelligence, DNA storage, third-generation semiconductor and other emerging technologies.

4. The National Intellectual Property Protection and Use Plan during the 14th Five-Year Plan period

Pursuant to the National Intellectual Property Protection and Use Plan during the 14th Five-Year Plan period (《“十四五”國家知識產權保護和運用規劃》) released by the State Council on October 9, 2021, China will promote the high-quality creation of intellectual property. Efforts should be made to improve upon the policies for supporting high-quality creation and strengthen the creation

REGULATORY OVERVIEW

and reserve of independent intellectual property in fields such as artificial intelligence, quantum information, IC, basic software, life health, brain science, biological breeding, aerospace technology and deep earth and sea exploration.

5. Several Policies for Promoting the High-quality Development of IC and Software Industries in the New Era

Pursuant to the Several Policies for Promoting the High-quality Development of IC and Software Industries in the New Era (《新時期促進集成電路產業和軟件產業高質量發展的若干政策》) issued by the State Council on July 27, 2020, key IC design enterprises and software enterprises encouraged by the State are exempted from EIT from the first to the fifth year from the profit-making year and shall be subject to EIT at a reduced tax rate of 10% for subsequent years.

6. Outline of Regional Integration Development Plan in the Yangtze River Delta

Pursuant to the Outline of Regional Integration Development Plan in the Yangtze River Delta (《長江三角洲區域一體化發展規劃綱要》) promulgated by the Central Committee of the Communist Party of China and State Council on December 1, 2019, China will focus on ten key areas including IC and accelerate the development of IC industry chain, etc., and cultivate a number of leading enterprises with international competitiveness. Furthermore, China will actively develop frontier industries such as biomedicine, IC, etc. in the China (Shanghai) Pilot Free Trade Zone and deliberate tax supporting policies.

7. Catalog on Readjustment of Industrial Structure (Version 2024)

Pursuant to the Catalog on Readjustment of Industrial Structure (Version 2024) (《產業結構調整指導目錄(2024年本)》) released by the NDRC on December 27, 2023 and effective on February 1, 2024, the design, package and test of IC are included as encouraged projects.

8. Catalog on Key Products and Services of Strategic Emerging Industries (Version 2016)

Pursuant to the Catalog on Key Products and Services of Strategic Emerging Industries (Version 2016) (《戰略性新興產業重點產品和服務指導目錄(2016版)》) issued by the NDRC on January 25, 2017, the design and services of IC chip are designated as the key products and services of strategic emerging industries.

9. National Innovation-driven Development Strategy Outlines

According to the National Innovation-driven Development Strategy Outlines (《國家創新驅動發展戰略綱要》) enacted on May 19, 2016, China will strive to make technological breakthrough and promote integration circuits and other independent hardware and software products and cybersecurity to provide safeguard for China's economic transformation and upgrade and the maintenance of national cybersecurity. For 2020, China will continue to accelerate the implementation of major national scientific and technological projects that have been deployed, focus on the target and highlight the key points, capture the core technologies in high-end general-purpose chips, high-end CNC machine tools, IC equipment and other aspects, form a number of strategic technologies and strategic products, and foster emerging industries.

REGULATORY OVERVIEW

10. Outline for Promoting the Development of National Integrated Circuit Industry

As is stipulated in the Outline for Promoting the Development of National IC Industry (《國家集成電路產業發展推進綱要》) released on June 24, 2014, (i) great efforts shall be put on the development of IC design industry. China shall, by focusing on the industrial chain of key areas, strengthen IC design, software development, system integration, collaborative innovation in contents and services so as to drive the growth manufacturing industry by the rapid development of design industry; (ii) the development of IC manufacturing industry shall be accelerated. China shall, by seizing the favorable opportunity of technological reform, break the bottleneck of investment and financing and continue to promote the construction of advanced production lines; (iii) the development level of advanced packaging and testing industry shall be improved. China shall vigorously promote the merger and reorganization of domestic packaging and testing enterprises and increase industrial concentration, etc.

11. Urgent Notice on the Rules for Determining the “Place of Origin” of Semiconductor Products

As stipulated in the Urgent Notice on the Rules for Determining the “Place of Origin” of Semiconductor Products (《中國半導體行業協會關於半導體產品“原產地”認定規則的緊急通知》) issued by the China Semiconductor Industry Association (《中國半導體行業協會》) in 2025, the origin of semiconductor products is primarily determined by the location where the wafer fabrication is completed. This rule ensures clarity and consistency in origin declarations, facilitating international trade and regulatory compliance.

12. Several Policy Measures for Promoting the Healthy Development of Online New Economy in Shanghai

As outlined in the Several Policy Measures for Promoting the Healthy Development of Online New Economy in Shanghai (《上海市促進在綫新經濟健康發展的若干政策措施》), the city of Shanghai has introduced a series of initiatives aimed at fostering the growth and innovation of the online new economy. These measures include substantial support for the digital transformation of traditional industries, the creation of a robust innovation ecosystem through funding and collaboration, and the establishment of a favorable regulatory environment to encourage compliance and innovation. By leveraging advanced technologies such as big data, artificial intelligence, and the IoT, Shanghai aims to enhance economic growth and social development through the vibrant development of the online new economy.

13. 14th Five-Year Plan for Utilizing Foreign Investment

As stipulated in the 14th Five-Year Plan for Utilizing Foreign Investment (《“十四五”利用外資發展規劃》), the Chinese government aims to guide foreign investment towards key strategic industries, including IC. This initiative seeks to enhance the technological capabilities and industrial competitiveness of China’s semiconductor sector by attracting high-quality foreign capital and advanced technologies. By focusing on sectors such as IC, the plan aims to foster innovation and sustainable development, thereby strengthening China’s position in the global semiconductor market.

14. Notice on Import Tax Policies to Support the Development of the IC and Software Industries

As stipulated in the Notice on Import Tax Policies to Support the Development of the IC and Software Industries (《關於支持集成電路產業和軟件產業發展進口稅收政策的通知》) issued by the

REGULATORY OVERVIEW

Ministry of Finance (MOF), the General Administration of Customs of the People’s Republic of China (GAC), and the State Taxation Administration (STA) in March 16, 2021, enterprises in the IC and software sectors are granted preferential import tax policies. These policies aim to reduce the import costs of necessary equipment, materials, and components, thereby enhancing the competitiveness of domestic enterprises. By providing tax exemptions and reductions, the notice supports the technological innovation and sustainable development of the IC and software industries, strengthening China’s position in these strategic sectors.

15. Guidelines on Expanding Investment in Strategic Emerging Industries and Cultivating New Growth Points and Poles

As stipulated in the Guidelines on Expanding Investment in Strategic Emerging Industries and Cultivating New Growth Points and Poles (《關於擴大戰略性新興產業投資培育壯大新增長點增長極的指導意見》) issued by the NDRC, the Ministry of Science and Technology, the MIIT, and the MOF in September 8, 2020, the Chinese government aims to increase investment in strategic emerging industries, including IC, to foster new growth drivers. This initiative seeks to enhance the technological capabilities and industrial competitiveness by attracting investment and promoting innovation in key areas, thereby driving sustainable economic development and strengthening China’s position in the global market.

16. Guidelines on Further Stimulating the Vitality of Private Investment and Promoting Sustainable and Sound Economic Development

As stipulated in the Guidelines on Further Stimulating the Vitality of Private Investment and Promoting Sustainable and Sound Economic Development (《關於進一步激發民間有效投資活力促進經濟持續健康發展的指導意見》) issued by the General Office of the State Council in September 1, 2017, the government aims to leverage fiscal funds to attract various types of social capital through investment subsidies, capital injections, and the establishment of funds. This initiative seeks to support enterprises in intensifying technological upgrades and increasing investment in key areas and weak links, including IC.

II. MAJOR LAWS, REGULATIONS AND NORMATIVE DOCUMENTS

1. Regulations relating to Intellectual Properties

(i) Patent

Pursuant to the Patent Law of the People’s Republic of China (《中華人民共和國專利法》) promulgated by the Standing Committee of the NPC on March 12, 1984, which was latest revised on October 17, 2020 and came into force on June 1, 2021, and the Implementing Regulations of the Patent Law of the People’s Republic of China (《中華人民共和國專利法實施細則》), promulgated by the State Council on June 15, 2001, latest revised on December 11, 2023, and effective from January 20, 2024, an invention-creation referred to in those laws shall mean an invention, utility model or design. The patent bureau under the China National Intellectual Property Administration (CNIPA) shall be responsible for administration of patent matters nationwide, accept and examine patent applications on a unified basis and grant patent rights pursuant to the law. The patent administrative departments of the people’s governments of provinces, autonomous regions and municipalities directly under the Central Government shall be responsible for patent administration matters within their respective administrative regions. Inventions and utility models for which patent rights are granted shall possess

REGULATORY OVERVIEW

novelty, creativity and practicality. The duration of patent rights for an invention shall be 20 years, the duration of patent rights for a utility model shall be 10 years and the duration of patent rights for a design shall be 15 years, commencing from the filing date. Following the grant of patent rights for an invention or a utility model or design, no organization or individual shall implement the patent without licensing from the patentee. The limitation of action for infringement of patent rights shall be three years, commencing from the date on which a patentee or interested party becomes or should become aware of the infringing act and the infringer.

(ii) Trademark

Pursuant to the Trademark Law of the People’s Republic of China (《中華人民共和國商標法》) promulgated by the Standing Committee of the NPC on August 23, 1982, latest revised on April 23, 2019 and implemented on November 1, 2019, and the Implementing Regulations of the Trademark Law of the People’s Republic of China (《中華人民共和國商標法實施條例》), promulgated by the State Council on August 3, 2002, latest revised on April 29, 2014, and implemented on May 1, 2014, trademarks approved and registered by the trademark bureau under the CNIPA are registered trademarks, including commodity trademarks, service marks and collective trademarks, certification marks. Trademark registrants enjoy exclusive rights to use trademark and are protected by the law. The trademark bureau under the CNIPA shall be in charge of trademark registration and administration nationwide and be responsible for handling trademark disputes. Natural persons, legal persons or any other organizations that need to obtain exclusive rights to use trademark for their commodities or services in the course of their manufacturing and business activities shall apply to a trademark bureau for trademark registration. Any mark which can differentiate the commodities of a natural person, legal person or any other organization with the commodities of others, including text, graphics, alphabets, numbers, three-dimensional mark, color combination and sound, etc. and a combination of the aforesaid elements, may be registered as a trademark. A registered trademark shall be valid for 10 years, commencing from the date of registration. Upon expiry of the validity period of a registered trademark, where the trademark registrant intends to continue using the trademark, it shall complete renewal formalities pursuant to the provisions within the 12-month period before the expiry date; where renewal formalities are not completed within the stipulated period, a six-month extension may be allowed. The validity period of each renewal shall be 10 years, commencing from the date following expiry of the preceding validity period of the said trademark. Where renewal formalities are not completed upon expiry of the validity period, the registered trademark shall be canceled. In the event of a dispute arising from any of the acts of infringement of exclusive rights to use registered trademarks, the parties concerned shall negotiate for resolution; where the parties concerned are unwilling to negotiate or where negotiation is unsuccessful, the trademark registrant or a stakeholder may file a lawsuit with a People’s Court or request that the trademark bureau under the CNIPA handle the dispute.

(iii) Copyright

Pursuant to the Copyright Law of the People’s Republic of China (《中華人民共和國著作權法》) promulgated by the Standing Committee of the NPC on September 7, 1990, latest revised on November 11, 2020 and implemented on June 1, 2021, and the Implementing Regulations of the Copyright Law of the People’s Republic of China (《中華人民共和國著作權法實施條例》), promulgated by the State Council on August 2, 2002, latest revised on January 30, 2013, and implemented on March 1, 2013, Chinese citizens, legal persons or organizations without legal personality enjoy copyright over their works, whether published or not, in accordance with this Law.

REGULATORY OVERVIEW

Copyright shall belong to the author, unless otherwise stipulated in this Law. Copyright shall include the following personal rights and property rights: publication right, right of authorship, right of revision, right to preserve the integrity of work, reproduction right, distribution right, rental right, exhibition right, performance right, screening right, broadcasting right, information network transmission right, filming right, adaptation right, translation right, compilation right, and any other rights enjoyed by a copyright holder. The period of protection of right of authorship, right of revision, right to preserve the integrity of work of an author shall not be subject to restriction. The period of protection of other copyrights shall be the entire life span of the author and 50 years following his/her death for a natural person and 50 years for a legal person or unincorporated organization.

According to the Measures for Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration (NCA) on February 20, 2002, latest revised on June 18, 2004, and implemented on July 1, 2004, and the Regulations on the Protection of Computer Software (《計算機軟件保護條例》), promulgated by the State Council on December 20, 2001, latest revised on January 30, 2013, and implemented on March 1, 2013, Chinese citizens, legal persons and other organizations shall enjoy copyright on software they develop in accordance with this Law, regardless of whether the software is released publicly or not. A software copyright holder may carry out registration formalities with the NCA. A registration certificate issued by the NCA shall be a *prima facie* evidence for having been registered. Fees shall be charged for the registration of computer software. Software copyright commences from the date on which the development of the software is completed. The protection period for a natural person’s software copyright shall be the natural person’s whole lifetime plus 50 years after his/her death. The protection period for software copyright of a legal person or organization shall be 50 years, concluding on December 31 of the 50th year after the software’s initial release. But if the software has not been released within 50 years from the date on which the software development is completed, it shall no longer receive the protection of this Law.

(iv) Layout-Designs of IC

Pursuant to the Regulations for the Protection of the Layout Design of IC (《集成電路布圖設計保護條例》) promulgated by the State Council on April 2, 2001 and implemented on October 1, 2001 and its implementation rules, proprietary rights in layout designs shall become valid after being registered, any unregistered layout designs are not protected by this Law. Holders of proprietary rights in a layout design shall enjoy the following proprietary rights: (i) to duplicate the whole protected layout design or any part of the design that is original; and (ii) to make commercial use of the protected layout design, the IC containing the said layout design, or commodities containing the said IC. The protection period of the proprietary rights in a layout design is ten (10) years, commencing from the date of the application for registration of the layout design or the date that it is put into commercial use anywhere in the world, whichever is earlier. However, regardless of whether or not a layout design is registered, or whether or not it is put into commercial use, it shall no longer be protected by this Law after fifteen (15) years from the time of its creation.

2. Regulations relating to Foreign Investment

The Foreign Investment Law of the People’s Republic of China (《中華人民共和國外商投資法》), promulgated by the NPC on March 15, 2019, and effective January 1, 2020, clarifies that the state implements a management system of pre-establishment national treatment plus a negative list for foreign investment. “Pre-establishment national treatment” means that foreign investors and their

REGULATORY OVERVIEW

investments are accorded treatment no less favorable than that accorded to domestic investors and their investments at the investment access stage. The “negative list” refers to the special administrative measures for market access that the state stipulates for foreign investment in specific fields. The state grants national treatment to foreign investment outside the negative list. In addition, the Implementing Regulations of the Foreign Investment Law of the People’s Republic of China (《中華人民共和國外商投資法實施條例》), effective from January 1, 2020, further stipulates that the state formulates a catalog of industries encouraged for foreign investment in accordance with the needs of national economic and social development, specifying particular industries, fields, and regions to encourage and guide foreign investment.

Pursuant to the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), jointly promulgated by the Ministry of Commerce and the SAMR on December 30, 2019, and effective from January 1, 2020, foreign investors who directly or indirectly conduct investment activities within the territory of China shall promptly submit investment information to the competent commerce authorities by the foreign investor or the foreign-invested enterprise.

Investments in the PRC by foreign investors are regulated by the Special Administrative Measures (Negative List) for Foreign Investment Access (Version 2024) (《外商投資准入特別管理措施(負面清單)(2024年版)》), the latest version of which was promulgated by the NDRC and the Ministry of Commerce on September 6, 2024 and became effective from November 1, 2024. The Negative List sets out the requirements on equity and senior executives and other special administrative measures for foreign investment access. Fields not mentioned in the Negative List for foreign investment access shall be subject to administration under the principle of consistency for domestic and foreign investments. The business of the Company and its domestic subsidiaries does not fall into the Negative List.

3. Regulations relating to Foreign Exchange

Pursuant to the Regulation of the People’s Republic of China on Foreign Exchange Administration (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996, last amended on August 5, 2008 and implemented on the same date, the State shall not impose restrictions on regular international payments and transfers. The foreign exchange receipts of domestic organizations and domestic individuals may be remitted into China or deposited overseas; the criteria and time-limit for remittance into China or overseas deposits, etc. shall be stipulated by the State Administration of Foreign Exchange (SAFE) according to the status of international balance of payments and foreign exchange control requirements. Overseas organizations and overseas individuals making direct investments in China shall, upon approval by the relevant authorities in charge, process registration formalities with the SAFE or its local branches. Overseas organizations and overseas individuals engaging in issuance and trading of quoted securities or derivatives in China shall comply with the market entry provisions of the State and process registration formalities pursuant to the provisions of the SAFE. Domestic organizations and domestic individuals making direct investments overseas or engaging in issuance and trading of quoted securities and derivatives overseas shall process registration formalities pursuant to the provisions of the SAFE. Where the State stipulates that prior approval by or filing with the relevant authorities in charge is required, the approval or filing formalities shall be processed prior to foreign exchange registration formalities.

Pursuant to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《國家外匯管理局關

REGULATORY OVERVIEW

于進一步簡化和改進直接投資外匯管理政策的通知》), promulgated by the SAFE on February 13, 2015 and effective from June 1, 2015, banks shall directly review and handle the foreign exchange registration for domestic and overseas direct investments on behalf of the SAFE. The SAFE and its branches shall exercise indirect supervision over the foreign exchange registration for direct investments conducted through banks.

As stipulated in the Notice of the State Administration of Foreign Exchange on Policies for Reforming and Regulating the Control over Foreign Exchange Settlement under the Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) promulgated by the SAFE and implemented on June 9, 2016, revised on December 4, 2023 by SAFE Notice on Further Deepening the Reform to Facilitate Cross-border Trade and Investment (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》), the foreign exchange receipts under the capital account of a domestic institution and the RMB funds obtained from foreign exchange settlement may be used for expenditures under the current account within its business scope or the expenditure under the capital account permitted by laws and regulations. Domestic institutions shall comply with the following provisions in using their foreign exchange receipts under the capital account and RMB funds obtained from foreign exchange settlement: (i) Such receipts and funds shall not, directly or indirectly, be used for the expenditures beyond the business scope of domestic institutions or the expenditures prohibited by laws and regulations of the State; (ii) Unless otherwise expressly provided, such receipts and funds shall not be used directly or indirectly for investment in securities or other investment and wealth management (except for wealth management products and structured deposits with risk rating results not higher than Level 2; (iii) Such receipts and funds shall not be used for the granting of loans to non-affiliated enterprises, with the exception that such granting is expressly permitted in the business license; and (iv) Such receipts and funds shall not be used for purchase of real estate for purpose other than self-use (exception applies for real estate or real estate leasing enterprises).

Pursuant to the Notice of the State Administration of Foreign Exchange on Reforming the Foreign Exchange Settlement Management of Foreign-Invested Enterprises' Capital (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) issued by the SAFE on March 30, 2015 and effective from June 1, 2015, foreign-invested enterprises can use the RMB funds obtained from their foreign exchange capital for equity investment. The foreign exchange capital in the capital account of a foreign-invested enterprise, which has been confirmed by the foreign exchange administration or registered by the bank, can be settled in a bank according to the actual business needs of the enterprise. The voluntary settlement ratio of foreign-invested enterprises' foreign exchange capital is temporarily set at 100%. The SAFE may adjust this ratio in a timely manner according to the balance of payments situation.

The SAFE issued the Notice on Further Promoting Cross-Border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) on October 23, 2019, and revised it on December 4, 2023. It lifted the restrictions on non-investment foreign-invested enterprises using their capital for domestic equity investment. These enterprises can now use their capital for domestic equity investment as long as it complies with the Negative List and the projects are genuine and compliant.

On April 10, 2020, the SAFE released the Notice on Optimizing Foreign Exchange Management to Support Foreign-Related Business Development (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》). Qualified enterprises no longer need to provide proof materials for each

REGULATORY OVERVIEW

transaction when using capital, foreign debt, and funds from overseas listings for domestic payments. However, the funds must be genuine, compliant, and in line with current regulations.

The Notice of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Management and Improving the Review of Authenticity and Compliance (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》), promulgated by the SAFE on January 26, 2017, and effective on the same day, stipulates several capital control measures for profit remittances from domestic institutions to overseas entities. Specifically, when banks handle profit remittance transactions exceeding USD 50,000 (excluding) for domestic institutions, they shall review the board of directors’ profit distribution resolution, the original tax filing form, and the audited financial statements in accordance with the principle of real transactions, and endorse the amount and date of the remittance on the original tax filing form. Domestic institutions must first legally offset any previous years’ losses before remitting profits. Additionally, when domestic institutions handle registration and fund remittance procedures for overseas direct investment, in addition to providing the required review materials as stipulated, they must also explain to the banks the source of investment funds and the intended use (or plan) of the funds, and provide board resolutions, contracts, or other authenticity supporting documents.

Pursuant to the Notice of the State Administration of Foreign Exchange on Issues Relating to Foreign Exchange Control Pertaining to Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) promulgated by the SAFE on December 26, 2014 and implemented on the same day, the SAFE and its branches shall implement supervision, administration and inspection of business registration, account opening and usage, cross-border receipts and payments, fund remittance etc. involved in overseas listing of domestic companies. A domestic company shall complete registration formalities for overseas listing with the foreign exchange administration at its domicile of registration within 15 working days from completion of issuance for its overseas listing. Proceeds raised from overseas listing of a domestic company may be repatriated to China or deposited overseas, and the usage of proceeds shall be consistent with the relevant contents set out in the document or disclosure documents.

Pursuant to the Notice of the PBOC on Further Improving Policies of Cross-Border RMB Business to Promote Trade and Investment Facilitation (《中國人民銀行關於進一步完善人民幣跨境業務政策促進貿易投資便利化的通知》) issued and implemented by the PBOC on January 5, 2018, for the investment income such as profits and dividends legally obtained by overseas investors in China, banks shall review relevant materials as required before processing cross-border RMB settlement and ensure free remittance of profits of foreign investors in accordance with the law. Domestic enterprises that issue RMB bonds abroad may, upon completing relevant formalities in accordance with macro-prudential regulations on comprehensive cross-border financing, remit the proceeds raised overseas to China for their use as actually needed. The RMB proceeds raised by domestic enterprises by issuing shares overseas may be remitted to China for use in light of their actual needs.

4. Regulations relating to Taxation

On May 21, 2022, the STA issued the Guidance on Tax and Fee Preferential Policies for Software and IC Enterprises (《軟件企業和集成電路企業稅費優惠政策指引》). To facilitate timely understanding of the applicable tax preferential policies, the guidance clarifies the preferential content, conditions for enjoyment, and policy basis for IC enterprises.

(i) EIT

REGULATORY OVERVIEW

Pursuant to the EIT Law promulgated by the NPC on March 16, 2007, last amended on December 29, 2018 and implemented on the same date, and the Implementing Regulations of the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法實施條例》), promulgated by the State Council on December 6, 2007, and latest revised and implemented on December 6, 2024, a resident enterprise shall mean an enterprise lawfully incorporated in China, or an enterprise lawfully incorporated pursuant to the laws of a foreign country (region) but where actual management functions are conducted in China. The EIT shall be at the rate of 25% for a resident enterprise. The State grants enterprise income tax incentives to key industries and projects supported and encouraged by the State.

Pursuant to the EIT law Announcement of the SAT on Issues Relating to Implementation of Income Tax Incentives for High-tech Enterprises (《國家稅務總局關於實施高新技術企業所得稅優惠政策有關問題的公告》), Administrative Measures on Accreditation of High-tech Enterprises (《高新技術企業認定管理辦法》) and the Guidelines for the Administration of the Identification of High & New Technology Enterprises (《高新技術企業認定管理工作指引》), the relevant laws and regulations on enterprise income tax allow qualified high-tech enterprises to enjoy an enterprise income tax rate of 15% after reduction.

According to the Announcement on Enterprise Income Tax Policies for Promoting High-quality Development of IC Industry and Software Industry (《關於促進集成電路產業和軟件產業高質量發展企業所得稅政策的公告》) jointly promulgated by the MOF, the STA and the MIIT on December 11, 2020, and implemented on January 1, 2020, key IC design enterprises and software enterprises encouraged by the State will be exempted from EIT from the first to the fifth year from the profit-making year and will be subject to EIT at a reduced tax rate of 10% in subsequent years.

As is stipulated in the Announcement on Income Tax Policies for IC Design and Software Enterprises (《關於集成電路設計和軟件產業企業所得稅政策的公告》) jointly released by MOF and the STA on May 17, 2019 and implemented on the same day, IC design enterprises and software enterprises established pursuant to the law and satisfying the criteria shall enjoy an incentive period with effect from their profit-making year(s) prior to December 31, 2018, and be exempted from enterprise income tax for the first year to the second year, and pay enterprise income tax based on 50% off the statutory 25% tax rate from the third year to the fifth year, until the incentive period expires.

(ii) VAT

Pursuant to the Provisional Regulations of the People’s Republic of China on VAT(《中華人民共和國增值稅暫行條例》) promulgated by the State Council on December 13, 1993, last amended on November 19, 2017 and implemented on the same date, and the Detailed Rules for the Implementation of the Provisional Regulations of the People’s Republic of China on VAT (《中華人民共和國增值稅暫行條例實施細則》), promulgated by the MOF on December 15, 1993, last revised on October 28, 2011, and effective from November 1, 2011, organizations and individuals engaging in sale of goods or processing, repair and assembly services, sale of services, intangible assets, immovables and importation of goods in the People’s Republic of China shall be taxpayers of VAT, and shall pay VAT pursuant to this Regulation. (i) The tax rate for taxpayers engaging in sale of goods, services, lease of tangible movables or importation of goods shall be 17%, unless otherwise stipulated in item (ii), item (iv) and item (v) of this Article; (ii) the tax rate for taxpayers engaging in sale of transportation, postal, basic telecommunications, construction, lease of immovables, sale of immovable, transfer of land use rights, sale or importation of the following goods shall be 11%; (iii) the tax rate for taxpayers engaging

REGULATORY OVERVIEW

in sale of services and intangible assets shall be 6%, unless otherwise stipulated in item (i), item (ii) and item (v) of this Article; (iv) the tax rate for taxpayers engaging in exportation of goods shall be zero, unless otherwise stipulated by the State Council; (v) the tax rate for organizations and individuals in China engaging in cross-border sale of services and intangible assets within the scope stipulated by the State Council shall be zero.

According to the Notice of the Ministry of Finance and the SAT on the Adjustment to VAT Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》) jointly promulgated by the MOF and the STA on April 4, 2018, and implemented on May 1, 2018, the relevant policies for adjusting VAT rates are hereby notified as follows: (i) the deduction rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively; (ii) the deduction rate of 11% originally applicable to the taxpayers who purchase agricultural products is adjusted to 10%; (iii) when taxpayers purchase agricultural products for production, sales, or consignment processing, to which the tax rate of 16% is applicable, the input tax amount shall be calculated at the deduction rate of 12%; (iv) for the export goods to which a tax rate of 17% was originally applicable and the export rebate rate was 17%, the export rebate rate is adjusted to 16%. For the export goods and cross-border taxable activities to which a tax rate of 11% was originally applicable and the export rebate rate was 11%, the export rebate rate is adjusted to 10%; (v) for the goods or cross-border taxable activities specified in (iv) hereof that are exported or sold by foreign trade enterprises before July 31, 2018, if VAT has been levied at the rate not adjusted at the time of purchase, the export rebate rate not adjusted shall be applicable; if the VAT has been levied at the adjusted tax rate at the time of purchase, the adjusted export tax rebate rate shall be applicable. To the goods or cross-border taxable activities specified in (iv) hereof that are exported or sold by production enterprises before July 31, 2018, the export rebate rate not adjusted shall be applicable.

Pursuant to the Announcement on Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》) jointly promulgated by the MOF, the STA and the GAC on March 20, 2019, and implemented on April 1, 2019, (i) for general VAT payers' sales activities or imports that are subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9% respectively; (ii) for the agricultural products purchased by taxpayers to which an existing 10% deduction rate is applicable, the deduction rate is adjusted to 9%; and for the agricultural products purchased by taxpayers for production or commissioned processing, which are subject to VAT at 13%, the input VAT will be calculated at a 10% deduction rate; (iii) for the exportation of goods or labor services that are subject to VAT at 16%, with the applicable export refund at the same rate, the export refund rate is adjusted to 13%; and for the exportation of goods or cross-border taxable activities that are subject to VAT at 10%, with the export refund at the same rate, the export refund rate is adjusted to 9%.

On April 20, 2023, the MOF and the STA promulgated the Notice on the Value-Added Tax Super Deduction Policy for IC Enterprises (《關於集成電路企業增值稅加計抵減政策的通知》). From January 1, 2023, to December 31, 2027, enterprises engaged in IC design, production, packaging and testing, equipment, and materials are permitted to super deduct 15% of the deductible input VAT from the payable VAT amount.

(iii) Withholding tax on dividends

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to

REGULATORY OVERVIEW

Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), if a Hong Kong enterprise directly holds at least 25% of the equity in a Chinese enterprise, the withholding tax rate on dividends paid by the Chinese enterprise to the Hong Kong enterprise is reduced from the standard rate of 10% to 5%.

However, according to the Notice of the SAT on Issues Concerning the Implementation of the Dividend Clause in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), issued by the SAT on February 20, 2009, if the relevant Chinese tax authorities determine at their discretion that a company has benefited from a reduced income tax rate primarily due to tax-motivated structures or arrangements, the relevant Chinese tax authorities may adjust the preferential tax treatment. The Announcement of the SAT on Issues Concerning the “Beneficial Owner” in Tax Treaties (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》), issued by the SAT on February 3, 2018, and effective from April 1, 2018, outlines factors that support or hinder the determination of whether an applicant qualifies as a “beneficial owner.” Applicants who are not recognized as beneficial owners will not be eligible for the preferential income tax rate of 5% stipulated in the Avoidance of Double Taxation Arrangement.

5. Regulations relating to Environmental Protection

According to the Environmental Protection Law of the People’s Republic of China (《中華人民共和國環境保護法》) promulgated by the Standing Committee of the NPC on December 26, 1989, revised on April 24, 2014, and implemented on January 1, 2015, pollutant-discharging enterprises, institutions and other manufacturing operators shall pay sewage fee pursuant to the relevant provisions of the State and the sewage fees shall be used entirely for prevention and treatment of environmental pollution. The State shall implement a pollutant discharge permit administration system. Enterprises, institutions and other manufacturing operators subject to pollutant discharge permit administration shall discharge pollutants pursuant to the requirements of the pollutant discharge permit; discharge of pollutants shall not be allowed without a pollutant discharge permit.

On October 28, 2002, the Standing Committee of the NPC promulgated the Law of the People’s Republic of China on Environmental Impact Assessment (《中華人民共和國環境影響評價法》), which was last revised on December 29, 2018. The State Council shall implement classified management of environmental impact assessments for construction projects based on the degree of environmental impact of the projects. If a construction unit commences construction without lawfully obtaining approval for the environmental impact assessment report or form, or without reapplying for such approval, the competent ecological environment authorities at or above the county level shall order the cessation of construction. Depending on the severity of the violation and its consequences, a fine ranging from 1% to 5% of the total investment of the construction project may be imposed, and the unit may be ordered to restore the site to its original condition. Administrative sanctions shall be imposed on the persons in charge of the construction project and other responsible persons in accordance with the law.

Pursuant to the Interim Measures for the Environmental Protection Acceptance of Completed Construction Projects (《建設項目竣工環境保護驗收暫行辦法》), which came into effect on November 20, 2017, and the Regulations on Environmental Protection Administration of Construction Projects (《建設項目環境保護管理條例》), revised on July 16, 2017, and effective from October 1, 2017, after the completion of construction projects that require the preparation of an environmental impact assessment report or form, the construction unit shall conduct an environmental protection completion acceptance and prepare an acceptance report in accordance with the standards

REGULATORY OVERVIEW

and procedures set by the environmental protection administrative authorities. Construction projects that require the preparation of an environmental impact assessment report or form may only be put into production or use after passing the environmental protection completion acceptance.

Pursuant to the Regulations on the Administration of Pollutant Discharge Permits (《排污許可管理條例》) promulgated by the State Council on January 24, 2021 and implemented on March 1, 2021, and the Measures for the Administration of Pollutant Discharge Permits (《排污許可管理辦法》), promulgated on April 1, 2024, and implemented on July 1, 2024, enterprises, public institutions and other producers and business operators that are subject to pollutant discharge permit administration in accordance with laws shall apply for and obtain a pollutant discharge permit. The entities that fail to obtain a pollutant discharge permit shall not discharge any pollutants. Classified management of pollutant discharge permits shall be implemented for pollutant discharging entities based on the factors such as the amount of pollutants produced and discharged, extent of impact on the environment, etc.: (i) key management of pollutant discharge permits shall be implemented for pollutant discharging entities that produce or discharge a relatively large amount of pollutants or have a relatively significant impact on the environment; and (ii) simplified management of pollutant discharge permits shall be implemented for pollutant discharging entities that produce and discharge a relatively small amount of pollutants or have a relatively little impact on the environment.

Enterprises and other business operators listed in the Catalog of Categorized Management for Pollutant Discharge Permits of Fixed Pollution Sources (《固定污染源排污許可分類管理名錄》) shall apply for and obtain a pollutant discharge permit within the prescribed time limit. Those who have not obtained a pollutant discharge permit are not allowed to discharge pollutants. According to the Regulations on Urban Drainage and Sewage Treatment (《城鎮排水與污水處理條例》), promulgated by the State Council in 2013, and the Measures for the Administration of Permits for Discharging Sewage into Urban Drainage Networks (《城鎮污水排入排水管網許可管理辦法》), promulgated by the Ministry of Housing and Urban-Rural Development in 2015 and latest revised and effective from February 1, 2023, enterprises, institutions, and individual businesses engaged in industrial, construction, catering, medical services, and other activities shall apply to the urban drainage authorities for a permit to discharge sewage into the urban drainage network (pollutant discharge permit) before discharging sewage into urban drainage facilities. Those who discharge sewage into urban drainage facilities without obtaining a pollutant discharge permit will be ordered by the relevant urban drainage authorities to cease illegal activities, take corrective measures within a specified period, reapply for a pollutant discharge permit, and may be subject to a fine of up to RMB 500,000.

6. Regulations relating to Labor Protection

The Labor Law of the People’s Republic of China (《中華人民共和國勞動法》), which was promulgated by the Standing Committee of the NPC on July 5, 1994 and most recently revised and implemented on December 29, 2018, is one of the major laws regulating the labor relationship between Chinese enterprises and its employees. As is stipulated by the law, a worker shall enjoy the right to equal employment and to choose an occupation, the right to obtain labor remuneration, the right to rest and have holidays, the right to receive labor safety and hygiene protection, the right to receive vocational training, the right to enjoy social security and welfare, the right to request settlement of labor disputes and other labor rights stipulated by the law. An employer shall establish and improve its rules and regulations in accordance with the law in order to ensure that its workers enjoy labor rights and perform labor obligations. A worker shall, in accordance with the provisions of law, participate in democratic management through a workers’ congress, workers’ representative assembly or other

REGULATORY OVERVIEW

forms, or carry out consultation on the basis of equality with his/her employer concerning the protection of legitimate rights and interests of workers.

Pursuant to the Labor Contract Law of the People’s Republic of China (《中華人民共和國勞動合同法》), which was promulgated by the Standing Committee of the NPC and most recently revised on December 28, 2012 and implemented on July 1, 2013, and the Implementation Regulations of the Labor Contract Law of the People’s Republic of China (《中華人民共和國勞動合同法實施條例》), promulgated by the State Council on September 18, 2008, and implemented on the same date, the laws shall apply to establishment of labor relationships between enterprises, individual economic organizations, private non-enterprise entities, etc. in the People’s Republic of China and their workers and the conclusion, performance, variation, rescission or termination of labor contracts. Employers shall establish and improve upon labor rules and system pursuant to the law to ensure workers’ entitlement to labor rights and performance of labor obligations. A written labor contract shall be concluded for the establishment of a labor relationship. Where a written labor contract is not concluded simultaneously with the establishment of a labor relationship, a written labor contract shall be concluded within one month from the date of commencement of work. Where the term of a labor contract is more than three months but less than one year, the probationary period shall not exceed one month; where the term of a labor contract is more than one year but less than three years, the probationary period shall not exceed two months; for fixed-term contracts of three years and above and non-fixed-term labor contracts, the probationary period shall not exceed six months. Where an employer defaults on payment or fails to promptly pay labor remuneration in full amount, a worker may apply to a People’s Court for an order for payment and the People’s Court shall issue an order for payment pursuant to the law.

7. Regulations relating to Social Security and Housing Provident Fund

Pursuant to the Social Security Law of the People’s Republic of China (《中華人民共和國社會保險法》) promulgated by the Standing Committee of the NPC on October 28, 2010, which was last amended on December 29, 2018, and came into effect on the same date, and the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費征繳暫行條例》), promulgated by the State Council on January 22, 1999, and last revised on March 24, 2019, the State shall establish social security systems including basic pension insurance, basic medical insurance, work injury insurance, unemployment insurance, maternity insurance. The work injury insurance and maternity insurance shall be paid by employers, while the basic pension, basic medical insurance and unemployment insurance shall be paid jointly by employers and employees.

In accordance with the Regulations on the Housing Provident Fund (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999 and mostly revised and implemented on March 24, 2019, an employer shall make registration of contribution to the housing provident fund with the housing provident fund management center, and go through the formalities of opening housing provident fund accounts on behalf of its employees. When employing a new employee, the employer shall make registration of contribution with the housing provident fund management center within 30 days from the date of the employment, and shall go through the formalities of opening or transferring housing provident fund accounts on behalf of the employee. The housing provident fund contributed both by employees and that by the employers shall be owned by the employees.

REGULATORY OVERVIEW

8. Regulations relating to Real Estate

Pursuant to the Civil Code of the People’s Republic of China (《中華人民共和國民法典》), promulgated by the NPC on May 28, 2020, and effective from January 1, 2021, the establishment, alteration, transfer, and extinguishment of real property rights shall be registered in accordance with the provisions of the law. The establishment and transfer of movable property rights shall be delivered in accordance with the provisions of the law. The owner of real or movable property shall, in accordance with the law, enjoy the rights to possess, use, derive income from, and dispose of such property.

Pursuant to the Land Administration Law of the People’s Republic of China (《中華人民共和國土地管理法》) promulgated by the Standing Committee of the NPC on June 25, 1986, latest revised on August 26, 2019 and implemented on January 1, 2020, and the Implementation Regulations of the Land Administration Law of the People’s Republic of China (《中華人民共和國土地管理法實施條例》), promulgated by the State Council on December 27, 1998, latest revised on July 2, 2021, and effective from September 1, 2021, the State implements socialist public ownership of land, i.e. ownership by the whole people and collective ownership of the working class. Ownership by the whole people means that the ownership of all land in the State is exercised by the State Council on behalf of the State. Downtown area land in cities shall belong to the State. Land use rights may be transferred pursuant to the law. The State implements a State land compensated use system pursuant to the law, except for allocation of State-owned land use rights by the State within the scope stipulated by the law. Developers using State-owned land shall obtain the land via compensated use method such as assignment. Developers which obtain State-owned land use rights via compensated use method such as assignment shall pay land compensated use fee such as land use rights assignment fee and other expenses pursuant to the standards and methods stipulated by the State Council before using the land.

According to the Law of the People’s Republic of China on Administration of Urban Real Estate (《中華人民共和國城市房地產管理法》) promulgated by the Standing Committee of the NPC on July 5, 1994, latest revised on August 26, 2019 and implemented on January 1, 2020, the State shall implement a system for compensated use of State-owned land within a fixed term. Land users shall pay land use right assignment fee pursuant to the provisions of the assignment contract; where a land user fails to pay land use right assignment fee pursuant to the provisions of the assignment contract, the land administration authorities shall have the right to rescind the contract and may demand default compensation. In the event of a transfer or mortgage of real estate, the ownership of the building and the land use right of the land occupied by the building shall be transferred or mortgaged simultaneously. In the event of transfer or mortgage of a real estate item, the parties concerned shall complete ownership registration. Where the land use right is obtained by way of assignment or allocation, registration formalities shall be completed with the land administration authorities of a People’s Government of county level and above; upon verification by the land administration authority of the People’s Government of county level and above, a land use right certificate shall be issued by the People’s Government at the same level. Where a building is built on real estate development land which was obtained pursuant to the law, the land use right certificate shall be presented for completion of registration formalities with the real estate administration authorities of a People’s Government of county level and above; the real estate administration authorities of the People’s Government of county level and above shall issue a building ownership certificate upon verification. In the event of a transfer of or change in real estate, registration change formalities shall be completed with the real estate administration authorities of a People’s Government of county level and above, and the amended building ownership certificate shall be presented to the land administration authorities of the People’s

REGULATORY OVERVIEW

Government for completion of land use right registration change formalities; upon verification by the land administration authorities of the People’s Government, the People’s Government shall re-issue or amend the land use right certificate.

As is stipulated in the Provisional Regulations of the People’s Republic of China concerning the Grant and Assignment of the Right to Use State Land in Urban Areas (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》) released by the State Council on May 19, 1990 and latest revised on November 29, 2020 and implemented on the same date, the maximum terms of grants of the right to use land shall be determined in light of the land’s purpose, as follows: (i) 70 years in the case of land for residential purposes; (ii) 50 years in the case of land for industrial purposes; (iii) 50 years in the case of land for educational, scientific, technological, cultural, public health or sports purposes; (iv) 40 years in the case of land for commercial, tourism or recreational purposes; (v) 50 years in the case of land for comprehensive use or other purposes.

Pursuant to the Urban and Rural Planning Law of the People’s Republic of China (《中華人民共和國城鄉規劃法》), promulgated by the Standing Committee of the NPC on October 28, 2007, and last revised and effective on April 23, 2019, any construction of buildings, structures, roads, pipelines, and other engineering projects within the planning areas of cities and towns shall be subject to the approval of a construction project planning permit by the urban and rural planning authorities of the city or county people’s government, or by the town people’s government designated by the people’s government of a province, autonomous region, or municipality directly under the Central Government.

Pursuant to the Building Law of the People’s Republic of China (《中華人民共和國建築法》), promulgated by the Standing Committee of the NPC on November 1, 1997, and last amended and effective on April 23, 2019, before the commencement of any construction project, the construction unit shall apply to the construction administrative department of the people’s government at or above the county level where the project is located for a construction permit in accordance with relevant national regulations. However, small-scale projects below the limit determined by the construction administrative department of the State Council are exempted. A construction project may only be delivered for use after it has been inspected and found to be qualified upon completion. Projects that have not been inspected or have failed the inspection shall not be delivered for use.

Pursuant to the Measures for the Administration of Commodity House Leasing (《商品房屋租賃管理辦法》), promulgated by the Ministry of Housing and Urban- Rural Development on December 1, 2010, and effective from February 1, 2011, the landlord and tenant shall, within 30 days after the signing of the house lease contract, go to the construction (real estate) department of the people’s government of the municipality directly under the Central Government, city, or county where the leased house is located to handle the registration and filing of the house lease. Individuals or entities that violate the aforementioned provisions shall be ordered by the construction (real estate) department of the people’s government of the municipality directly under the Central Government, city, or county to make corrections within a specified period. If an individual fails to correct the violation within the time limit, a fine of up to RMB 1,000 shall be imposed; if an entity fails to correct the violation within the time limit, a fine ranging from RMB 1,000 to RMB 10,000 shall be imposed.

9. Regulations relating to Overseas Securities Issuance and Listing by Domestic Enterprises

The Securities Law of the People’s Republic of China (《中華人民共和國證券法》) was promulgated by the Standing Committee of the NPC on December 29, 1998, and was last revised on

REGULATORY OVERVIEW

December 28, 2019, coming into effect on March 1, 2020. It comprehensively regulates activities in the securities market of Mainland China, including the issuance and trading of securities, listed companies, securities exchanges, securities firms, acquisitions, and the responsibilities of securities regulatory authorities. The Securities Law further stipulates that domestic enterprises issuing securities overseas or listing their securities on overseas markets must comply with relevant regulations of the State Council. For stocks of domestic companies that are subscribed and traded in foreign currencies, specific measures shall be separately stipulated by the State Council. The China Securities Regulatory Commission (CSRC) is the securities regulatory body established by the State Council, responsible for the lawful supervision and management of the securities market, maintaining market order, and ensuring the legal operation of the market. At present, the issuance and trading of H-shares by domestic enterprises are mainly regulated by regulations and rules promulgated by the State Council and the CSRC.

In accordance with the Interim Measures for the Administration of Overseas Securities Issuance and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) and related guidance, promulgated by the CSRC on February 17, 2023, and effective from March 31, 2023, domestic enterprises seeking to issue securities and list on overseas markets shall handle the filing procedures with the CSRC as required by the Interim Measures. For the initial public offering of shares or listing on overseas markets, enterprises shall file with the CSRC within three working days after submitting the relevant overseas applications.

Pursuant to the Provisions on Strengthening the Confidentiality and Archives Management of Domestic Enterprises' Overseas Securities Issuance and Listing (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》), jointly issued by the CSRC and other relevant departments on February 24, 2023, and effective from March 31, 2023, domestic enterprises and securities companies and securities service institutions providing corresponding services in the activities of overseas securities issuance and listing by domestic enterprises shall strictly comply with the requirements, enhance their legal awareness of keeping state secrets and strengthening archives management, and establish and improve systems for confidentiality and archives work. Necessary measures shall be taken to implement the responsibilities for confidentiality and archives management, and no state secrets or work secrets of state organs shall be disclosed, nor shall any actions be taken that may harm national interests or public interests. If a domestic enterprise provides or publicly discloses, or provides or publicly discloses through its overseas listing entity, any documents or materials involving state secrets or work secrets of state organs to securities companies, securities service institutions, overseas regulatory authorities, or other entities or individuals, it shall obtain approval from the competent authorities with approval power in accordance with the law and file with the confidentiality administrative department at the same level. If a domestic enterprise provides or publicly discloses, or provides or publicly discloses through its overseas listing entity, other documents or materials whose disclosure may have an adverse impact on national security or public interests to securities companies, securities service institutions, overseas regulatory authorities, or other entities or individuals, it shall strictly follow the relevant procedures in accordance with national regulations.

Pursuant to the Measures for the Administration of Overseas Investment (《境外投資管理辦法》), promulgated by the Ministry of Commerce on September 6, 2014, and effective from October 6, 2014, the Ministry of Commerce and the provincial-level commerce authorities shall implement a filing or approval management system for overseas investment by enterprises, depending on the

REGULATORY OVERVIEW

specific circumstances of the investment. Overseas investments involving any sensitive countries or regions, or any sensitive industries, shall be subject to approval management. Other circumstances of overseas investment shall be subject to filing management.

Pursuant to the Measures for the Administration of Overseas Investment by Enterprises (《企業境外投資管理辦法》), promulgated by the NDRC on December 26, 2017, and effective from March 1, 2018, enterprises within China (“**Investment Entities**”) conducting overseas investments shall fulfill procedures for approval or filing of overseas investment projects (“**Projects**”), report relevant information, and cooperate with supervision and inspection. The scope of approval management includes sensitive projects directly conducted by the Investment Entity or through its controlled overseas enterprises. The scope of filing management includes non-sensitive projects directly conducted by the Investment Entity, that is, projects involving direct investment of assets, rights and interests, or provision of financing or guarantees by the Investment Entity. The aforementioned “sensitive projects” refer to projects involving sensitive countries or regions and sensitive industries. The NDRC promulgated the Catalog of Sensitive Industries for Overseas Investment (2018 Edition) (《境外投資敏感行業目錄 (2018年版)》), effective from March 1, 2018, which details the current sensitive industries.

10. Regulations relating to Product Quality

Pursuant to the Product Quality Law of the People’s Republic of China (《中華人民共和國產品質量法》), promulgated by the Standing Committee of the NPC on February 22, 1993, and last revised on December 29, 2018, producers and sellers shall establish and improve internal product quality management systems and strictly implement quality standards, quality responsibilities, and corresponding assessment methods for each position. The law prohibits the forgery or unauthorized use of certification marks and other quality marks; it also prohibits the forgery of the place of production of products, as well as the forgery or unauthorized use of the names and addresses of other manufacturers. Additionally, it is forbidden to adulterate or fake products during production or sales, or to pass off inferior products as genuine or high-quality ones. Any producer or seller who violates the Product Quality Law may (i) be subject to administrative penalties, including cessation of production or sales, orders to correct illegal activities, confiscation of illegally produced or sold products, imposition of fines, confiscation of illegal gains, and in severe cases, revocation of business licenses; and (ii) if the illegal activities constitute criminal offenses, they may face criminal liability.

11. Regulations relating to Fire Safety

Pursuant to the Fire Control Law of the People’s Republic of China (《中華人民共和國消防法》), promulgated by the Standing Committee of the NPC on April 29, 1998, and last revised on April 29, 2021, the fire protection design and construction of construction projects must comply with the national engineering construction fire protection technical standards. For construction projects that require fire protection design in accordance with national engineering construction fire protection technical standards, a fire protection design review and acceptance system for construction projects shall be implemented. Upon completion of construction projects that are required to apply for fire protection acceptance according to the provisions of the Ministry of Housing and Urban-Rural Development, the construction unit shall apply to the competent housing and urban-rural development department for fire protection acceptance. For other construction projects not specified in the preceding paragraph, the construction unit shall file with the competent housing and urban-rural development department after acceptance, and the housing and urban-rural development department shall conduct random checks.

REGULATORY OVERVIEW

Construction projects that are required to undergo fire protection acceptance by law shall not be put into use unless they have passed the fire protection acceptance. Other construction projects that fail the random inspection shall be stopped from use.

According to the Interim Provisions on the Management of Fire Protection Design Review and Acceptance of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》), promulgated on April 1, 2020, and revised on August 21, 2023, the review system for fire protection design and acceptance only applies to special construction projects, while other projects are subject to a filing and random inspection system.

Pursuant to the Interim Measures for the Administration of Fire Safety of Leased Factories and Warehouses (《租賃廠房和倉庫消防安全管理辦法(試行)》), promulgated by the National Fire Rescue Administration on July 14, 2023, and effective on the same day, the lessors, lessees, and property service companies of leased factories and warehouses shall fulfill relevant fire safety responsibilities and strengthen fire safety management. In addition, leased factories and warehouses shall comply with fire safety requirements and shall not change the use nature and function of the factories and warehouses in violation of regulations.

12. Regulations relating to Equity Incentive Plan

Pursuant to the Notice of the State Administration of Foreign Exchange on Issues Concerning the Administration of Foreign Exchange in Connection with Participation in Equity Incentive Plans of Overseas-listed Companies by Individuals within the Territory of China (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), issued on February 15, 2012, and other relevant regulations, directors, supervisors, senior management personnel, and other employees who are Chinese citizens or non-Chinese citizens residing in China for no less than one year and participate in equity incentive plans of overseas-listed companies must, except for a few exceptions, register with the SAFE through a domestic agent. In addition, it is mandatory to engage an overseas trustee to handle the exercise or sale of equity and the purchase or sale of shares and related rights and interests. Foreign exchange income obtained by Chinese residents from the sale of shares under the equity incentive plan and dividends distributed by the overseas-listed company shall be remitted to a bank account opened by a domestic institution in China and then distributed to Chinese residents.

13. Regulations relating to Imports and Exports Trade

Pursuant to the Customs Law of the People’s Republic of China (《中華人民共和國海關法》), promulgated by the Standing Committee of the NPC on January 22, 1987, and last revised and effective on April 29, 2021, the customs declaration of import and export goods may be conducted by the consignee or consignor or by an entrusted customs declaration enterprise, unless otherwise stipulated. The consignee of imported goods and the consignor of exported goods shall make truthful declarations and submit the import and export licenses and relevant documents to the customs authorities for review.

Pursuant to the Foreign Trade Law of the People’s Republic of China (《中華人民共和國對外貿易法》), promulgated by the Standing Committee of the NPC on May 12, 1994, and last revised on December 30, 2022, and the Regulations of the People’s Republic of China on the Administration of Import and Export of Goods (《中華人民共和國貨物進出口管理條例》), promulgated by the State Council of the People’s Republic of China on December 10, 2001, effective from January 1, 2002, and

REGULATORY OVERVIEW

last revised on March 10, 2024, the State Council of the People’s Republic of China permits the free import and export of goods, except for those explicitly prohibited or restricted by law or administrative regulations, to maintain a fair, free, and orderly import and export trade order.

The Provisions on the Recordal Administration of Customs Declaration Entities of the People’s Republic of China (《中華人民共和國海關報關單位備案管理規定》) were promulgated by the GAC on November 19, 2021, and effective from January 1, 2022. Under these provisions, consignees, consignors, or customs declaration enterprises of imported or exported goods are only required to apply for recordal with the customs authorities, rather than registration with the GAC. The recordal information will be made public through the “China Customs Enterprise Import and Export Credit Information Publicity Platform.”

Pursuant to the Notice of the Enterprise Management and Inspection Department of the People’s Republic of China on Matters Relating to the Recordal of Consignees and Consignors of Import and Export Goods (《企業管理和稽查司關於進出口貨物收發貨人備案有關事宜的通知》), promulgated by the GAC on January 3, 2023, the requirement for foreign trade operators engaged in the import and export of goods or technologies to register with the competent foreign trade department of the State Council or its authorized institutions has been abolished.

U.S. GOVERNMENT REGULATIONS

1. U.S. Trade and Economic Sanctions

The United States Department of Treasury’s Office of Foreign Assets Control (“**OFAC**”) administers trade and economic sanctions, which generally include prohibitions on all trade (imports or exports), investment, provision or receipt of services, and any other activity or transaction between “U.S. persons” and any sanctioned country or sanctions target. In general, the scope of sanctions may reach one of a number of tiers based on factors including the foreign country or countries involved in a transaction and the types of services provided.

First, OFAC prohibits all activities described above involving entire countries, regions, or territories under comprehensive sanctions or “embargoes”. The regulations also frequently provide for the “blocking” (or “**freezing**”) of all property (whether tangible or intangible) of a targeted country or person and persons acting on behalf of the government of the target country. Currently, comprehensive embargoes are in place against Cuba, Iran, North Korea, Syria (until May 23, 2025), and the Crimea, Donetsk People’s Republic (“**DNR**”), and Luhansk People’s Republic (“**LNR**”) Regions of Ukraine.

Second, persons may be prohibited from providing certain specified services to certain entities. These controls currently apply, for example, to Russia, which is not comprehensively sanctioned, and OFAC has instead specified certain transactions and services that are prohibited.

Third, many sanctions programs prohibit activities involving certain individuals and entities enumerated on one or more restricted party lists maintained by the U.S. government, such as persons included on the Specially Designated Nationals and Blocked Persons List (the “**SDN**” List), which includes persons determined to be engaged in activities contrary to U.S. national security (*e.g.*, global narcotics trafficking, global terrorism, and significant human rights violations). These prohibited persons may be located anywhere in the world.

REGULATORY OVERVIEW

Additionally, U.S. persons, wherever located, are prohibited from approving, financing, facilitating or guaranteeing any transaction by a non-U.S. person where the transaction by that non-U.S. person would be prohibited if performed by a U.S. person or within the United States.

“Primary” U.S. sanctions apply to “U.S. persons” or activities involving a U.S. nexus (e.g., funds transfers in U.S. currency or activities involving U.S.-origin goods, software, technology or services even if performed by non-U.S. persons), and “secondary” U.S. sanctions apply extraterritorially to the activities of non-U.S. persons even when the transaction has no U.S. nexus. Generally, the definition of U.S. persons includes any United States citizen, permanent resident alien, entity organized under the laws of the United States or any jurisdiction within the United States (including foreign branches), or any person in the United States. Foreign entities that are majority owned or controlled by U.S. companies are, in some cases, subject to OFAC restrictions as well.

2. U.S. Export Control Regulations

The Export Administration Regulations (the “**EAR**”), administered by the U.S. Department of Commerce, Bureau of Industry and Security (“**BIS**”), govern the export and re-export of items “subject to the EAR.” An item is subject to the EAR if it falls into any of the following four categories: (1) it is exported from United States; (2) it is produced or manufactured in the United States; (3) it is the foreign direct product of certain U.S.-origin technology or software (known as the Foreign Direct Product Rule “**FDPR**”) or a plant containing items that are the direct product of this technology or software; and/or (4) the foreign-origin item incorporates more than a *de minimis* amount of controlled U.S.-controlled parts, materials and/or components (known as the “*de minimis* rule”). The specific controls that apply depend on the classification of the product, the countries and parties involved in the transaction, and the end-use. The EAR also control releases, or transfers, of source code or technology to a foreign national physically located within the United States (a “**deemed export**”).

BIS maintains the Entity List which is a compilation of foreign individuals, companies, and organizations that are considered a national security concern by the U.S. government. Individuals and entities included on the Entity List are subject to specific export and re-export restrictions, and licensing requirements for certain technologies and goods. BIS also maintains other lists of restricted parties including the Denied Persons List (“**DPL**”) and the Unverified List.

BIS also prohibits engaging in transactions where the seller knows or has reason to know that the products to be transferred (or re-transferred or re-exported) are destined for a prohibited end-user or end-use.

3. The Foreign Corrupt Practices Act

We are subject to the U.S. Foreign Corrupt Practices Act of 1977 (the “**FCPA**”), the U.S. domestic bribery statute contained in 18 U.S.C. § 201 and other anti-bribery and anti-corruption laws in the United States. These laws are interpreted broadly to generally prohibit companies, their employees, agents, representatives, business partners, and third-party intermediaries from authorizing, offering, or providing, directly or indirectly, improper payments or benefits to recipients in the public or private sector. These laws also require that we keep accurate books and records and maintain internal controls and compliance procedures designed to prevent any such actions.

REGULATORY OVERVIEW

4. Tariffs and the Importation of Goods into the United States

The importation of goods into the customs territory of the United States is governed principally by the Tariff Act of 1930, as amended, the Customs Modernization Act, and the regulations of U.S. Customs and Border Protection (“CBP”). Under these laws and regulations, U.S. importers have primary legal responsibility for initially valuing, classifying, and determining the rate of duty applicable to imported merchandise. The importer is required to exercise “reasonable care” in entering merchandise into the United States. This includes when providing to CBP information and documentation necessary for it to assess duties on imported merchandise, collect accurate import statistics, and determine whether an import complies with applicable laws.

The United States imposes a variety of tariffs on imported goods. The applicable tariff rate is determined based on factors including the type of product, its value, and the origin of the goods. Tariffs on goods imported into the United States have continued to increase since February 2025.

5. Intellectual Property Law

The United States has federal and state laws that govern intellectual property rights (“IPRs”). Copyrights and patents are governed by federal law; trademarks, service marks, and trade secrets are governed by both federal and state law.

A patent is a government grant providing the patent owner with the right to exclude others from using, manufacturing, offering to sell, selling, and/or importing a claimed invention or practicing a claimed method. A patent is obtained by filing an application with the U.S. Patent and Trademark Office (the “USPTO”) claiming a useful, novel and non-obvious invention. The application must comply with various requirements set out in the Patent Act (codified at 35 U.S.C. §1 et seq.) and regulations established by the USPTO, which is an agency within the U.S. Department of Commerce. A patent grant typically lasts for 20 years from the filing date of the patent application.

A copyright grants exclusive rights to creators over their original works of art, which may include classic artistic works such as literature, music, film, and paintings as well as modern “digital” works of art such as software, source code, or graphics. U.S. federal copyright law is codified at 17 U.S.C. §1 et seq. A copyright typically lasts for the creator’s lifetime plus 70 years. Copyright aims to protect the expression of ideas from unauthorized reproduction, distribution, performance, or adaptation, while balancing public access through exception like fair use or fair dealing. These exceptions allow limited use for purposes such as criticism, education, or parody without permission. Copyright arises automatically upon creation of a qualifying work, although registration with the U.S. Copyright Office (an extension of the Library of Congress) can enhance legal protections.

A “mark” is any one or more words, logos or other symbols used to identify and distinguish the mark owner’s goods and/or services. A trademark is a mark used for goods; a service mark is a mark used in connection with providing services. U.S. trademarks and service marks generally must (i) be different from prior marks used for similar goods or services, so as to avoid consumer confusion; (ii) not be generic; and (iii) not be descriptive. U.S. federal trademark law is governed by the Lanham Act, codified at 15 USC. §1051 et seq. The USPTO is responsible for examining trademark and service mark applications and either granting or rejecting applications to register marks. Once granted, a trademark or service mark provides its owner with nationwide exclusivity within one or more particular fields of use. To obtain federal coverage, the applicant must establish that they are (or shortly intend to) use the mark in interstate commerce.

REGULATORY OVERVIEW

State law is an alternative basis for trademark and service mark rights, either under specific state laws or under common law. State law may apply even where federal law does not, such as where a mark is not used in interstate commerce. Some states have registries for trademarks and service marks. The rights inherent in such marks are limited to the state where they are used.

A trade secret is information that (i) has independent economic value from being generally unknown by the public; and (ii) is the subject of reasonable efforts under the circumstances to maintain its secrecy. Trade secrets are governed by both federal and state law.

The Defend Trade Secrets Act, codified at 18 USC.§1836, et seq. (the “**DTSA**”), is the federal trade secret law. Enacted in 2016, the DTSA applies only to trade secrets related to products or services that are used in interstate or foreign commerce. The DTSA provides specific remedies for trade secret misappropriation, including ex parte seizure in specific and generally rare instances.

The DTSA is similar to the Uniform Trade Secret Act (the “**UTSA**”), a model set of laws enacted by almost all fifty states within the U.S. A trade secret owner may often have a choice in enforcing its trade secret rights under the DTSA or a relevant state’s version of the UTSA.

6. Laws in relation to Contracts

In the ordinary course of business, we frequently enter into transactions where our customers’ purchase orders contain terms and conditions that differ from the terms and conditions that we include in our quotations, sales acknowledgments, or invoices. These documents often contain materially different provisions regarding payment terms, warranties, limitations of liability, indemnification obligations, dispute resolution provisions, and other important contractual terms. This situation, commonly referred to as the “battle of the forms,” creates uncertainty about which terms govern our contractual relationships. Under the Uniform Commercial Code and applicable state laws, when parties exchange documents with conflicting terms but proceed with performance, courts may determine that certain unfavorable terms from our customers’ purchase orders or the state’s implementation of the Uniform Commercial Code become part of our contracts, even if we intended our own terms to govern. The uncertainty surrounding which terms apply may lead to disputes with customers, potentially resulting in costly litigation and damaged customer relationships. We attempt to mitigate these risks by implementing contract review procedures and seeking to obtain customer agreement to our standard terms. However, commercial realities may limit our ability to insist on our preferred terms, and we cannot guarantee that our risk mitigation efforts will be successful in all cases.

7. Laws and Regulations in relation to Labor and Employment

The employment of individuals in the United States is governed by federal, state and sometimes local laws. Labor and employment laws can generally be categorized under the headings of (1) equal employment opportunity, (2) wage and hour, (3) medical/disability, (4) union rights, and (5) workplace safety. Typically, national laws set the minimum legal standard for employee rights, and state and local laws, if adopted, enhance those rights. Most employees in the United States are hired “at-will,” meaning that their employment can be terminated at any time, with or without notice, cause, or government mandated severance pay. However, individual employment agreements between an employee and employer may vary this status, and even an at-will employee may not be terminated for an illegal reason (such as discrimination), nor may an employee be terminated or otherwise retaliated against for engaging in protected activity under the law. In addition, employers are required to

REGULATORY OVERVIEW

maintain workplaces that are free of harassment based on protected characteristics such as sex, race, etc. Employees who believe they have suffered discrimination, harassment, or other alleged wrongs may pursue claims against us through state and U.S. federal governmental agencies and the courts.

8. Laws and Regulations in relation to Tax

Federal government

The U.S. federal government can levy a variety of taxes on U.S. businesses, non-U.S. businesses engaging in certain activities in the United States, and business owners and their employees. Our business activities in the U.S. require us to pay U.S. federal income tax, taxes on the sale of certain assets, income tax on dividends, distributions, and interest, sales and other transfer taxes, employee payroll taxes, withholding obligations, and other taxes.

State and local governments

In addition to the federal government, the 50 U.S. states and their political subdivisions play an important role in taxing and regulating business activity within their respective jurisdictions. For example, our business activities within a U.S. state may be subject to the state’s business and personal income tax, payroll tax, sales tax, real and personal property tax, franchise tax, withholding obligations, and other taxes. In addition, some local governments, such as counties and cities, may impose their own similar taxes.

9. Laws and Regulations in relation to Registration and Regulation

Corporations in the United States are registered and organized in one of the 50 states. In addition to its legal formation in a particular state, a corporation that does business in more than one state may need to qualify or register to do business in other states if the corporation’s activities establish “minimum contacts” for tax purposes in those states. Individual state laws apply to business transactions occurring in each state, unless such laws conflict with, or are superseded by, U.S. federal law, which takes precedence over state and local law. For this reason, U.S. businesses frequently must comply with separate federal, state and local regulations.

HISTORY AND CORPORATE STRUCTURE

OVERVIEW

The history of our Group can be traced back to 1995 with the founding of OmniVision Technologies, one of the world’s leading image sensor companies and a subsidiary of our Company. Our Company was established in 2007 in Shanghai by our Chairman, Mr. YU Renrong. See “Directors and Senior Management—Directors” for more details. Since our establishment, our long-term vision has been to build a global fabless semiconductor company at the cutting-edge of technology, developing and delivering advanced digital imaging solutions, display solutions, and analog solutions for multiple applications across several industries. Over the years, we have evolved into one of the world’s top 10 fabless semiconductor companies, according to Frost & Sullivan, distinguished by our advanced proprietary technologies, diversified products and solution portfolio, flexible fabless business model, and extensive customer network and supply chain ecosystems.

In May 2017, we went public with our A Shares (Stock Code: 603501) listed on the main board of the Shanghai Stock Exchange, marking a significant milestone in our growth. This listing enabled us to enhance our research and development capabilities and expand our market presence. The acquisition in 2019 of OmniVision Technologies further bolstered our market position and marked the beginning of a new era in our business development. This synergistic integration catapulted us into the international arena and allowed us to gain global recognition as a world-leading semiconductor company. Since then, our portfolio has expanded significantly, enabling us to offer advanced digital imaging solutions, display solutions, and analog solutions for a wide range of industrial and consumer applications. In January 2022, we announced the adoption of our new global brand and logo: **OMNIVISION®**.

In November 2023, we successfully listed our GDRs on the SIX Swiss Exchange. This listing was part of the expanded China-Switzerland Stock Connect scheme. Our GDRs are traded under the symbol “WILL,” and the move enhances our access to international capital markets and supports our strategic growth initiatives.

On June 11, 2025, we changed our corporate name to OmniVision Integrated Circuits Group, Inc. (豪威集成电路（集團）股份有限公司), which embodies our creative brand-led and world-leading digital imaging business, while also representing the deep heritage of our Company.

KEY CORPORATE DEVELOPMENT MILESTONES

The following sets forth a summary of our Company’s key corporate development milestones:

Year	Event
1995	OmniVision Technologies was founded.
2007	Our Company was incorporated in Shanghai.
2017	The A Shares of our Company were listed on the Shanghai Stock Exchange (Stock Code: 603501).
2019	We acquired OmniVision Technologies.
2020	We expanded into TDDI.
2022	Our Group adopted a new global brand and logo, OMNIVISION® .
2023	We completed the listing of our GDRs (Symbol: WILL) on the SIX Swiss Exchange.
2025	We changed our corporate name to OmniVision Integrated Circuits Group, Inc. (豪威集成电路（集團）股份有限公司).

HISTORY AND CORPORATE STRUCTURE

MAJOR SUBSIDIARIES

The principal business activities and date of establishment of each of our Major Subsidiaries are shown below:

Name of company or partnership	Equity interest attributable to our Group	Principal business activities	Date and jurisdiction of establishment or formation
Will Semiconductor	100%	Semiconductor design and sales	August 12, 2008, Hong Kong SAR
Shenzhen Jinghongzhi	100%	Agency and sales of electronic component	May 15, 2014, PRC
Waching Electronic	100%	Agency and sales of electronic component	September 5, 2006, Hong Kong SAR
OmniVision TDDI	100%	Semiconductor design and sales	June 9, 2021, Ontario, Canada
Beijing OmniVision	100%	Semiconductor design and sales	July 15, 2015, PRC
OmniVision Technologies	100%	Semiconductor design and sales	February 28, 2000, Delaware, USA
OmniVision Technologies Singapore	100%	Semiconductor design and sales	March 30, 2012, Singapore
OmniVision International Ontario	100%	Semiconductor design and sales	January 10, 2020, Ontario, Canada
Zhejiang Will	100%	Investment holding	June 15, 2020, PRC
Shaoxing Weihao Business	100%	Investment holding	June 24, 2021, PRC
Shanghai OmniVision	100%	Semiconductor design and sales	July 2, 2021, PRC
Hunan Silicon	100%	Semiconductor design and sales	December 31, 2020, PRC
OmniVision Technology Beijing	96.12%	Semiconductor design and sales	September 28, 2004, PRC
OmniVision Semiconductor Shanghai	100%	Semiconductor design and sales	January 19, 2001, PRC
Beijing Jinghongzhi	100%	Agency and sales of electronic component	September 10, 2001, PRC
Superpix Technology	96.12%	Semiconductor design and sales	March 25, 2019, Hong Kong
OmniVision Touch & Display	100%	Semiconductor design and sales	June 8, 2021, Singapore

The Company held majority equity interests in the above Major Subsidiaries throughout the Track Record Period.

See “Appendix VI—Statutory and General Information—C. Further Information about Our Major Subsidiaries” for more details on share capital changes of the Major Subsidiaries.

HISTORY AND CORPORATE STRUCTURE

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

Early Development of Our Company

Our Company was incorporated as a joint stock company in Shanghai in 2007 with an initial registered share capital of RMB5,000,000. Upon the completion of multiple rounds of share transfers and capital injection, the registered share capital of our Company reached RMB374,400,000 immediately prior to the listing of our A Shares on the Shanghai Stock Exchange in May 2017. Since our establishment, Mr. YU Renrong, our executive Director and Chairman of the Board, has been the single largest shareholder of our Company.

Listing on the Shanghai Stock Exchange

In May 2017, we completed the listing of our A Shares on the Shanghai Stock Exchange (Stock Code: 603501).

In the A-Shares Listing, we issued an aggregate of 41,600,000 A Shares, accounting for 10% of our Company’s then share capital immediately following the listing.

We issued 400,951,447 A Shares in August 2019 as consideration for our strategic acquisition of OmniVision Technologies and two other acquirees. In connection with this acquisition, we successfully completed a placement of 7,006,711 A Shares to finance our post-acquisition operational developments.

To further optimize the debt structure, broaden financing channels and satisfy funding needs of our Company, in December 2020, we completed the public issuance of the Convertible Bonds to the then shareholders of our Company and public investors. The Convertible Bonds have a maturity date of December 27, 2026 and carry varied interest rates from 0.20% in the first year to 2.00% in the sixth year. The conversion period of the Convertible Bonds lasts from six-months after the completion of the issuance of the Convertible Bonds until its maturity date on December 27, 2026. As of the Latest Practicable Date, our Company has issued 34,645 A shares as a result of the conversion of the Convertible Bonds.

Listing on the SIX Swiss Exchange

In November 2023, we completed the listing of our GDRs (Symbol: WILL) on the SIX Swiss Exchange. Each GDR represents an interest in one A Share.

In the GDR Listing, we issued an aggregate of 31,000,000 A Shares, accounting for 2.55% of our Company’s then share capital immediately following the listing.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

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

HISTORY AND CORPORATE STRUCTURE

POST TRACK RECORD PERIOD ACQUISITIONS

We proposed to acquire the majority equity interest of a company after the Track Record Period and up to the Latest Practicable Date. We have applied to the Stock Exchange for, and the Stock Exchange [has agreed to grant] us, a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules in relation to the proposed acquisition. See “Waivers and Exemptions — Waiver in respect of Company and Business to be Acquired after the Track Record Period” for alternative disclosure of the acquisition.

OUR LISTINGS ON THE SHANGHAI STOCK EXCHANGE AND THE SIX SWISS EXCHANGE AND REASONS FOR THE [REDACTED] ON THE STOCK EXCHANGE

Since May 2017 and November 2023, our Company has been listed on the Shanghai Stock Exchange and on the SIX Swiss Exchange, respectively. As of the Latest Practicable Date, our Directors confirmed that we had no instances of material non-compliance with the rules of the Shanghai Stock Exchange or the SIX Swiss Exchange, respectively, and other applicable securities laws and regulations of the PRC in any material respects, and, to the best knowledge of our Directors having made all reasonable enquiries, there was no material matter that should be brought to the [REDACTED] attention in relation to our compliance record on the Shanghai Stock Exchange or the SIX Swiss Exchange, respectively.

Our Company seeks to be [REDACTED] on the Hong Kong [REDACTED] in order to provide further capital for the development and expansion of our global business, further strengthen our business profile and market position in the industry, and better attract overseas investors and talents. See “Business—Our Strategies” and “Future Plans and [REDACTED]” for more details.

[REDACTED]

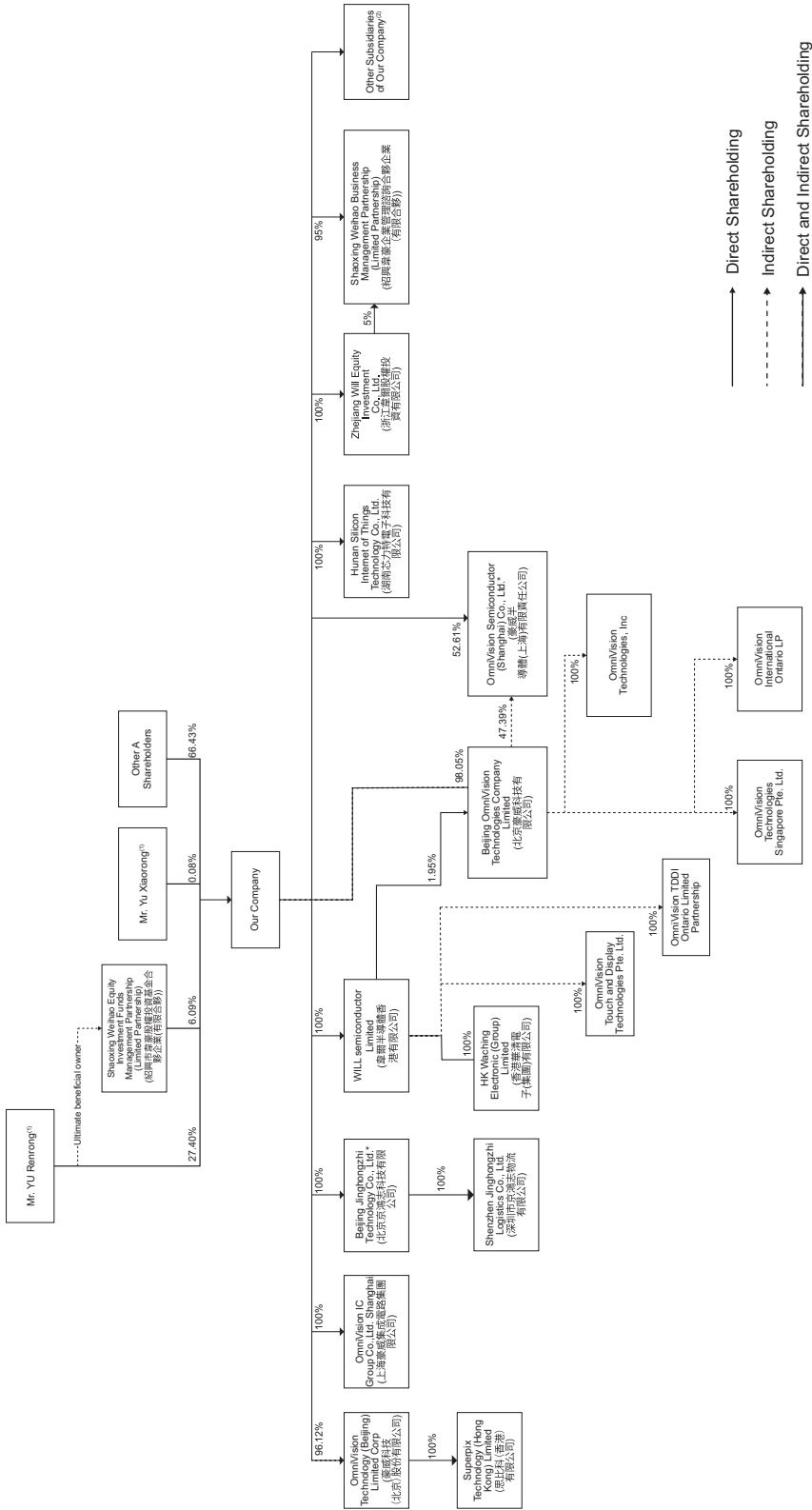
To the best of our Company’s knowledge, immediately following the completion of the [REDACTED] (assuming (i) the [REDACTED] is not exercised and (ii) no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED]), over [REDACTED] of our Shares (including our H Shares and A Shares) will be counted towards the [REDACTED] for the purpose of Rule 8.08 of the Listing Rules.

HISTORY AND CORPORATE STRUCTURE

OUR SHAREHOLDING AND CORPORATE STRUCTURE

Shareholding and Corporate structure immediately before the [REDACTED]

The following chart depicts a simplified shareholding and beneficial ownership structure of our Group immediately prior to the completion of the [REDACTED] (assuming that no changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED]):



HISTORY AND CORPORATE STRUCTURE

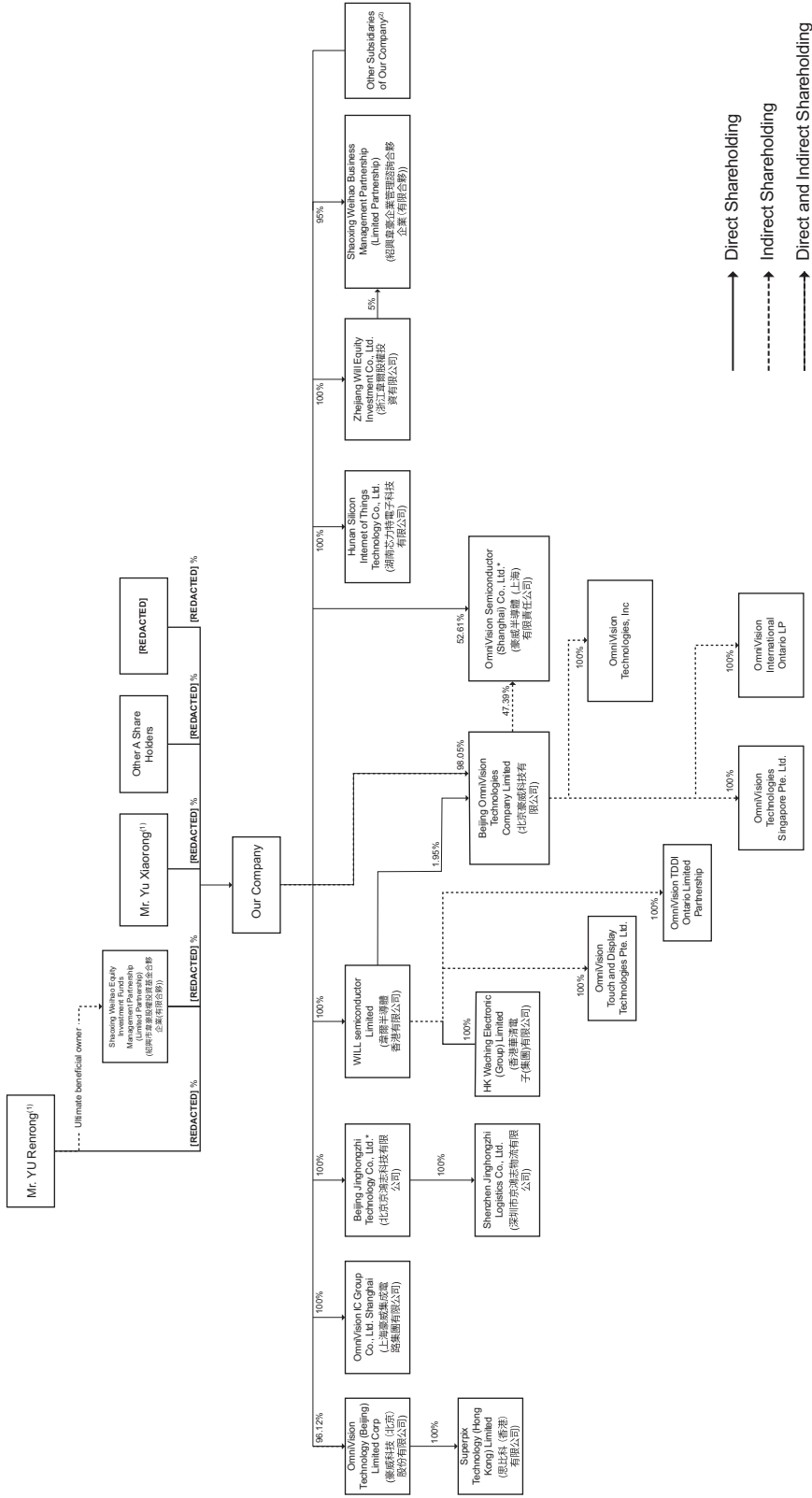
Notes:

- (1) Mr. YU Renrong is the chairman of the Board of Directors and an executive Director of our Company. See “Directors and Senior Management—Directors” for more details. Mr. YU Renrong is the direct beneficial owner of 333,472,250 A Shares of our Company and indirectly owns 74,132,662 A Shares of our Company through Shaoxing Weihao Management, which is ultimately controlled by Mr. YU Renrong. In addition, Mr. YU Xiaorong, brother of Mr. YU Renrong, is the direct beneficial owner of 972,000 A Shares of our Company. As advised by our PRC Legal Advisor, Shaoxing Weihao Management and Mr. YU Xiaorong are parties acting in concert with Mr. YU Renrong pursuant to PRC law. Each of Mr. YU Renrong, Shaoxing Weihao Management and Mr. YU Xiaorong is deemed to be interested in all the A Shares in which each of them is interested. Mr. YU Renrong, Shaoxing Weihao Management and Mr. YU Xiaorong constitute a group of our Controlling Shareholders, holding approximately 33.57% of the issued share capital of our Company immediately before the [REDACTED].
- (2) Our Company includes, in aggregate, over 80 subsidiaries (including the Major Subsidiaries) established in various jurisdictions.
- (3) As of the Latest Practicable Date, the remaining 3.88% equity interest in OmniVision Technology Beijing is directly held by CHEN Jie, LIU Zhibi, and QIAN Xiangfeng. CHEN Jie and QIAN Xiangfeng are independent third parties of the Company, while LIU Zhibi holds various positions within our Group, including the chairman of OmniVision Integrated Circuits (Chengdu) Co., Ltd. (豪威集成电路(成都)有限公司) and the general manager of OmniVision North China IC Ltd.* (豪威北方集成电路有限公司).

HISTORY AND CORPORATE STRUCTURE

Shareholding and Corporate structure immediately following the [REDACTED]

The following chart depicts the shareholding and beneficial ownership structure of our Group immediately following the completion of the [REDACTED], assuming that the [REDACTED] is not exercised and that no changes are made to the issued share capital of the Company between the Latest Practicable Date and [REDACTED]:



HISTORY AND CORPORATE STRUCTURE

Notes:

- (1) Mr. YU Renrong is the chairman of the Board of Directors and an executive Director of our Company. See “Directors and Senior Management—Directors” for more details. Mr. YU Renrong is the direct beneficial owner of 333,472,250 A Shares of our Company and indirectly owns 74,132,662 A Shares of our Company through Shaoxing Weihao Management, which is ultimately controlled by Mr. YU Renrong. In addition, Mr. YU Xiaorong, brother of Mr. YU Renrong, is the direct beneficial owner of 972,000 A Shares of our Company. As advised by our PRC Legal Advisor, Shaoxing Weihao Management and Mr. YU Xiaorong are parties acting in concert with Mr. YU Renrong pursuant to PRC law. Each of Mr. YU Renrong, Shaoxing Weihao Management and Mr. YU Xiaorong is deemed to be interested in all the A Shares in which each of them is interested. Mr. YU Renrong, Shaoxing Weihao Management and Mr. YU Xiaorong constitute a group of our Controlling Shareholders, holding approximately [REDACTED]% of the issued share capital of our Company immediately following the completion of the [REDACTED], assuming that the [REDACTED] is not exercised and that no changes are made to the issued share capital of the Company between the Latest Practicable Date and [REDACTED].
- (2) Our Company includes, in aggregate, over 80 subsidiaries (including the Major Subsidiaries) established in various jurisdictions.
- (3) As of the Latest Practicable Date, the remaining 3.88% equity interest in OmniVision Technology Beijing is directly held by CHEN Jie, LIU Zhibi, and QIAN Xiangfeng. CHEN Jie and QIAN Xiangfeng are independent third parties of the Company, while LIU Zhibi holds various positions within our Group, including the chairman of OmniVision Integrated Circuits (Chengdu) Co., Ltd. (豪威集成电路(成都)有限公司) and the general manager of OmniVision North China IC Ltd.* (豪威北方集成电路有限公司).

The following table set forth the shareholding structure of the Company showing the effect of the exercise of the [REDACTED] in full.

	Description of Shares	As at the end of the [REDACTED] exercise period, assuming that the [REDACTED] is fully exercised	
		Number of Shares	Approximate % of the issued share capital
Mr. YU Renrong and persons acting in concert ⁽¹⁾	A Shares	408,576,912	[REDACTED]%
Other A Shareholders	A Shares	808,584,178	[REDACTED]%
H Shareholders	H Shares	[REDACTED]	[REDACTED]%
Total		[REDACTED]	100%

Note:

- (1) Represents (i) 333,472,250 A Shares of our Company directly held by Mr. YU Renrong; (ii) 74,132,662 A Shares of our Company directly held by Shaoxing Weihao Management which is ultimately controlled by Mr. YU Renrong; and (iii) 972,000 A Shares of our Company directly held by Mr. YU Xiaorong, brother of Mr. YU Renrong. As advised by our PRC Legal Advisor, Shaoxing Weihao Management and Mr. YU Xiaorong are parties acting in concert with Mr. YU Renrong pursuant to PRC law. Each of Mr. YU Renrong, Shaoxing Weihao Management and Mr. YU Xiaorong is deemed to be interested in all the A Shares in which each of them is interested.

BUSINESS

OUR MISSION

Empower lives through innovative technology solutions, maximizing the benefits of human/device interactions (賦能科技，感知無限).

Tools have always been a cornerstone for humans to creativity, innovation and progress. As the global economy undergoes digital transformation through Edge AI and smart applications, alongside the rise of generative AI and the accelerating adoption of smart vehicles with ADAS features, consumer demand for intelligent interaction with electronic devices continues to evolve and flourish, propelling the next wave of innovation in solution design, engineering and utilization.

We were founded on the belief that the accelerating digitalization of our daily lives is one of the most powerful driving forces of technological advancement. We are committed to leading this transformation by seamlessly integrating humans and the digital world to build a brighter future. We are focused on understanding the diverse needs of customers and industries across various application scenarios. Our goal has been to evolve into a high-growth, self-innovating high-tech enterprise that not only represents the forefront of the industry but also create meaningful impact across diverse stakeholder groups. We remain dedicated to establishing ourselves as a leader in both the domestic and international semiconductor design and distribution sectors.

WHO WE ARE

We are one of the world’s top 10 fabless semiconductor companies based on 2024 revenue, according to Frost & Sullivan. We are distinguished by our advanced proprietary technologies, diversified products and solution portfolio, flexible fabless business model, and extensive customer network and supply chain ecosystems. We have built strong brand awareness and gained wide recognition in the global market.

We design and develop high-performance ICs. We are currently engaged in three main product lines: advanced digital imaging solutions, display solutions and analog solutions, and continue to expand our product and solution offerings so as to serve high-growth verticals such as smartphone, automotive, medical, surveillance, and emerging markets (machine vision, smart glasses, and Edge AI). We are one of the few IC design companies in the world with a comprehensive suite of product lines and strong design capabilities, which enables us to design, develop, and market a wide range of high-performance, highly integrated semiconductor solutions designed for mission-critical applications across diverse industry verticals.

In particular, we are a pioneer in advanced digital imaging technology and the third largest digital image sensor providers globally based on revenue from digital imaging solutions in 2024, according to Frost & Sullivan. Our proven technology expertise and commitment to providing leading services have helped us establish top-of-mind brand awareness and achieve strong market recognition globally.

BUSINESS

Our recent core business achievements are set forth in the diagram below.



Notes:

- (1) In terms of revenue in 2024, according to Frost & Sullivan
- (2) In terms of corresponding revenues in 2024, according to Frost & Sullivan
- (3) Customers with revenues generated in 2024
- (4) As of December 31, 2024

OUR FLEXIBLE AND EFFICIENT FABLESS BUSINESS MODEL

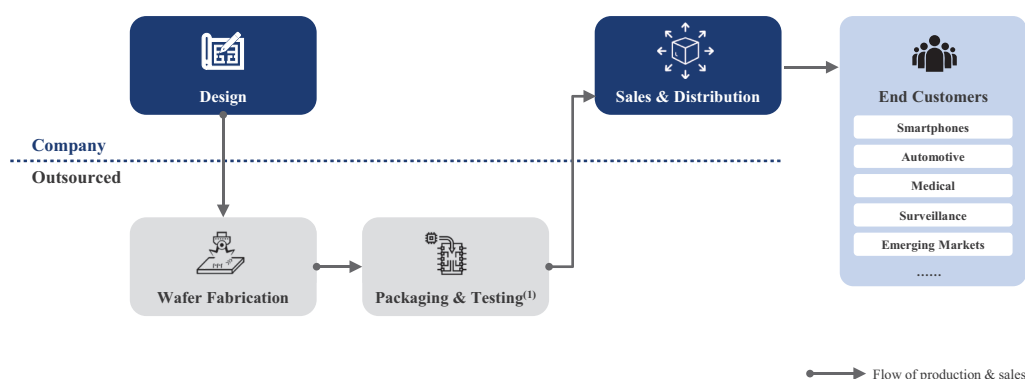
We employ a fabless manufacturing strategy, allowing us to concentrate on the design and sales of semiconductor products and solutions while collaborating with world-leading suppliers for wafer fabrication, packaging, and testing. The fabless model offers a wide range of advantages, including (i) greater operational flexibility, (ii) access to leading-edge manufacturing technologies through strategic partnerships, and (iii) the ability to quickly adapt to market demands while achieving higher production efficiency. In markets where technology evolves rapidly and semiconductor innovation drives continuous advancement, our fabless model enables us to respond swiftly to shifting market demands without incurring substantial capital expenditures. This flexibility allows us to upgrade our technology solutions more efficiently and cost-effectively.

We have maintained long-standing partnership with world-leading foundries with whom we work collaboratively to leverage their state-of-the-art facilities. As wafer fabrication becomes increasingly sophisticated, this relationship ensures our products remain at the forefront of innovation.

While we outsource both front-end and back-end manufacturing, packaging and testing processes, we also operate in-house final testing facilities to establish an effective product-test-feedback loop. This approach not only ensures better quality control but also enhances our design expertise by providing valuable insights from testing outcomes. Additionally, our in-house capabilities offer a capacity buffer in addition to outsourced testing processes, further strengthening our ability to deliver reliable and high-performance semiconductor solutions. Testing is becoming increasingly important as the company’s business in the automotive vertical grows given the very stringent industry requirements of those customers.

We believe our fabless business model reduces our capital requirements, operating expenses and time to market, allowing us to concentrate our resources on strengthening our core competencies in research and development, technological innovation, and product design.

BUSINESS



Note:

(1) We have also established in-house final testing facilities, through which we are able to obtain timely feedback on product performance, and establish an efficient R&D iteration process.

OUR DIVERSIFIED PRODUCTS AND SOLUTIONS

As we advance our technology development with greater complexity and deeper integration into application-specific solutions, we offer a diversified portfolio of image sensors, display products, analog ICs, and other semiconductor components. These innovations power electronic devices that have become integral to—and enhanced—our daily lives. By leveraging our strong design capabilities and collaborations with third-party foundries across our three core business lines, we continuously expand our leading-edge product offerings, that cater to various end markets, including automotive and smartphones. We firmly believe that our products are critical to the functionality of smart devices and play a pivotal role in enabling seamless human-device interactions.

Advanced Digital Imaging Solutions. We offer a diverse range of image sensor solutions, including CIS, miniature image module package (CameraCubeChip®), LCOS and ASIC products. These solutions serve end customers across a wide variety of industries such as consumer electronics, automotive, medical, surveillance and in emerging markets (machine vision, smart glasses, and Edge AI).

Display Solutions. We offer a wide range of display driver products, including LCD-TDDI, OLED DDIC, and TED, which are widely used in smartphones, and PCs. We are also continuing to invest in the development of automotive display driver solutions to introduce automotive TDDI products that meet mainstream market demand specifications.

Analog Solutions. We design and develop a complex and diversified analog semiconductor portfolio anchored by advanced PMIC, which are essential for managing power distribution and efficiency in electronic systems. In addition to PMICs, our product lineup includes other discrete semiconductors such as TVS and MOSFET. These analog semiconductor products and solutions are widely used across consumer electronics, surveillance, telecommunications, automotive, and in other industrial applications. In addition, we design various analog ICs for automotive applications in vehicles, featuring automotive-grade specifications and a versatile supply chain.

Semiconductor Distribution. In addition to our three principal business lines, we have built one of the largest semiconductor distribution networks in China, which not only broadens and deepens our customer engagement but also provides valuable insights into next-generation product development. Through close partnerships with OEMs, ODMs, and semiconductor solution providers, we extend our vertical reach and drive greater adoption of our semiconductor solutions.

BUSINESS

OUR GROWING MARKET OPPORTUNITIES

With 30 years of industry experience, we have established leading-edge technology capabilities that underlie our comprehensive product offerings, making us one of the few semiconductor solution providers with a significant presence across all major verticals, including in smartphone, automotive, medical, surveillance, and emerging markets (machine vision, smart glasses, and Edge AI):

Smartphone

Our advanced image capturing technologies allow users to capture high-quality still and video images while maintaining high standards of performance. We have developed a full suite of core technologies from pixel architectures to image capturing technologies, along with our PureCel® and PureCel®Plus technologies for wafer-level camera modules. We are developing high resolution image sensors which are widely used by renowned smartphone brands for their flagship models, while striving to strengthen our competitive edge in pixel miniaturization and image resolution.

Additionally, we remain committed to delivering industry-leading display and analog solutions, continuing to invest in R&D across key technology areas to drive ongoing innovation. Our TDDI technology has seen increasing adoption by smartphone manufacturers, further solidifying its position in the market. Meanwhile, our newly developed OLED DDIC products have been successfully tested and approved by downstream customers, underscoring our strategic positioning for future growth in display technologies. In recent years, demand for higher battery capacity and faster charging in the smartphone market has grown at an impressive pace. Our analog solutions help customers better address challenges related to power density and power management, enabling more efficient and high-performance devices.

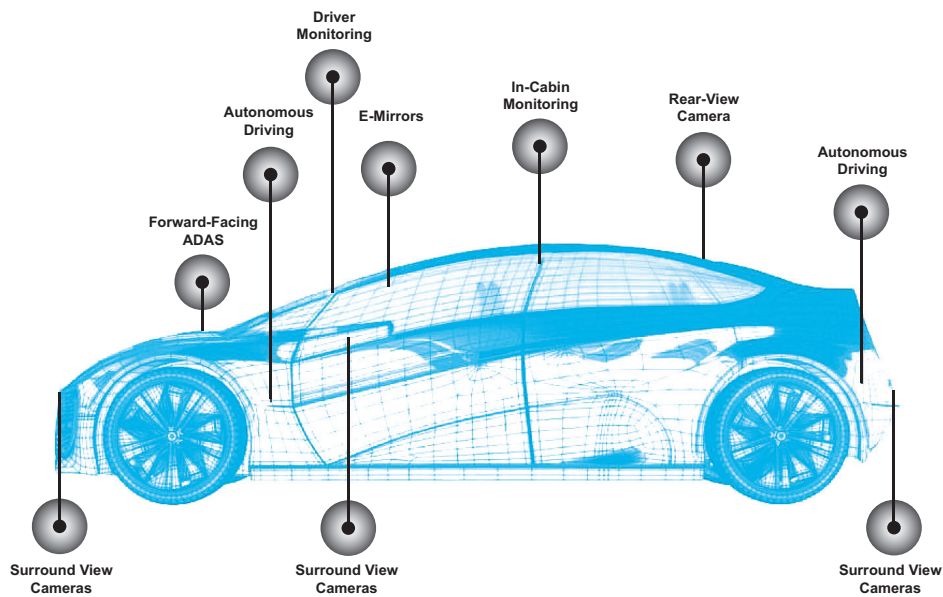
We are actively optimizing our product and supply chain structures to strengthen the competitiveness of our smartphone product portfolio. For example, our flagship high-end image sensor featuring 50MP resolution and a 1.2 μm pixel size has been widely adopted as the main rear camera sensor in leading high-end smartphones in the domestic market. This success has driven a significant breakthrough in our market share within the high-end smartphone segment, providing sustained momentum for the continuous improvement of our product value and profitability.

According to Frost & Sullivan, the global smartphone CIS market is expected to grow at a CAGR of 3.6%, from US\$13.0 billion in 2024 to US\$15.5 billion by 2029. We are the world’s third-largest smartphone CIS provider, with a market share of 10.5% based on revenue from smart phone-related digital imaging solutions in 2024, according to Frost & Sullivan. We are committed to continuing our efforts to capture a growing share of this market.

Automotive

The market for automotive image sensors has experienced significant growth in recent years, reflecting a trend that is expected to continue in the foreseeable future. According to Frost & Sullivan, the global automotive CIS market grew from US\$1,377 million in 2020 to US\$2,499 million in 2024, representing a CAGR of 16.1%, and is expected to reach US\$7,028 million in 2029, representing a CAGR of 23.0% from 2024.

BUSINESS



Usage of CIS solutions in smart vehicles

Higher automotive image sensor attach rates were being directly driven by the ever-expanding technological applications and legal mandates around the globe, as well as the trends of electrification and intelligence transformation. Beyond traditional RVCs, the demand for all-around interior and exterior monitoring and viewing capabilities also became an unequivocal necessity. Through the development and implementation of ADAS and in-cabin monitoring systems, cars were expected to advance in safety and reliability. CIS are a critical component of such systems. According to Frost & Sullivan, the global average number of CIS per new vehicle increased from 2.2 in 2020 to 3.4 in 2024, and is projected to reach 8.0 by 2029. Certain automotive OEMs are also actively pushing for the increased adoption of cameras in EVs, specifically for their autonomous driving features and smart cockpit functionalities. There are flagship models equipped with as many as 10 to 14 cameras to support such advanced systems. China is playing a leading role in the development of the global automotive industry. China's share of global vehicle production is expected to rise from 33.8% in 2024 to 43.7% by 2029, according to Frost & Sullivan. The advancement of EVs and ADAS in China has significantly driven demand for automotive CIS. As autonomous driving functions continue to evolve and become more widespread, the number of cameras per vehicle is expected to increase steadily. In addition, in-cabin applications such as facial recognition and gesture recognition are further contributing to the growing demand for CIS in China. According to Frost & Sullivan, the average number of CIS per new vehicle in China is expected to increase from 4.1 in 2024 to 9.2 in 2029, which are higher than the global average.

We are the world's largest automotive CIS provider with a market share of 32.9% based on revenue from automotive-related digital imaging solutions in 2024, according to Frost & Sullivan. We supply high-performance automotive image sensors to automotive manufacturers globally. From the early stages of the development cycle, we collaborate closely with leading automotive manufacturers and key players in the supply chain to ensure that our products optimally aligned with their requirements and specifications. Our robust, compact and advanced automotive CIS solutions support a wide range of applications, including ADAS, in-cabin monitoring, e-mirrors, dashboard cameras, rear and surround views, and panoramic imaging, among others.

We also offer LCOS products, which play a critical role in enabling HUD applications. HUD systems enhance driver operation and improve driving safety by projecting key information directly

BUSINESS

into the driver’s field of view—typically onto a transparent, reflective surface such as a windshield. In automotive AR-HUD applications, LCOS, as a reflective display technology, offers superior light transmittance and higher thermal resistance. This results in better performance and enhanced driver safety. With continued advancements in LCOS technology, our LCOS products have already achieved mass production and are being delivered for use in automotive AR-HUD systems.

Set forth below is an illustrative picture of our LCOS products applied in AR-HUD systems



We also continue to leverage our strong analog expertise to expand into broader automotive analog markets, such as CAN/LIN, SerDes, PMIC, and SBC, to provide a comprehensive solution. For example, we offer PMICs, which are critical for managing power distribution in advanced vehicle systems. Our PMICs are engineered to optimize power distribution, ensuring that energy is delivered precisely where and when it’s needed across increasingly complex automotive architectures. Meanwhile, our MCUs provide the intelligence and control necessary to manage these power flows, enabling real-time decision-making and system responsiveness.

We believe our established technology capabilities, robust IP portfolio and long-term track record of providing feature-rich, comprehensive solutions to automotive manufacturers position us well to maintain a leading position and capture greater opportunities in the rapidly growing automotive market.

Medical

The market for endoscopic imaging solutions in the medical field is growing rapidly, driven by the increasing demand for minimally invasive diagnostic and therapeutic procedures. According to Frost & Sullivan, the global medical CIS market grew from US\$150 million in 2020 to US\$416 million in 2024, representing a CAGR of 29.1%, and is expected to reach US\$1,240 million in 2029, representing a CAGR of 24.4%. Technological advancements have also shifted the industry away from traditional components such as rod lenses, fiberscopes, and CCD image sensors, toward CMOS-based, chip-on-tip image sensors to reduce costs while enhancing performance.

We offer a complete, end-to-end medical imaging subsystem. This enables medical device manufacturers to focus on developing innovative core endoscope and catheter designs, while

BUSINESS

accelerating time-to-market and reducing overall development costs. Our advanced, patented medical imaging solutions position us as leaders in addressing the evolving technological demands of the medical field. One of the most pressing challenges facing the industry today is the risk of cross-contamination due to improperly cleaned reusable endoscopes. To address this critical issue, our CameraCubeChip® technology enables the development of single-use, disposable imaging modules for endoscopic and catheter-based procedures. The resulting solution offers a safe, hygienic, and cost-effective alternative to traditional high-cost, glass lens-based systems—without compromising on image quality.

Surveillance

Surveillance represents a broadly utilized vertical for CIS application, driven by the proliferation of intelligent ecosystems such as smart home, smart community, computer vision and smart manufacturing. CISs are used both in consumer applications, such as home security systems, doorbell cameras and motion activated cameras, as well as in large-scale applications, such as public transportation and office buildings. The CISs used in these applications are also advancing to higher sensitivity, lower power consumption, and built-in AI functionality, which are features that could be tailored to cater to specific needs of each scenario.

As consumers demand smarter and more capable home security solutions, the bar for performance in intelligent surveillance systems continue to rise. Our Nyxel® near-infrared technology, built on our PureCel®Plus pixel architecture, enables surveillance cameras to capture clearer, more detailed images at greater distances in low-light conditions, all while consuming less power. In addition, we continue to lead in delivering energy-efficient power management solutions and optimal interface protection products designed for surveillance applications. Our high-resolution, low-power, and high-sensitivity image sensors have earned widespread market recognition for their performance and reliability.

Emerging Markets

Machine Vision. Machine vision simulates human visual perception through optical components, equipping automated production lines and industrial robots with environmental awareness. This enables them to respond in real time and perform highly precise tasks. The machine vision market has seen strong demand for 3D cameras and CIS as CMOS technology significantly simplifies the design and reduces the complexity of industrial cameras. Compact imaging solutions—including smart cameras—are easier to integrate and better suited for a wide range of industrial environments. To better align with the evolving needs of the machine vision market, we have established a dedicated machine vision division. This team will focus on developing innovative solutions for industrial automation, robotics, humanoid robots, logistics barcode scanning, and ITS.

Smart glasses. Emerging markets such as smart glasses hold significant growth potential, driven by global trends in smart technology adoption and the integration of VR into various industries. We are committed to supporting this growth by delivering cutting-edge imaging and sensing solutions to a global customer base. Our global shutter technology enables terminal devices to perform advanced functionalities such as eye tracking and SLAM. Our image sensor products, designed with compact size and low power consumption in mind, are well-suited to meet the specific requirements of smart glasses manufacturers. Furthermore, our LCOS products—offering high resolution, a compact form factor, low power usage, and cost-effectiveness—enhance the affordability and practicality of smart glasses solutions, further driving their adoption in these emerging markets.

BUSINESS

Edge AI. Over the past decade, the rapid development of mobile networks and the widespread adoption of smart devices have been key drivers of significant innovation and growth in the semiconductor market. The evolution of IoT and wearable electronics — into intelligent, multifunctional tools deeply integrated into daily life — has accelerated advancements in cutting-edge semiconductor technologies. With the rapid deployment of AI and AI enabled applications, this is accelerating the development and adoption of more intelligent terminal devices by consumers. This is also driving strong growth in social media, entertainment and sport platforms— by way of examples— that relies heavily on leading digital technology, including the most advanced CIS technology to deliver enhanced user differentiated experiences.

OUR RECENT ACHIEVEMENTS SUPPORTED BY ADVANCED TECHNOLOGY CAPABILITIES

Leveraging strong foundation and deep expertise in core technologies, extensive IP portfolio, and manufacturing process platform developed in collaboration with leading global suppliers, we have created a comprehensive suite of industry-leading, award-winning technologies. Below are the latest updates progress across various verticals.

In the smartphone CIS sector, we are the world’s third largest smartphone CIS provider, with a market share of 10.5% based on revenue in 2024 according to Frost & Sullivan. Notably, we introduced the OV50X image sensor in April 2025 for flagship smartphones, which harness the capabilities of LOFIC to provide single exposure HDR regardless of lighting conditions.

In the automotive CIS sector, we are the world’s largest automotive CIS provider with a market share of 32.9% in 2024 based on revenue from automotive-related digital imaging solutions, according to Frost & Sullivan. The increasing prevalence of ADAS and autonomous driving has raised higher demands for LFM, HDR, and high-resolution image sensors. For example, the pulsed lighting of LED traffic lights poses a severe challenge to many imaging solutions, preventing ADAS and autonomous driving systems from correctly detecting illuminated traffic signs. We address this issue with TheiaCel® technology, which leveraged the functionality of next generation LOFIC and the reliable strength of our other proprietary HDR technologies (such as patented DCG technology). Our TheiaCel® DCG+LOFIC solution achieved a wider dynamic range in single-exposure HDR images.

Notably, our OX08D10 is our 8MP CIS with TheiaCel® technology, pre-integrated and validated with color tuning on the Snapdragon Ride™ Platform, Snapdragon Ride™ Flex SoC and Snapdragon® Cockpit Platform from Qualcomm Technologies, Inc. for next-generation ADAS and AI-enabled connected digital cockpits. Following the successful launch of the OX08D10, we introduced the new OX05D10 5MP CIS with TheiaCel® technology, and the OX12A10 12MP-resolution CIS which is designed to meet next-generation ADAS and autonomous driving machine vision requirements. We further launched the new 3MP-resolution OX03H10 CIS – our 3.0μm pixel automotive viewing sensor with TheiaCel® technology

In the medical CIS sector, we launched the new OCH2B30 camera module in June 2024, for 3D intraoral dental scanners. As intraoral scanners gradually replace traditional dental impressions, we are committed to applying our mature technology from the medical endoscope field to intraoral scanners, providing ultra-small camera modules to promote their application in dentistry.

We established a new machine vision department in 2024. We released the OG09A10 in April 2024, our large-format global shutter solution for factory automation and ITS, based on our patented

BUSINESS

PureCel®Plus-S stacked-die architecture. We also released our total camera solution, comprising the OG02B10 color global shutter image sensor and OAX4000 ASIC ISP. In addition to the above, we introduced the OG05B1B and OG01H1B sensors with 2.2µm BSI pixels, and the OG02C10/1B, OG03A10/1B, and OG05C10/1B sensors with 3.45µm BSI pixels.

In terms of Edge AI, we launched the new OP03050 and the new OG0TC BSI global shutter image sensor in July 2024, enabling eye and face tracking in AR/VR/MR consumer headsets and glasses. This is our first application of proprietary DCG™ HDR technology in a 2.2µm pixel image sensor for the AR/VR/MR market.

OUR STRENGTHS

We are a top 10 global fabless semiconductor company providing a broad spectrum of cutting-edge solutions

Market leadership

We are a top 10 global fabless semiconductor company primarily focusing on advanced digital imaging, display and analog solutions for multiple applications and industries. In particular, we are a pioneer in advanced digital imaging technology. According to Frost & Sullivan, we are the third largest CIS providers and the top automotive CIS provider globally, as well as the largest CIS provider in China, by revenue in 2024. We are also a pioneer in the world to commercialize BSI technology for the CIS industry.

We have maintained a strong commercial presence and market leadership across multiple end-markets. According to Frost & Sullivan, we were the world’s third largest smartphone CIS provider with a market share of 10.5% and the largest automotive CIS provider with a market share of 32.9% based on revenue in 2024.

With accelerated growth in automotive CIS business driven by adoption of autonomous driving technology, we continue to enhance our position as the leading global automotive CIS supplier which, in turn, provides a strong feedback loop to our innovation capabilities.

Broad product portfolio and extensive application-specific integrated solutions supported by a robust IP foundation

Our journey began with a focus on image sensors and ASIC products, which laid the foundation for our technological expertise. With 30 years of industry experience, we have built a strong, diversified product portfolio encompassing advanced digital imaging, display, and analog semiconductor solutions. Our robust and continuously expanding IP portfolio enables us to further enhance our existing product lines while strategically expanding into new verticals, ensuring sustained innovation and growth. Today, our solutions address a wide spectrum of applications, enabling us to serve a broader customer base and deliver greater value across industries.

As we build up an extensive suite of solutions, we are able to achieve significant synergies and efficiencies across our product lines, leveraging our strong and diversified IP portfolio. As of December 31, 2024, we held 4,865 authorized patents, including 4,659 invention patents, 204 utility model patents and two design patents, as well as 135 layout designs and 83 software copyrights. Our core IP catalog is focused on three aspects, namely image, interface and power management, all of which consist of modularized IPs which can be readily assembled into integrated solutions.

BUSINESS

Building upon the strengths of our market position in the smartphone and automotive markets, we are expanding our portfolio of application-specific integrated solutions centered around CIS. For instance, in the automotive sector, we integrate our advanced digital imaging products with ISPs and ASICs. This enables us to process the signals captured by the sensors and deliver optimized data to support AI algorithms. As part of our broader strategy to enhance our integrated solution capabilities, we are also investing in PMICs and MCUs designed for automotive applications. These efforts allow us to offer more comprehensive system-level solutions, helping our customers streamline design processes while strengthening our value proposition and allow us to drive cross-selling opportunities.

Solutions catered to our customers’ specific needs

Recognizing that every vertical has application-specific requirements that cannot be addressed by a one-size-fits-all solution, we have dedicated solution development teams that collaborate closely with supply chain partners and customers to understand their challenges and deliver a wide range of technology solutions. We maintain strong customer relationships by engaging with them at an early development stage, ensuring that our solutions align with their product roadmaps and are designed to meet their specific needs.

We have established technology leadership and superior innovation capabilities

We are a global leader with deep technology expertise and innovation capabilities. To maintain this leadership position, we continuously develop and expand our patent portfolio, strengthening our core technology stack and extending protection to emerging technologies that complement and enhance our core business. As of December 31, 2024, we held 4,865 authorized patents, including 4,659 invention patents, 204 utility model patents and two design patents. The number of patents we hold is a testament to our commitment to innovation. To further improve the effectiveness of our technology innovation and enhance quality control to supplement our outsourced testing processes, we have also established in-house final testing facilities, which enable us to obtain timely feedback on product performance, enhance the efficiency of our R&D process, and deliver improved innovation to our customers.

Our technological and innovation capabilities are evident across our portfolio of advanced digital imaging solutions, display solutions and analog solutions. For example, we hold a strong patent portfolio for image sensing, signal processing, optics and projection technology, which enables us to design sophisticated advanced digital imaging solutions. In the fields of mobile TDDI and DDIC, we also possess an advanced set of proprietary technologies which enables us to serve customers’ varying touch-display requirements.

We have also successfully deployed our products across multiple end markets and have also led technological advancements in each, as described below.

Smartphone

We have developed a full suite of core technologies from pixel architectures to advanced image capturing technologies, along with our PureCel® and PureCel®Plus technologies for wafer-level camera modules. Through product differentiation and continued investment in research and development in recent years, we are surpassing major industry players with our advancing technologies for smartphone CIS for features such as pixel miniaturization and image resolution.

BUSINESS

Our OV50X, launched in April 2025, is an image sensor designed for flagship smartphones with TheiaCel® technology, which harnesses the capabilities of LOFIC to provide single-exposure HDR regardless of lighting conditions.

Automotive

Leveraging our strong technological capabilities, we have developed a strong portfolio of products for the rising smart automotive industry, a sector characterized by high technical barriers and strict qualification and certification processes. With about 20 years of experience in servicing the automotive vertical, we offer a comprehensive suite of imaging solutions for ADAS, e-mirrors, surround-view cameras and other automotive viewing applications.

We are continuously driving innovation by pioneering next-generation solutions in the automotive space. We began mass production of our automotive CIS in 2005, introduced an automotive HDR SoC image sensor in 2008, and launched our first-generation Big Pixel technology in 2009. In 2018, we introduced our initial Depth of Field technology. Our OX01A, introduced in 2017, was among the first globally available sensors to deliver LED flicker mitigation at mass production scale.

We lead the market with deep expertise in emerging auto-related technologies, such as split-pixel technology which effectively mitigates LED flickers, and our proprietary HALE combination algorithm represents a cutting-edge solution to simultaneously achieving HDR and LED flicker mitigation performance, delivering high image quality for automotive viewing applications across all lighting and weather conditions.

In October 2024, we launched the OX12A10 12MP resolution CIS. It was our first 12MP image sensor to feature OMNIVISION’s 2.1 μm TheiaCel® technology, which harnessed the capabilities of next generation LOFIC, together with OMNIVISION’s DCG™ HDR technology, to eliminate LED flicker regardless of lighting condition.

Medical

We have developed disruptive products that integrate advanced image sensing and processing capabilities into single-chip solutions, based on our proprietary CameraCubeChip® technology. By innovatively combining wafer-level optics with CIS technology—while maintaining low-light sensitivity—we deliver ultra-small camera modules that offer outstanding performance in medical applications such as endoscopy.

Surveillance

For the surveillance sector, we have successfully developed the OS02H10 product based on our high quality NIR and ultra-low light technology, namely Nyxel®, built on our PureCel®Plus pixel architecture. Our Nyxel® NIR technology brings quantum efficiency to the product, significantly increasing NIR sensitivity and hence allowing our OS02H10 to see better and farther in low light while consuming less power.

Emerging Markets

For machine vision, we address the significant demand for 3D cameras and CIS by simplifying industrial camera complexity. To better adapt to this market, we established a new machine vision

BUSINESS

department in 2024, focusing on innovative solutions for industrial automation, robotics, logistics barcode scanners, and ITS. Leveraging our robust technical expertise in Nyxel®, BSI, and global shutter technologies, we introduced groundbreaking innovations to the industry.

Also smart glasses have high growth potential due to global trends in smart technology and VR integration. Our global shutter technology plays a key role in smart glasses applications such as eye tracking and SLAM. Our image sensor products, with their small size and low power consumption, are ideal for smart glasses needs, and our LCOS products further enhance economic adaptability and feasibility. Leveraging such technology capabilities, we launched the OG0TC BSI global shutter image sensor in July 2024, enabling eye and face tracking in smart glasses applications. OG0TC1B in June 2024, a BSI global shutter image sensor for eye and face tracking in smart glasses applications.

We deliver advanced image-system solutions designed for Edge AI applications, empowering our customers to stay at the forefront of imaging technology through our commitment to innovation and forward-looking solutions.

Long-term relationships with a robust customer base supported by leading products and solutions that demonstrate superior performance, achieve high cost efficiency, and accelerate time to market

With 30 years of commitment to technological advancement, our integrated image sensors and solutions are designed to provide high image quality and superior performance while maintaining cost efficiency. For example, with our breadth of analog product offerings, our customers can also tailor their designs with ready-made solutions, significantly shortening their time to market. In addition, we have long-term, deep relationships with the world’s leading technology players and key ecosystem stakeholders, achieving top-of-mind brand awareness and strong market recognition globally. Our demonstrated track record of technology leadership, high-performance product offering, diversified product portfolio, on-time deliveries have built a strong brand recognition for us and enabled us to accumulate a broad blue-chip customer base across a variety of verticals. Our products have been widely adopted by many of the world’s leading smartphone OEMs and ODMs, automotive manufacturers, major notebook OEMs and ODMs, surveillance equipment makers, medical device companies, and a variety of consumer electronics brands. Notably, our solutions have entered numerous flagship smartphone models and premium automotive platforms from globally recognized names, underscoring our role as a trusted partner in driving innovation.

Superior performance

We integrate distinct functions into a single CIS, including image capture and processing, color processing, signal conversion and output of images for digital and analog equipment respectively. We have developed a number of proprietary technologies to enhance image quality by increasing our image sensors’ sensitivity to light and significantly improving their signal to noise ratio. These methods allow us to reduce the size of each individual pixel and thereby increase the number of pixels in an image sensor without increasing its size or power consumption, hence achieving an optimal mix across various product features.

Cost efficiency

Our image sensors are designed to achieve a high level of functionality in a single chip while continually reducing the overall size of the device. Their functionality, coupled with their adaptability

BUSINESS

to be used in a wide range of applications, expands the market to which they are sold, and consequently optimizes our customers’ production costs. This flexibility is further enhanced by our diverse product mix, where our customers could select the right product according to their requirements—allowing for greater cost efficiency. Our strategic focus on cost efficiency is also embedded in our display solutions business. For example, the integration of display and touch into a single chip allows our customers to produce thinner and lighter display panels at a lower cost. Similarly, our analog products have a proven track record in addressing our customers’ common needs in a highly cost-effective manner. Moreover, the production processes of our products are designed to allow for efficient ramp up of production volumes to gain economies of scale and attain cost efficiency, the benefits of which are in turn passed on to our customers as well.

Accelerated time to market for our customers

The highly integrated nature of our image sensors simplifies the design of cameras and allows our customers to shorten their product design cycles. We also work closely with them to further reduce their time to market by providing camera reference designs, engineering design review services, customer product evaluation, as well as testing and debugging services. Leveraging our flexible design and high-quality, stable supply chain, our display solutions are also designed for easy deployment and qualification, and have helped leading panel manufacturers speed time to market.

Throughout the years, we have formed long-standing relationships with technology leaders across different verticals. To maintain and service our customers, we work closely with them from the early stages of their product development cycles, including strategic decision-making, new product design and replacement design to help them develop a logical technology migration path and to ensure that our products meet their future design needs. In this respect, our three principal business lines are synergistic and enable us to provide diversified technology solutions that enhance our value proposition to our customers.

Our long-standing partnerships and involvement throughout our customers’ product development processes further allow us to keep abreast of major innovation trends and developments, better understand and gain insights into our customers’ systematic requirements more efficiently and hence develop advanced solutions targeting the relevant industry’s unmet needs. Our distribution business helps us maintain close partnerships with an extensive range of OEM and ODM customers and further broadens our vertical outreach, which in turn contributes to the promotion of our own products. In addition, we are also able to gain deep visibility into customers’ technology roadmaps and foresight into industry trends, which inspire our R&D efforts, develop in-trend products and guide our M&A initiatives.

Through such proactive collaborations, we believe we can better anticipate customers’ future design needs and help them speed up their product development time, which in turn will better position us in pursuing further design wins.

A fabless model with scalable operations supported by our long-term partnerships with leading foundry partners

We adopt a fabless manufacturing strategy, which minimizes our capital requirements, optimizes operating expenses and accelerates our time to market. This in turn enables us to focus and devote our resources to developing our core competencies in research and development, technological

BUSINESS

innovation, and product design. Moreover, given that we have one of the most diverse and expansive image sensor product portfolio among global leading companies, our products may have different manufacturing requirements, where certain sophisticated application-specific products may require more precise and advanced manufacturing capabilities. Our fabless model hence gives us the flexibility to partner with different reputable and reliable foundries according to our manufacturing needs, allowing us to tap into their existing state-of-the-art facilities, cutting-edge manufacturing technologies, established production efficiency and quality assurance. This reduces our time to market and gives us a strong competitive advantage, particularly in the consumer electronics vertical where technology evolves rapidly.

To sustain this advantage, we have forged stable long-term relationships with leading global front and back-end manufacturing players worldwide. Our established market leadership cements our position as a key client to our business partners, which has been a critical factor behind our ability to maintain a stable supply and resilient supply chain. In addition to outsourcing certain testing processes, our in-house final testing facilities allow us to establish an effective product-test-feedback loop, enhancing quality control and providing a capacity buffer in addition to outsourced testing processes.

We have an experienced and established team with strong industry and technical knowledge and expertise

We are led by a team with deep, long-term experience in the semiconductor industry, with an average of more than 20 years of relevant industry experience. Our management team holds a proven track record of operating in fast-paced, innovation driven cultures, has skillfully executed our business transition strategies, and has successfully led multiple major M&A transactions and the subsequent business integration.

Our chairman, Mr. YU Renrong, is widely recognized as a pioneer and leader in the semiconductor industry. Owing to his strategic vision and deep market expertise, we have grown and developed into the global leading semiconductor company that we are today under his leadership.

We have deep technology expertise with a strong R&D focus. Our technology and R&D personnel account for nearly half of our total headcount, more than half of whom hold a master’s or higher degree. We have a team of FAEs with strong technical expertise and service capabilities. They have an in-depth understanding of our products’ features and performance and technical parameters, which allows them to help speed up adoption of our products in the market. With downstream electronic product manufacturers, our FAEs provide a variety of application solutions based on such customers’ R&D needs, which helps reduce our customers’ development costs and accelerates their own product development cycles. This allows customers to focus their resources on production and marketing, while also helps us better align our product development with actual market needs.

OUR STRATEGIES

We commit to maintaining our position as a top 10 global fabless semiconductor company. Key elements of our strategy include:

Continued strong investment in R&D in key technologies to further enhance our innovation capabilities

Strong R&D investment remains a core strategic priority for our long-term growth. We continue to increase R&D efforts to ensure the leadership of our proprietary core technologies and to transform these core technologies into a product portfolio that meets broad market demand.

BUSINESS

We will increase investment in critical technologies, committing to the long-term technological advancement in advanced sensing technologies. We intend to maintain our leading position in advanced digital imaging technology, enhance our solution-based technologies across multiple applications, and continue to propel our innovation capabilities forward. Furthermore, we will continue to drive breakthroughs in display technology, upgrade our analog solutions portfolio, and actively integrate emerging technologies such as intelligence into the application of our core product portfolio.

We believe that a global leading talent team forms the foundation of our ability to continuously drive innovation in developing new technology solutions. We will continue to implement our talent strategy, recruiting semiconductor professionals with extensive industry experience around the world. In addition, we will attract and retain talent through comprehensive training and development programs, as well as competitive incentive mechanisms.

As a globally positioned semiconductor company, we will continue to establish R&D centers in close proximity to major customers worldwide, enabling us to comprehensively and promptly understand their needs and strategic plans, and to deliver high-quality technologies and solutions.

Deepen our presence in target markets, continuously enrich our product portfolio and solutions, and further support and extend our market leadership position

We will develop our products and solutions to meet customers’ current and future needs, offering a broad portfolio of high-quality, high-performance, and cost-effective products while exploring additional applications in our target markets. At the same time, we will continue to explore downstream application scenarios and provide solutions across a number of verticals. Owing to the scalability of our platform-based technologies and products, we will continue to launch more advanced image and vision sensing solutions for various smart terminals, including medical, smart glasses and robots, and actively expand into other emerging markets such as industrial automation. In the automotive sector, we continue to drive innovation with high-performance image sensor solutions for comprehensive intelligent driving and intelligent cockpit applications, whilst enriching our portfolio of in-vehicle analog and display driver products. In consumer electronics, we will advance our high-end strategy and utilize our advanced technological advantages to fully penetrate the market, iterating high-performance image sensors designed for mainstream smartphone models and action cameras, featuring higher MP, larger-sized optical format, HDR shooting and more functions.

As we continuously expand our product portfolio and application scenarios, our customer base will steadily grow. We will deepen long-term partnerships with global and leading customers across multiple verticals, actively engage in their product development cycles, and create more cross-selling opportunities to end customers. Through these efforts, we aim to steadily increase our market share in global major verticals and among major customers.

Optimization of the opportunities being created by the broadening of our product portfolio and the resulting efficiencies across our platform

We will continuously advance the integration of our product lines to achieve comprehensive product portfolio coordination and synergistic development in business planning, thereby driving cross-selling opportunities to our customer base and enhancing our global operational efficiency.

Specifically, our strong R&D investment and extensive product portfolio are enabling us to more comprehensively address our customers’ increased requirements, particularly as system

BUSINESS

complexity grows. At the same time, we are able to leverage the collaborative strengths of R&D teams across product lines in project development and product definition, continuously improving R&D efficiency. In addition, we will also capitalize on other operational efficiencies in sales and marketing, as well as across our supply chain, further supporting our overall business performance.

Continue to strengthen our engagement and collaboration with key stakeholders across our network and ecosystem

As we broaden our product portfolio to extend our addressable end markets, our role across the ecosystem continues to grow. Deep relationships with players across our ecosystem is critical to our technological innovation and long-term success. We intend to continue to deepen our cooperation with key stakeholders as part of our strategic focus on delivering leading innovation to customers and operational efficiency across our platform. This includes strengthening customers relationships through early and substantive engagement, which, in turn, drives improved innovation across application scenarios.

Together, we these capabilities will create a powerful pull-through effect, reinforcing our leadership in CIS while expanding our value proposition across our addressable market.

Selectively conduct industry chain integration and strategic mergers and acquisitions

We will further expand our addressable markets through mergers and acquisitions (M&A) and investments, with a focus on targets that create synergies with our existing product portfolio and support horizontal expansion into emerging markets.

Building on our proven success in scaling operations through acquisitions, we will continue to seek and assess potential strategic M&A targets and industry consolidation opportunities that may allow the creation of strong synergy in terms of technology, intellectual property (IP), product and solution offerings, supply chains, customer bases, and long-term growth opportunities.

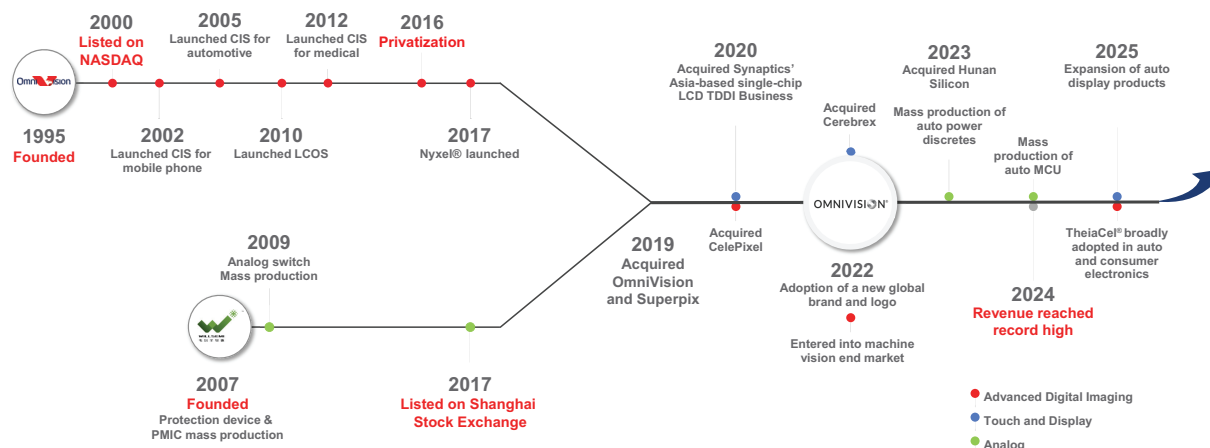
OUR EVOLUTION

Since our founding, our long-term vision has been to establish a global fabless semiconductor company at the forefront of technological innovation. We strive to develop and deliver advanced digital imaging, display, and analog solutions for a wide range of applications across multiple industries. Over the years, our business strategy has centered on identifying industries and customers with significant unmet needs, where our technology can address critical application challenges. This approach has enabled us to consistently innovate, refine, and apply our technological capabilities, driving organic growth and expanding our reach through strategic acquisitions. As a result, we have successfully evolved our business while maintaining a leadership position in the semiconductor industry. In May 2017, we went public with our A Shares listed on the Shanghai Stock Exchange, marking a significant milestone in our growth. The acquisition in 2019 of OmniVision Technologies, one of the world’s leading image sensor companies, further bolstered our market position and marked the beginning of a new era in our business development. In November 2023, we successfully listed GDRs on the SIX Swiss Exchange, enhancing our access to international capital markets. On June 11, 2025, we changed our corporate name to Omnivision Integrated Circuits Group Inc. (豪威集成电路（集團）股份有限公司), which embodies our creative brand-led and world-leading digital imaging business, while also representing the deep heritage of our group. We believe our new corporate name represents a strong and distinct corporate identity, which comports with the trajectory of our corporate

BUSINESS

reinvention, which has always been on the intersection of business insight and technological innovation—a commitment that continues to guide us today.

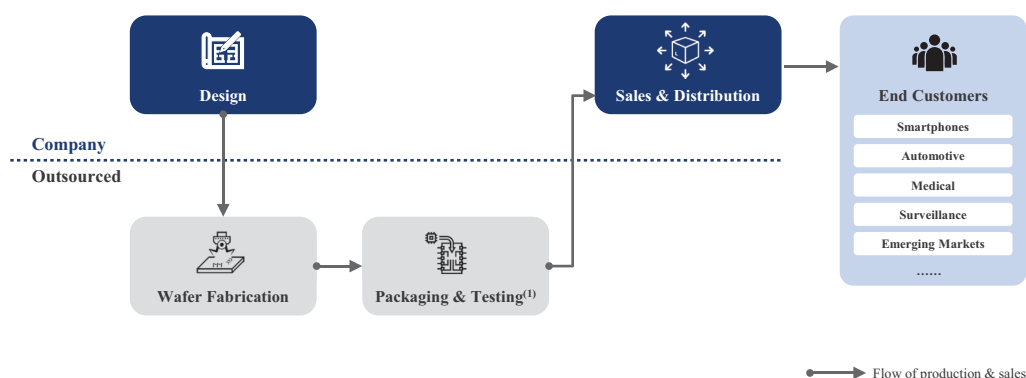
The following chart sets forth our key development milestones since our founding:



OUR FABLESS BUSINESS MODEL

We employ a fabless manufacturing strategy, allowing us to concentrate on the design and sales of semiconductor products and solutions while collaborating with world-leading suppliers for wafer fabrication, packaging, and testing. At the core of our business is semiconductor design, which involves the complex translation of design requirements and features into a specific physical circuit layout. Key steps in this process include system specification, code writing, circuit design, simulation and verification, after which our design is implemented through outsourced wafer fabrication, probe testing, packaging and other back-end processes.

The flowchart below illustrates our fabless business model:



Note:

(1) We have also established in-house final testing facilities, through which we are able to obtain timely feedback on product performance, and establish an efficient R&D iteration process.

We have maintained long-standing partnerships with world-leading foundries, collaborating closely to leverage state-of-the-art facilities. After completing a design, we submit the layout to our foundry partners for mask generation, which produces the photomasks. Once the photomasks are fabricated and verified, our designs move into the wafer mass production process. During this stage, the foundry transfers the circuit patterns from the photomasks onto the wafer die using advanced processes such as lithography, doping, sputtering, and etching to form the IC.

BUSINESS

While we outsource both front-end and back-end manufacturing, packing and testing processes, we also maintain in-house final testing facilities. This allows us to establish an effective product-test-feedback loop, which enhances quality control, strengthens our design expertise, and provides a capacity buffer in addition to outsourced testing processes.

We believe our fabless model significantly reduces capital requirements, operating expenses, and time to market. This enables us to focus our resources on advancing our core competencies in research and development, technological innovation, and product design, ensuring we remain at the forefront of the industry.

OUR KEY FINANCIAL DATA

We derive the majority of our revenue from our semiconductor design and sales business, delivering advanced digital imaging solutions, display solutions, and analog solutions for a wide variety of consumer and industrial applications, including in the automotive, smartphone, medical, surveillance and emerging markets.

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

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

Note:

(1) Primarily including income from technical service.

The table below sets forth the amounts and percentages of our revenue from within and outside Mainland China for the years indicated:

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

Note:

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

OUR ADVANCED SEMICONDUCTOR PRODUCTS AND SOLUTIONS

We are a globally recognized leader in developing and supplying advanced digital imaging, display, and analog solutions that enhance human/device interactions across the automotive,

BUSINESS

smartphone, surveillance, medical, and emerging technology sectors. Our comprehensive portfolio of semiconductor products and solutions is designed to transform how people connect with and through devices, creating seamless and exceptional experiences in everyday life—whether at home, at work, in the car, or on the go. Our offerings address our customers’ interface challenges, empowering them to deliver innovative and differentiated products that stand out in competitive markets. As we build up an extensive suite of solutions, we are able to achieve significant synergies and efficiencies across our product lines, leveraging our robust and diversified IP portfolio. Our core IP catalog is focused on three aspects, namely image, interface and power management, all of them being modularized IPs which can be readily assembled into integrated solutions. Furthermore, our three principal business lines are synergetic and enable us to provide diversified technology solutions to our customers, enhance our value propositions. In addition, we have in the past acquired or invested in additional assets, technologies or businesses that are complementary to our existing business. For example, we acquired Hunan Silicon in March 2023, which specialize in mixed-signal IC designs, and TDDI business in 2020, both of which have enhanced our technological capabilities and synergies across our business lines. Many of our customers apply our semiconductor products and solutions across their operations to ensure consistent, high-quality output and optimal experience for their end users. Our customers also typically expand their procurement to a wider range of solutions offered by our multiple business lines as they seek to leverage the efficiency and synergies across our diversified portfolio.

The table below provides an overview of the key product types offered in our three principal business lines:

Business Line	Product Type	Key Function	Primary Application
Advanced digital imaging solutions	CISs	Important components of digital cameras, converting optical signals to electrical signals	Consumer electronics, automotive, medical, surveillance, smart glasses
	CameraCubeChip® products	Solutions that integrate wafer-level optical components and CISs using advanced chip-scale packaging technology, enabling image sensing, processing and single-chip output	Medical devices, IoT, eye tracking, smart glasses
	LCOS products	Compact micro displays delivering low-power, high-speed and single-chip solutions	Wearable electronics, mobile displays, micro projection, automotive, medical
	ASIC products	Supporting our CISs by bridging the cameras and the host; providing various solutions from USB/parallel/serial ports to compression engine and low-power image processing	Automotive, surveillance
Display solutions	TDDI products	Single-chip solutions integrating display drivers and touch sensors; receiving image data output, powering LCD screen display and detecting touch signal to facilitate human/device interaction	Smartphones

BUSINESS

Business Line	Product Type	Key Function	Primary Application
Analog solutions	DDIC products	Powering and controlling the display panels	Smartphones
	TED	high-performance eDP TCON and source driver combined in a single chip for small and medium-sized display panels; achieves high-speed data transmission	Notebook
	TVSs	Improving the anti-static and anti-surge current capability of the whole system	Consumer electronics, surveillance, network communication, automotive
	MOSFETs	Signal amplification, electronic switches and voltage control	Consumer electronics, surveillance, network communication, automotive, industrial
	Schottky diodes	Power rectification, current steering and wave cutting	Consumer electronics, surveillance, network communication, automotive, industrial
	LDOs	Over-current and over-temperature protection, precision reference, differential amplifiers and retarders	Consumer electronics, surveillance, network communication, automotive
	DC-DC converters	Voltage regulation (power switch) and effectively suppressing the harmonic current noises on the grid side	Consumer electronics
	LED backlight drivers	Constructing constant current source circuits to ensure stable brightness of the LED backlight	Consumer electronics
	Analog switches	Switching signals and functions	Consumer electronics, surveillance, telecommunication, automotive, industrial
	CAN chips	Enabling efficient implementation of reliable, fast, interoperable and flexible CAN protocol transmission networks	Automotive, IoT, surveillance, industrial
	LIN chips	Constructing simple, low-cost local area networks that complement existing automotive networks	Automotive, IoT, surveillance, industrial
	SBC	multifunctional chip that integrates characteristics such as power supply, communication, monitoring and diagnostics, and safety monitoring	Automotive, IoT, surveillance, industrial

BUSINESS

Business Line	Product Type	Key Function	Primary Application
	MCUs	An intelligent semiconductor IC that consists of a processor unit, memory modules, communication interfaces and peripherals	Automotive, consumer electronics

Advanced Digital Imaging

We are a leading player in the image sensor industry and have continuously invested in research and development to further enhance the performance and enrich the features of our image sensors, serving a wide range of consumer and industrial scenarios. Our selected advanced digital imaging products launched since 2022 are summarized below.

CISs

Our selected CIS products by application verticals are set forth in the table below:

Application verticals	Products
Consumer Electronics	OV50X, OV50M40, OV05C10, OV02E, OV50H, OV08X, OV60B10, OVB0A, OV50E, OVB0B
Automotive	OX03H10, OX12A10, OX01J, OX01E20, OV60B10, OX05B, OX03D
Medical	OH02B
Surveillance	OS04D, OS04E10, OS04L, OS03B10
Emerging Markets	OG0VE, OS04E10, OG0TB, OV60B10

OV50X. In April 2025, we launched the OV50X CIS for the smartphone applications, featuring high dynamic range, for movie-grade video capture. The OV50X is a 50 MP sensor with a 1.6 μm pixel in a 1-inch optical format designed for flagship smartphones that require HDR video and preview with single exposure, low-light performance, fast autofocus and high frame rates, demonstrating our strength in pixel miniaturization.

OX03H10. In October 2024, we launched the new 3 MP-resolution OX03H10 CIS – a 3.0 μm pixel automotive viewing sensor. The new solution significantly enhances driving safety by enabling high imaging clarity in all lighting conditions for surround-view and rear-view cameras.

OX12A10. In October 2024, we launched the OX12A10 12MP resolution CIS. It was our 12MP image sensor to feature OMNIVISION’s 2.1 μm TheiaCel® technology, which harnessed the capabilities of next generation LOFIC, together with OMNIVISION’s DCG™ HDR technology, to eliminate LED flicker regardless of lighting condition.

OV50M40. In August 2024, we launched a versatile 0.61 μm pixel CIS with 50-MP output, and features functions such as staggered HDR, dual analog gain HDR, and always-on for front, main, ultra-wide and telephoto cameras in smartphones.

OX01J. In January 2024, we launched the OX01J image sensor, a new 1.3MP product for automotive 360-degree SVS and RVCs. The OX01J is a RAW image sensor with LFM and HDR of 140db.

OV05C10. In November 2023, we launched the OV05C10 image sensor, our 5.2MP product developed specifically for laptops featuring 16:10 aspect ratio. The sensor supports interlaced HDR for mainstream and high-end laptops, tablets, and IoT devices.

BUSINESS

OV02E. In May 2023, we launched the OV02E, a 2MP 1.12 μm BSI image sensor that delivers full HD 1080p at 60 fps and features staggered HDR for high video quality and ultra-low power mode with AI-powered always-on face ID recognition. Built on our PureCel®Plus architecture, its compact footprint is ideal for thinner laptops, tablets and wearable devices.

OS04D. In March 2023, we launched the OS04D, a 4MP 2.0 μm 1/3-inch CIS built on our PureCel®Plus architecture that utilizes high-performance BSI pixel to provide ultra-low noise and overall better image quality with improvements of over 40% in sensitivity and 30% in SNR compared to its predecessor, while consuming 40% less power. With the ability to capture 2K resolution clear images and real-time, fast-moving HD video at 30 fps in low-light conditions, OS04D provides an ideal solution to address key needs of mainstream internet protocol and HD analog security cameras.

OX01E20. In January 2023, we launched the OX01E20, a 1.3MP SoC imaging solution for automotive surround view and rear view systems. The ASIL-B compliant OX01E20 features industry-leading 140 db HDR and LED flicker mitigation performance across a range of lighting conditions and automotive temperatures. With a 3.0 μm 1/4-inch image sensor built on our PureCel®Plus architecture, it delivers superior low-light sensitivity and SNR performance in a small package with ultra-low power consumption, enabling design flexibility for next-generation vehicles.

OV50H. In January 2023, we launched the OV50H, a 50MP 1.2 μm pixel 1/1.3-inch CIS that supports 12.5MP at 120 fps and HDR at 60 fps. It is our sensor that features H/V QPD, where the H/V mode ensures both horizontal and vertical orientations are in the same frame with 100% coverage, while QPD enables autofocus across the sensor’s entire image array. This improves distance calculation, expedites autofocus and enhances low-light performance, thereby delivering premium image quality for wide and ultrawide rear-facing cameras in flagship and high-end smartphones.

OG0VE. In December 2022, we launched the OG0VE, a 3.0 μm pixel image sensor that delivers 640 x 480 resolution in 1/7.5-inch optical format. Built on our OmniPixel®3-GS technology, this high-sensitivity sensor comes in a package size of just 3.6mm x 2.7mm that is 26% smaller and 50% more power-efficient than its predecessor. OG0VE is designed to address the high market demand for the smaller and lower-power-consuming cameras for smart glasses devices, metaverse, drone, machine vision, and barcode scanner products.

OH02B. In November 2022, we launched the OH02B, one of the world’s first 2MP CIS with a square 1500 x 1500 resolution for gastrointestinal, ENT, orthopedic, surgical, dental, and veterinarian reusable and disposable endoscopes, catheters, and guide wires. It leverages our PureCel®Plus-S stacked-die architecture to enable high resolution in compact form. It is autoclavable, generates very low heat, and is cost-effective for one-time use, which makes it ideal for single-use endoscopes.

OS04E10. In October 2022, we launched the OS04E10, an image sensor with digital watermarking, a built-in anti-spoofing feature that ensures the original video source is not tampered with. With a 2K2K (2048 x 2048 pixels) square resolution delivered in 1/3.11-inch optical format, this 2.0 μm pixel CIS is designed for 1:1 aspect ratio security wide-field-of-view (dome, fisheye, and doorbell) and pass-through (AR, VR, and mixed reality) cameras. It features our PureCel®Plus architecture and Nyxel® technology to deliver superior color reproduction and accurate images under low-light conditions with low power consumption.

OS04L. In October 2022, we launched the OS04L, a 4MP 1/3-inch CIS that brings 2K resolution digital images and HD video to consumer security devices such as smart home, doorbell,

BUSINESS

baby monitor, internet protocol and HD analog cameras. Built on our 2.0 μm OmniPixel®3-HS technology, this high-performance CIS is a cost-effective solution that uses high-sensitivity frontside illumination for true-to-life color reproduction in both bright and dark conditions.

OV08X. In September 2022, we launched the OV08X, the industry’s leading 9.2MP 0.7 μm pixel image sensor in its class that provides 4K resolution in 1/5.7-inch optical format for next-generation thinner and lighter laptops. OV08X supports user needs for AI-tuned auto-framing with customizable field of view, human presence detection features for touch-free logins and auto-locks, and HDR image capture with two-exposure staggered HDR timing to minimize motion artifacts. Built on our PureCel®Plus-S stacked die architecture, it has a small module footprint and is capable of ultra-low power consumption to maximize battery life.

OG0TB. In August 2022, we launched the OG0TB, a small sensor for eye and face tracking in AR, VR, mixed reality and metaverse consumer devices. With a package size of just 1.64mm x 1.64mm, this 2.2 μm pixel CIS delivers 400 x 400 resolution in 1/14.46-inch optical format at ultra-low power consumption, making it ideal for the smaller and lighter battery-powered wearable devices. Leveraging our PureCel®Plus-S architecture, OG0TB is a three-layer stacked BSI global shutter image sensors. It also features our Nyxel® technology to accurately capture fast-moving objects under low-light conditions.

OV60B10. In August 2022, we launched the OV60B10, a chip that features two types of sensors, a CIS and an EVS, and integrates the three layers of CIS, EVS and sensor processor wafers into a single chip to achieve optimal performance and minimal size. The EVS is an advanced bio-inspired vision sensor that is neither limited by traditional exposure time and frame rate nor subject to imaging parameters such as white balance, sensitivity or exposure time. This allows for the detection of ultra-high-speed motion and enables spatial and temporal continuity. The CIS/EVS fusion further amplifies the advantages of each sensor by enabling signals captured on their shared focal plane to be aligned with high precision, hence delivering a more accurate, comprehensive and reliable output. The OV60B10 is suitable for a wide range of applications in smartphones, automobiles and smart glasses to perform functions such as ultra-high-speed image reconstruction, ADAS and eye tracking.

OVB0A. In August 2022, we launched the OVB0A, a small 200MP image sensors, with a pixel size of just 0.56 μm . The OVB0A is designed for rear-facing (wide-angle) main cameras in high-end smartphones. It leverages our PureCel®Plus-S stacked die architecture to maintain high resolution and performance in compact form, delivering 100% QPD and quantum efficiency performances that mirror those of our award-winning 0.61 μm OVB0B CIS. Its selective conversion gain attains the optimum balance between low-light image quality and HDR, which allows smartphone OEMs to optimize HDR performance for contrasting light and dark areas in various scenes.

OV50E. In August 2022, we launched the OV50E, a 50MP 1.0 μm pixel smartphone image sensor that features staggered HDR technology and video HDR crop zoom support. It is equipped with our second-generation QPD to allow better and faster autofocus. Built on our PureCel®Plus-S stacked die architecture, the OV50E has the near-pixel binning capability to output a 12.5MP image or a video with the frame size of 4K2K with four times the sensitivity. The OV50E delivers the industry’s leading low-light image and HDR video capturing capabilities for rear-facing main cameras in high-end and mainstream smartphones.

OS03B10. In March 2022, we launched the OS03B10, our upgraded 3MP 1/2.7-inch CIS. Built on our advanced 2.5 μm OmniPixel®3-HS technology, the OS03B10 offers programmable modes as

BUSINESS

well as a full range of image control functions for easy use in surveillance, dashcams and other video applications. Leveraging high-sensitivity frontside illumination for true-to-life color reproduction in both bright and dark conditions, it also demonstrates low-light sensitivity, SNR, full-well capacity, quantum efficiency and low-power consumption.

OX05B. In January 2022, we launched the OX05B, an automotive 5MP RGB-IR global shutter sensor for the fast-growing in-cabin monitoring market. With a pixel size of just 2.2 μm and based on our Nyxel® technology, it offers high NIR sensitivity for strong performance even in extremely low-light conditions. The OX05B also has a wide field of view and enough pixels to enable simultaneous driver and occupant monitoring, further reducing complexity, space, power and cost. It comes in a stacked package that is 50% smaller than competitive products. Our OX05B won the silver award at the 2022 AutoSens Awards for the Most Innovative In-cabin Perception Application.

OVB0B. In January 2022, we launched our award-winning OVB0B, a small 200MP image sensor with pixel size at just 0.61 μm for smartphone cameras. With its unique, industry’s first 16-cell binning capability for 4K2K video, and ability to achieve 12.5MP performance in low light environments, the OVB0B delivers high resolution in a small package for high-end smartphones with low-light performance in its class. The OVB0B was named the Silver Honoree in the 2022 Innovators Award hosted by Vision Systems Design.

OX03D. In January 2022, we launched the OX03D, a 3MP SoC imaging solution for automotive surround-view systems, rear view systems and e-mirror camera monitoring systems. Built on our PureCel®Plus-S stacked die architecture, the OX03D delivers leading image quality and high functionality with low power consumption and minimal chip size. By integrating both the image sensors and the image signal processors into a single chip, it helps auto manufacturers to save on both cost and space.

CameraCubeChip® products

OCH2B. In November 2022, we launched the OCH2B, a 2.5mm x 2.5mm CameraCubeChip® package that features our OH02B CIS to deliver high image quality for disposable endoscope designs. OCH2B is biocompatible and waterproof. It features our proprietary AntLinx™ interface, which provides a thin 4-meter interface connection directly from the endoscope camera to the camera control unit tower, which reduces size and design complexity.

LCOS products

OP03050. In January 2024, we launched the OP03050, a low-power, small form factor LCOS panel that integrates the LCOS array, driving circuit, framebuffer and interface in a single chip. The OP03050 provides a high-resolution, immersive experience for real-time video conferencing and streaming when used in AR, XR and MR glasses and head-mounted displays.

OP03011. In May 2023, we launched the OP03011, an ultra-compact single-chip LCOS panel for next-generation AR, extended reality and mixed reality glasses and head-mounted displays. This 3.8 μm pixel LCOS panel delivers 648 x 648 resolution at 120 Hz in extremely small 0.14-inch optical formats. Its low-power, lightweight design is ideal for next-generation smart glasses that can be worn for a prolonged period.

BUSINESS

ASIC products

OAX4600. In May 2022, we launched the OAX4600, a next-generation AI-enabled ASIC designed for automotive applications. The OAX4600 integrates a unique set of features developed specifically for the in-cabin monitoring systems, and its small size and low power provide OEMs and ODMs with the flexibility to place the camera at any location within the car, regardless of space constraints. Built on a stacked die architecture, it provides integrated RGB-IR image signal processing with two dedicated NPUs and 2 Gb of embedded memory in a single low-power, small-package chip to ensure robust, latency-free image processing. Our OAX4600 won the silver award at the 2022 AutoSens Awards for the Hardware Development of the Year.

Display Solutions

We have been constantly driving technology iterations in the industry and released a series of new products to address evolving market needs for enhanced functionalities, such as higher refresh rates and better touch performance. Our proprietary display solutions support appealing features such as ultra-narrow frame, high screen-to-body ratio, and low-power consumption.

OD5160. In January 2024, we launched OD5160, our T-CON embedded driver IC for next-generation notebook display.

TD4165. In January 2024, we launched TD4165, fine HD 120Hz TDDI for smartphone LCD displays.

TD4376. In January 2024, we launched TD4376, FHD 144Hz TDDI for smartphone LCD displays. In addition, we have witnessed an increased utilization of OLED displays in a wide variety of consumer electronics, such as smart watches, tablets and PCs. The growing popularity of OLED panels is attributable to their thinner and lighter design, improved image quality and brightness, faster refresh rates, and lower power consumption, among other advanced features. A key driver of this booming market is the industry’s increasing investments in AMOLED, a type of OLED display built on the thin-film technology and known for its outstanding performance and adaptability to larger screens. To address this significant unmet demand, we have developed a series of display drivers with a focus on OLED for smartphones. We are also collaborating closely with leading panel makers across China for OLED product development in smartphone and other consumer electronics.

OD6631. In January 2024, we launched OD6631, FHD 144Hz AMOLED driver for smartphone displays.

Analog

We design and market analog solutions for a wide range of end-market customers. Our analog products primarily include PMICs (such as LDOs and DC-DC converters), LED backlight drivers and analog switches, as well as discrete semiconductors such as TVS, MOSFETs and Schottky diodes. These can be integrated into an extensive range of applications, including televisions, digital signage, smartphones, wearable devices, computers, PCs, tablets and other consumer electronics and appliances, as well as industrial applications such as power suppliers, e-bikes, LED lighting and motor drives.

PMICs. PMICs are IC for power management. Our advanced PMICs enable energy-saving, high-power-density and lower-standby-power solutions. Our portfolio of PMICs covers a variety of

BUSINESS

applications in consumer electronics, automotive, and IoT, as integrated components helping manage battery power charging, DC-DC conversion, voltage scaling, and many other uses.

We are a pioneer in China in developing LDOs with a high frequency band (100k to 1MHz) that retains our signature outstanding product performance with low power consumption, providing a desirable domestic alternative to high-end imports. We also offer a wide range of LDOs that are used across various applications including televisions, set top boxes, computers, graphic cards, network communication equipment and other portable electronic devices. We also offer DC-DC converters targeting mobile applications and high power applications such as televisions, PCs, smartphones, set-top boxes and display modules. We expect our DC-DC converters will meet customer’s green power requirements by featuring wide input voltage ranges, high efficiency and small size.

LED backlight drivers. LED backlighting drivers serve the fast-growing LCD and LED panel backlighting market for LCD and LED televisions, LCD monitors, digital signage, computers, smartphones and tablets. Our products are designed to provide high efficiency and wide input voltage range, as well as pulse width modulation dimming for accurate white LED dimming control. LED lighting drivers have a wide input voltage range applicable to incandescent bulb and fluorescent lamp replacement.

Analog switches. Analog switches are semiconductor devices capable of selectively transmitting analog signals and routing analog signal paths. We provide analog switches with high efficiency and low power consumption for consumer electronics, surveillance, telecommunication, automotive and industrial applications.

TVSs. TVSs are avalanche diodes specially designed to clamp over voltages and dissipate high transient power surges. TVS devices enables stability over time for better reliability.

MOSFETs. MOSFETs are used in applications to switch, shape or transfer electricity under varying power requirements. They allow electronics manufacturers to achieve specific design goals of high efficiency and low standby power consumption. The key application segments are smartphones, wearable devices, automobiles, televisions, computers, laptops, tablet, servers, lighting and power supplies for consumer electronics and industrial equipment.

Schottky diodes. Schottky diodes are semiconductor diodes formed by the junction of a semiconductor with a metal. It has a low forward voltage drop and a very fast switching action, and is used in a myriad of applications, including devices for voltage clamping, reverse current and discharge protection.

OUR SEMICONDUCTOR DISTRIBUTION BUSINESS

Semiconductor distribution is a key area of expertise for us, complementing our semiconductor products and solutions. We have built one of the largest semiconductor distribution networks in China, which not only broadens and deepens our customer engagement but also provides valuable insights into next-generation product development. These insights enable us to refine our solutions further, anticipate evolving customer needs, and deliver innovative offerings that align with market demands. Through this network, we strengthen our position as a trusted partner in the semiconductor ecosystem. More specifically, our distribution business helps us maintain close partnerships with an extensive range of OEMs, ODMs, and semiconductor solution providers. In addition, we also distribute products to downstream distributors. This further broadens our vertical outreach, which contributes to the

BUSINESS

promotion of our own products. We are also able to gain deep visibility into customers’ technology roadmaps and foresight into industry trends, which inspire our R&D efforts, develop in-trend products and guide our M&A initiatives.

We distribute tens of millions of components each year, primarily including electronic components, structural devices, discrete semiconductors, IC, and modules, covering smartphones, household appliances, surveillance, smart wear, industrial equipment, power management, and automotive components. With nearly a decade of experience in semiconductor distribution, we have developed an extensive sales support and distribution network, fostering close relationships with key electronics manufacturers. Additionally, we have cultivated strong business partnerships and nurtured long-term collaborations with internationally renowned upstream suppliers and downstream customers.

Notably, to support our distribution business, we maintain a highly trained team of product managers and field applications engineers. This team is equipped with extensive strategic marketing expertise and a keen ability to identify emerging market trends. Additionally, we provide comprehensive technical support and assistance to both potential and existing customers, ensuring the seamless integration of our solutions into their products. We believe that the depth and quality of this design support are key to improving customers’ time to market and maintaining a high level of customer satisfaction. See “—Branding and Marketing—Sales and Marketing/Customer Technical Support” for more details.

Our semiconductor distribution business contemplates a buyer/seller relationship rather than a principal/agent relationship, which is a common practice in the industry. We act as a seller when rendering semiconductor distribution services to our customers, which consist of OEMs, ODMs, and semiconductor solution providers. We recognize revenue on the semiconductor products we distribute when our performance obligations are satisfied, meaning at the point of delivery of products when we transfer control of a product to a customer. Our revenue from the semiconductor distribution business is recognized on a gross basis, net of discounts and return allowances. In 2022, 2023 and 2024, we distributed products to 216, 224 and 226 downstream distributors which generated revenue for our semiconductor distribution business, the amount of which was not material for our semiconductor distribution business during the Track Record Period. Such downstream distributors were independent third parties.

APPLICATIONS OF OUR SEMICONDUCTOR PRODUCTS AND SOLUTIONS

Our advanced digital imaging, display, and analog solutions are designed to serve a wide range of applications across multiple industries. We provide innovative solutions that empower mission-critical applications in key verticals, including automotive, smartphone, medical, surveillance, and emerging technologies such as smart glasses.

Smartphones

Advanced digital imaging solutions empower smartphone manufacturers to deliver professional-grade cameras to consumers, meeting the growing demand for high-quality photography. Today, more than ever, consumers rely on their smartphone cameras to capture and share life’s special moments—whether it’s selfies with friends, children’s birthday parties, sporting events, travel adventures, or countless other experiences. As smartphones increasingly replace standalone cameras as the go-to choice for photography, the expectations for imaging technologies have risen significantly.

BUSINESS

Meanwhile, our continued dedication to offering industry-leading display and analog solutions drives our continued investment in advancing our technologies in this vertical.

Digital imaging

Our advanced image capturing technologies allow users to capture high-quality still images and videos while maintaining high standards of performance. We have developed a full suite of core technologies from pixel architectures to image capturing technologies, along with our PureCel® and PureCel®Plus technologies for wafer-level camera modules.

We are developing high resolution image sensors which are widely used by renowned smartphone brands for their flagship models, while striving to sharpen our competitive edge in pixel miniaturization and image resolution. Our front facing selfie camera sensor, for example, delivers professional quality, high-resolution selfies in both natural and low-light conditions. Offering a robust combination of performance, features and power consumption, our telephoto camera solutions exceed the need of smartphone-based photographers. Our wide angle technology allows photographers to be more versatile and editors to increase post-production efficiency.

Display and power management

We have developed a series of display driver chips specifically designed for smartphone OLED displays. Our innovative OLED DDIC products have been tested and approved by leading panel suppliers in China. As battery capacity and fast-charging technologies continue to advance rapidly in smartphones, our analog power management solutions help customers address critical challenges related to power density and efficient power delivery.

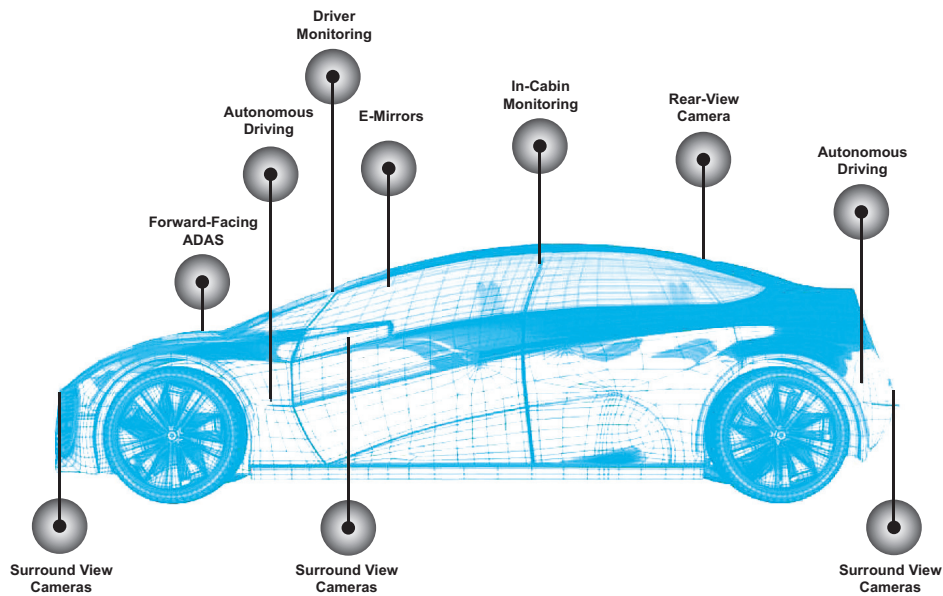
Automotive

The automotive industry is undergoing a significant transformation, with next-generation vehicles evolving into intelligent, electronic platforms that are not only autonomous but also serve as integrated hubs for entertainment and information. As a result, the market for automotive image sensors has witnessed substantial growth in recent years—a trend expected to persist in the foreseeable future. This growth is being driven by the increasing adoption of advanced technological applications and the implementation of global legal mandates, both of which are driving higher attach rates for image sensors in vehicles.

Beyond the sensing and viewing applications of traditional rear view cameras, the demand for all-around interior and exterior monitoring and viewing capabilities has also become an unequivocal necessity. Through the development and implementation of ADAS and in-cabin monitoring systems, cars are expected to advance in safety and reliability.

Our robust and compact CISs are designed from the start with automotive market needs in mind to deliver industry-leading image quality and are a proven industry mainstay. Automotive sensing and viewing/display are two main applications of our automotive solutions.

BUSINESS



Usage of CIS solutions in smart vehicles

Automotive sensing applications

Our digital imaging solutions are used in various automotive sensing applications, with a focus on ADAS and in-cabin monitoring.

ADAS are imperative in providing intelligent driving experience as well as precise vehicle intervention in minimizing potentially fatal accidents. Image sensors have become a critical component in ADAS systems, notwithstanding their increasing integration with a blend of other sensors and capabilities, such as radar, LiDAR and vehicle-to-vehicle systems. Working in union with adaptive cruise control and autonomous emergency braking systems, our ADAS sensors are “eyes on the road” helping to communicate a safe way for a vehicle to respond and function. Operating in conjunction with a vehicle’s existing long-range radar in regulating speed and enacting braking systems, our ADAS sensors help systems engage in peripheral protection, lane-keeping balance and lane-departure recognition. Vehicles equipped with traffic sign recognition and auto-headlamp adjustment rely on our ADAS sensors to assist in recognizing lighting levels and initiate speed limit alerts as well. For the fast-growing in-cabin monitoring market, we offer AI-enabled, automotive ASIC optimized for DMS systems, which are also designed for other automotive applications such as occupant detection, FaceID, and driver-comfort settings. In addition, our RGB-IR image sensor offers value with high sensitivity across all in-cabin lighting conditions as well and can enable functionality like video conference calling. These features allow OEMs and ODMs the ability to build in luxury value at the entry-level to the mass market. To complement our sensor portfolio, we also offer dedicated ASICs which target DMS applications.

In September 2023, we launched the OX08D10, an 8 MP CIS featuring our proprietary TheiaCel® technology. This sensor was pre-integrated and validated with advanced color tuning for next-generation ADAS and AI-enabled digital cockpit applications. Building on the success of the OX08D10, we introduced the OX05D10, a 5 MP CIS also based on TheiaCel® technology. It delivered LED flicker mitigation (LFM) without compromising image quality, making it ideal for automotive applications where HDR, low-light performance, and LFM are critical.

BUSINESS

In October 2024, we launched the OX12A10, a 12 MP CIS — the high-resolution product in our 2.1 μm TheiaCel® family. The OX12A10 combined high resolution with low-light performance, LED flicker mitigation, compact size, power efficiency, and high-temperature performance. It was specifically designed to meet the demanding requirements of next-generation ADAS and autonomous driving machine vision systems. Also introduced was the OX03H10, a 3 MP CIS — an automotive viewing sensor with 3.0 μm pixels built on TheiaCel® technology. Leveraging the LOFIC architecture, the OX03H10 offered outstanding low-light performance and achieved a full 140 dB dynamic range with a single exposure, while delivering superior LED flicker mitigation. With these introductions, we expanded our TheiaCel® technology platform, now offering four sensors with resolutions ranging from 12 MP to 3 MP, giving our customers greater flexibility to select the optimal solution based on their specific system requirements.

In April 2025, we launched the OX01N1B CIS for in-cabin automotive DMS which utilizes our Nyxel® NIR technology. It is a 1.5 MP RGB-IR or monochrome BSI global shutter sensor with a pixel size of 2.2 μm and an optical format of 1/4.51-inch. The OX01N1B has strong low-light performance, a high modulation transfer function for better image quality and resolution, low power consumption, and an optical format that enables extremely compact camera module design.

Automotive viewing and display applications

Featured applications of our digital imaging and display solutions include rear and surround view cameras, e-mirrors and HUDs.

Our commitment to delivering superior surround-view solutions to automotive OEMs and ODMs is rooted in enhancing both safety and value. A 360-degree surround-view system utilizes cameras mounted on each side of the vehicle, coordinated by a central processing unit to generate an aerial view. This technology plays a critical role in enabling parking assistance features and providing comprehensive blind-spot monitoring, ensuring a safer and more convenient driving experience. We offer a wide range of sensor solutions for these application areas, ranging from 1MP image sensor to 3MP image sensor and covering higher performance up to 140 dB HDR and LED flicker mitigation. For rear view camera use case, we offer distortion correction and overlay capabilities. We also offer a range of ASICs which complement these image sensors and can cover a range of architectures.

We specialize in image sensors and ISPs that capture and process high-quality images for a more natural scene reproduction, in spite of any extreme weather or lighting obstacles and over the automotive temperature range. In addition, due to the amount of back-over incidents per year, global mandates are increasingly requiring vehicles to come standard with rear view camera implementation. Furthermore, our high performing solutions also support innovative e-mirror technologies used in vehicle-to-vehicle communication.

We also provide LCOS products, which are essential in empowering HUD applications. HUDs have also been used in vehicles to project information directly into the user’s field of vision, usually on transparent and reflective surfaces. Our LCOS reflective projection technology enables improved light transmission and higher heat resistance, hence ensuring enhanced HUD performance and driver safety.

BUSINESS

Set forth below is an illustrative picture of our LCOS products applied in AR-HUD systems



Surveillance

Driven by the emergence of the IoT, surveillance cameras are no longer limited to large-scale applications such as public transportation and office buildings and other large-scale scenarios. Instead, they have become an integral part of smart homes. Our Nyxel® NIR technology, built on our renowned PureCel®Plus pixel architecture, allows surveillance cameras to see better and farther in low light while consuming less power. Meanwhile, we remain at the forefront of delivering energy-efficient power management solutions, as well as top-tier interface protection products, designed for surveillance applications.

Ensuring safety and security in the home remains a top priority, whether for personal protection or property surveillance. As smart home monitoring systems become increasingly essential, our high-resolution, low-power, and highly sensitive image sensors are ideally suited to meet the demands of this growing market. These sensors excel in applications such as indoor security cameras, indoor webcams, and smart doorbells, showcasing our ability to empower innovative and reliable smart home monitoring solutions.

Medical

The medical markets for endoscopic imaging solutions are growing rapidly, driven by a need for minimally invasive diagnostic and therapeutic procedures, socioeconomic trends such as an aging population, and rising medical costs that are pushing procedures back into the physician's office and beyond, through telemedicine for remote health monitoring. Technological developments have also gradually moved the industry away from rod lens, fiberscope and CCD image sensors and toward CMOS-based, chip-on-tip image sensors to reduce costs as well as increase performance. Single-use endoscopes and catheters also have proven advantages over reusable devices that have potential cross-contamination risk.

We offer industry-leading advanced digital imaging solutions across the spectrum of endoscopy and catheter procedures. Our comprehensive medical imaging solutions continue to lead the way and meet the ever-expanding technological needs of the medical industry. In November 2020, we launched

BUSINESS

OVMed® Cables, a line of medical endoscope, catheter and dental cables, to create a platform in combination with our portfolio of CameraCubeChip® wafer-level camera modules and OVMed® image signal processors boards. This addition makes us one of the industry’s first suppliers of complete, end-to-end medical imaging subsystems, enabling medical device OEMs and ODMs to focus on differentiating their core endoscope and catheter designs, while accelerating time to market and obtaining a competitive materials cost. In November 2022, we introduced our proprietary AntLinx™ digital interface, a next-generation CMOS chip-on-tip endoscopy interface. AntLinx™ reduces interface conversion requirements and its high noise immunity ensures high-quality image delivery. In November 2023, we launched our new OVMed® ISP for up to 2 MP medical endoscope cameras, which are easy-to-implement solution for reusable and disposable endoscopes connected to handheld tablet consoles or camera control units.

Emerging Market

Machine vision, smart glasses and Edge AI are emerging as high-growth markets, driven by increasing adoption across industries such as education, entertainment, tourism, fitness, gaming, industrial automation, robotics, humanoid robots, logistics and barcode scanning, and ITS.

Machine Vision

In 2024, we launched a new machine vision department, underscoring our commitment to advancing industrial automation and intelligence and to align with the evolving needs of the machine vision market. Machine vision simulates human visual perception through optical components, equipping automated production lines and industrial robots with environmental awareness. This enables them to respond in real time and perform highly precise tasks. The machine vision market has seen strong demand for 3D cameras and CISs, as CMOS technology significantly simplifies the design and reduces the complexity of industrial cameras. Compact imaging solutions—including smart cameras—are easier to integrate and better suited for a wide range of industrial environments. Machine vision plays a pivotal role in applications such as smart warehousing, logistics, and automated inspection systems. Leveraging our robust technical expertise in Nyxel®, BSI, and global shutter technologies, we will focus on developing innovative solutions for industrial automation, robotics, humanoid robots, logistics barcode scanning, and ITS.

In 2024, we launched the OG09A10, our large-format global shutter CIS designed for factory automation and ITS. The OG09A10 is a 9 MP global shutter sensor with a 1-inch optical format, featuring a 3.45 μm pixel built on our patented PureCel® Plus-S stacked-die architecture for outstanding performance. The sensor also integrates our Nyxel® NIR technology, enabling sharp, clear imaging even in low-light environments. With DCG DCG™ HDR, it delivers extended dynamic range, low noise, and artifact-free images — making it ideal for machine vision applications that require capturing high-speed moving objects in challenging lighting conditions.

We also introduced a complete camera solution consisting of the OG02B10 color global shutter image sensor and the OAX4000 ASIC ISP. The OG02B10 is a 2 MP global shutter sensor based on our advanced 3 x 3 μm OmniPixel®3-GS global shutter pixel technology, which eliminates motion blur and significantly improves low-light sensitivity. The OAX4000 ISP supports up to four camera modules with 140 dB HDR, enhancing overall system reliability. This solution enables simultaneous capture of high-resolution color images from four cameras, with the ISP acting as a backend engine to support more advanced AI functions. It has been validated for use in machine vision applications.

BUSINESS

In addition, we expanded our portfolio with a series of ultra-compact global shutter sensors for machine vision, including the OG05B1B and OG01H1B with 2.2 μm backside-illuminated (BSI) pixels, and the OG02C10/1B, OG03A10/1B, and OG05C10/1B with 3.45 μm BSI pixels, offering high resolution in small form factors. These sensors deliver high shutter efficiency, high frame rates, superior light sensitivity, low noise, and enhanced NIR quantum efficiency, resulting in superior performance in low-light conditions — all while accurately capturing fast-moving objects.

Smart glasses

The demand for smart glasses is growing and the market continues to find new ways to leverage AR/VR capabilities. Recent use cases show great potential across many different industries, including entertainment and health care. AR/VR is transitioning from the technology validation phase to the large-scale penetration phase, culminating with smart glasses. We continue to assist that growth by providing cutting-edge viewing and sensing solutions to a global audience.

Applications in smart glasses are highlighted by our capability to empower global shutter cameras for eye tracking and SLAM. With smart glasses, eye tracking and efficient processing is imperative. Reducing and eliminating image artifacts is a necessity in providing end users with high-quality experiences and product satisfaction. Our use and continued development of global shutter technology capabilities fulfill that demand. Alongside our global shutter technology, our compact sensors include an low-light sensitivity solution, which is needed in gesture detection, depth and motion detection and head and eye tracking. Similarly, our global shutter technology allows greater clarity and accuracy by eliminating image artifacts and improving low-light sensitivity within SLAM applications. Leveraging such technology capabilities, we launched the OG0TC1B in June 2024, a BIS global shutter image sensor for eye and face tracking in smart glasses applications. Notably, we expect the use of LCOS micro display, which solves the problem of visual pixelation, to play an increasingly important role in making smart glasses more viable. As such, in May 2023, we launched the OP03011, an ultra-compact single-chip LCOS panel for next-generation AR, extended reality and mixed reality glasses and head-mounted displays.

Edge AI

As the semiconductor industry continues to evolve in response to the growing demand for intelligent, real-time data processing, Edge AI applications are emerging as a key growth driver. Building on the rapid development of mobile networks and the widespread adoption of smart devices over the past decade, semiconductor companies are now at the forefront of enabling AI capabilities directly at the edge—within devices such as smartphones, automotive systems, smart glasses, and IoT platforms. This shift toward decentralized AI processing allows for faster decision-making, improved privacy, and reduced reliance on cloud infrastructure. The evolution of smartphones into powerful, AI-enabled platforms has set the stage for broader adoption of Edge AI across industries, particularly in next-generation vehicles where low-latency sensing and processing are critical for autonomous driving and ADAS. Additionally, the integration of high-performance CIS with Edge AI capabilities is transforming user experiences in social media, entertainment, and sports platforms by enabling real-time image enhancement, gesture recognition, and immersive content creation. For semiconductor companies, this represents a strategic opportunity to deliver optimized, system-level solutions—including application-specific image sensors, AI accelerators, and power-efficient SoCs—that not only meet the performance demands of Edge AI but also enable differentiated, value-added features across a wide range of consumer and industrial applications.

BUSINESS

In July 2024, we launched the new OP03050 and the new OG0TC BSI global shutter image sensor, enabling eye and face tracking in AR/VR/MR consumer headsets and glasses. This is our first application of proprietary DCG™ HDR technology in a 2.2 μm pixel image sensor for the AR/VR/MR market.

OUR INDUSTRY-LEADING PIXEL ARCHITECTURE AND TECHNOLOGY PORTFOLIO

Building on our renowned pixel architectures (which refers to the design and layout of individual pixels in an image sensor or display, defining how light is captured or emitted at the smallest unit – the pixel), we have developed an extensive array of industry-leading, award-winning technologies, with a focus on pixel miniaturization, advanced image capturing, CameraCubeChip®, LCOS, TDDI, and a wide range of analog technologies. We believe these architectures and technologies and the related intellectual property rights create barriers for competitors and allow us to provide high-value semiconductor solutions in a variety of high-growth markets.

Specifically, our broad line of semiconductor solutions is based upon the following pixel architectures and key technologies:

- Pixel architectures, represented by PureCel® and PureCel®Plus
- Image capturing technologies, represented by TheiaCel®, Nyxel®, RGB-IR, OmniPixel®-GS and HDR
- CameraCubeChip® technology
- LCOS technology
- TDDI technology
- LDO technology
- TVS technology
- Signal chain technology

Pixel Architectures

As image sensors continue to evolve, they are changing the way digital devices deliver the world to us, and we are in the business of fueling that innovation. That is why we created our superior pixel architectures to leverage smaller geometry process for higher gate density, faster device speed, smaller sizes and lower power consumption.

PureCel®

Our revolutionary PureCel® pixel architecture delivers ultra-low-power image-sensing performance. Advanced process nodes and pixel architectures allow PureCel® to deliver better image quality. Also, with PureCel®, we have significantly improved high- and-low-light performance, dynamic range and reduced noise.

Key features of PureCel® include the following:

- *Advanced pixel array.* PureCel® has improved our circuit architecture, added a new pixel array architecture and added an interface process. The advanced pixel-array architecture provides higher sensitivity and full-well capacity, leading to higher sensor dynamic range.
- *Low-power and compact.* The low-power and compact design of PureCel® enables smaller camera modules and a longer battery life camera system.

BUSINESS

- *PureCel®-S stacked die technology.* Our PureCel®-S stacked die technology separates the PureCel® imaging array and the processing function into two layers to enable additional features with smaller die size.

Key benefits of PureCel® include the following:

- *Delivers high performance.* Our PureCel® improvements result in a new sensor generation with lower noise, less blooming, better low-light sensitivity and higher full-well capacity to further enhance sensor dynamic range in comparison with the first-generation BSI image sensor technology.
- *Meets ultra-low-power requirements.* Many of today’s image-sensing applications, such as medical, mobile and automotive, require ultra-low-power solutions. PureCel® uses 55nm logic process, which supports advanced circuit architecture and results in our low power image sensor platform.
- *Represents a technology evolution.* PureCel® is our flagship pixel architecture, laying a solid foundation for subsequent pixel-architecture generations including PureCel®Plus and beyond, ushering in a new era of image sensors.

The PureCel® technology provides leading digital imaging solutions to the smartphone and surveillance markets. See “—Our Advanced Semiconductor Products and Solutions” for a detailed description of our signature solutions empowered by PureCel®.

PureCel®Plus

PureCel®Plus is an overall improvement of how images are captured. It is the next leap forward in the evolution of camera technology. PureCel®Plus is the next step in the evolution of CIS technology that represents superior performance in improved low-light image quality, improved dynamic range, lower power consumption and smaller camera.

Key features of PureCel®Plus include the following:

- *Buried color filter array.* Buried color filter array dramatically improves the tolerance in collecting the light with various incident light angles.
- *Deep trench isolation.* Deep trench isolation reduces crosstalk by creating isolation walls between pixels inside silicon for better chief ray angle tolerance. PureCel®Plus introduces improved deep trench isolation for even better pixel isolation and low-light performance.
- *PureCel®Plus-S stacked die technology.* Our PureCel®Plus-S stacked die technology uses stacked chip technology to stack the image sensor pixel die onto a separate analog and digital die to further reduce chip footprint with better image sensor performance.

Key benefits of PureCel®Plus include the following:

- *Enhancing sensor sensitivity.* In low-light conditions, PureCel®Plus picks up more light than previous generations by significantly enhancing sensor sensitivity and full-well capacity, which boosts low-light performance with higher dynamic range. Reducing color crosstalk further improves color reproduction. Once light rays are collected by the image sensor, they are transformed into electrical signals for internal processing prior to sending digital signals to an external image processor unit for capturing, sharing and transmitting captured images. PureCel®Plus achieves better light collection by utilizing buried color

BUSINESS

filter structure and deep trench isolation. The buried color filter structure has made it possible to increase the angular tolerance allowing us to reduce the stack ID, which makes it possible to accommodate smaller form factors. Also, the addition of deep trench isolation prevents light from crossing over to neighboring pixels, which significantly reduces crosstalk. Furthermore, PureCel®Plus greatly increase SNR and color fidelity, which allows for capturing lifelike image quality. PureCel®Plus incorporates advanced process and circuit architecture changes that lead to lower noise, lower power consumption and a stable black level across variable external conditions. It increases storage efficiency, which allows pixels to hold more electrons. This improves overall scene dynamic range, keeping detail in both foreground and the background.

- *Ultra-compact system.* In addition to improving performance, smartphone manufacturers are packing image systems into slimmer designs. PureCel®Plus’s sensor angular response improvement enables this with higher chief ray angle tolerance, allowing for low F-number lenses and a thinner camera module. Under the image plane, PureCel®Plus-S incorporates new stack chip technology that allows more camera functions and system level integration into smaller hardware profiles. Previous BSI chips use the space to the side of the sensor to host required circuits while empty carrier wafer is used for structural support. PureCel®Plus makes uses of space occupied by empty structural wafer into actual logic area, allowing a large digital area for integrating camera functions by stacking circuits in the silicon support wafers underneath the sensor. Not only does it allow for smaller cameras, it also enables even higher dynamic range expansion on-chip ISP noise cancelation, fast auto focusing and platform for future tech innovation.

Both PureCel® and PureCel®Plus target smartphone, mobile and PC applications. See “—Our Advanced Semiconductor Products and Solutions” for a detailed description of our signature solutions empowered by PureCel® Plus.

Image Capturing Technologies

TheiaCel®

Launched in September 2023, our TheiaCel® technology represents a new family of easy-to-implement solutions which combines our proprietary HDR technologies and LOFIC technology to address growing challenges with respect to achieving HDR imaging that delivers improved flicker mitigation and enhanced performance in low-light conditions.

Key features of our TheiaCel® technology include:

- *LOFIC Technology with Large Capacitor in Each Pixel.* Enables HDR by storing overflow electrons, ensuring superior performance in extreme lighting conditions.
- *Integration of DCG and Split-Diode HDR Technologies.* Combines DCG and split-diode architectures to capture high-contrast scenes with optimal content and image quality.

Key benefits of our TheiaCel® technology include:

- *Wide Dynamic Range and Superior LFM Performance.* Achieves 3.3x higher LED Flicker Mitigation (LFM) dynamic range and nearly 3x higher total dynamic range compared to non-LOFIC-based predecessors, ensuring flicker-free imaging in virtually any lighting condition.

BUSINESS

- *Enhanced Low-Light Sensitivity and SNR.* Provides over 50% higher sensitivity and maintains a balance between low-light SNR and dynamic range, critical for automotive applications like night driving.
- *Compact Size and Power Efficiency.* Delivers industry-leading performance in a compact form factor, reducing space requirements while maintaining low power consumption, ideal for modern automotive designs.

TheiaCel® technology, by integrating LOFIC technology with our proprietary HDR technology, delivered outstanding image quality under any lighting conditions. The initial application of this technology focused on the automotive sector with a 2.1 µm pixel process, combined with DCG™ HDR technology, significantly enhancing imaging performance in low-light environments and addressing the issue of LED light source flickering.

Nyxel®

Our award-winning Nyxel® technology is a cutting-edge NIR light sensing technology. It boosts quantum efficiency for image sensors that see better and farther, and uses less power.

Key features of our Nyxel® technology include:

- *Thick silicon.* Thicker silicon increases the chance of photon absorption, offering higher quantum efficiency and increased signal strength than thinner silicon.
- *Deep trench isolation.* Deep trench isolation creates a barrier between the pixels to eliminate crosstalk and improve modular transfer function.
- *Absorption structure.* Using a carefully managed optical scattering layer prevents defects in the image’s dark area and lengthens the photon path.

Key benefits of our Nyxel® technology include:

- *Capture sharper.* The Nyxel® technology achieves up to 3x quantum efficiency improvements to capture sharp, bright images and deliver optimum image data. This enables accurate eye tracking and gesture control in smart glasses, or for detecting distracted or drowsy drivers in DMS.
- *Improved night vision.* With significant increases in NIR sensitivity, the Nyxel® technology offers better photon absorption compared with other NIR technologies. This means improved night vision, allowing surveillance cameras, ADAS and surround-view systems to capture brighter images from farther away.
- *Minimal power requirements.* While current machine-vision and night-vision NIR solutions are augmented by power-intensive IR LEDs, sensors built on the Nyxel® technology require minimal additional lighting—reducing system power needs and extending the life of battery-operated surveillance cameras.

The Nyxel® technology provides the ultimate NIR performance in challenging lighting conditions for a broad spectrum of industries, such as automotive, IoT, medical, smartphones, and surveillance. See “—Our Advanced Semiconductor Products and Solutions” for a detailed description of our signature solutions empowered by our Nyxel® technology.

BUSINESS

Nyxel® Generation 2

Our Nyxel® Generation 2 technology further refines our revolutionary pixel architectures and processes to achieve new records for quantum efficiency in NIR imaging while overcoming other challenges. It provides higher quality image capture, greater detection range and even lower light-source power requirements, enabling our image sensors to see even better and farther while extending battery life.

Key features of our Nyxel® Generation 2 technology include:

- *Thicker silicon pixel architecture.* Building on our successful first-generation technology, Nyxel® Generation 2 further increases the silicon thickness to improve NIR imaging sensitivity by up to 25% at 940nm.
- *Extended deep trench isolation.* Extended deep trench isolation solves the cross-talk issue while retaining the modulation transfer function levels of the first-generation technology, without affecting the dark current.
- *Re-optimized scattering layer.* With wafer surface texture refinement, our proprietary Nyxel® scattering layer is now re-optimized to improve the extended photon path and increase the photon-to-electron conversion.

Key benefits of our Nyxel® Generation 2 technology include:

- *Higher quality images.* Nyxel® Generation 2 sets new industry record with quantum efficiency of 70% at 850nm, and 50% at 940nm, enabling more accurate image data capturing with more details for a wide range of machine vision and night vision applications, along with many other use cases including driver state monitoring and under-display sensing for smartphones.
- *Greater image detection range.* With brighter NIR imaging, Nyxel® Generation 2 infused products are able to increase the distance of surveillance monitoring, detecting objects sooner and offering more reaction time for AI surveillance systems and human operators.
- *Fewer LEDs, longer battery life.* By optimizing NIR sensitivity, Nyxel® Generation 2 image sensors require fewer IR LEDs, enabling machine vision designers to extend battery life and create more compact form factors while lowering system cost.

The Nyxel® Generation 2 technology expands NIR imaging performance and enables emerging applications with additional capabilities and is currently applied in automotive image sensors, smartphones and surveillance. See “—Our Advanced Semiconductor Products and Solutions” for a detailed description of our signature solutions empowered by the Nyxel® Generation 2 technology.

RGB-IR

Traditional CIS use the Bayer color filter array, where each pixel captures light at a specific wavelength, including visible and infrared ranges. Our RGB-IR technology enables a single sensor to simultaneously capture both high-quality color (RGB) and infrared (IR) images. This allows for standard imaging as well as advanced capabilities such as biometric authentication and gesture detection, while maintaining high-quality color imaging.

Key features of our RGB-IR technology include:

- *Color filter process.* Our RGB-IR technology incorporates advanced proprietary color filter process that improves color fidelity.

BUSINESS

- *Pattern flexibility.* Depending on the application requirements, the RGB-IR technology’s extended flexibility accommodates 2×2 or 4×4 array patterning consist of 25% of its array to infrared and 75% to RGB to capture RGB and infrared images in one sensor.
- *RGB-IR processing.* We provide a dedicated RGB-IR image processor and a companion ISP chip that extracts RGB and infrared information separately.

Key benefits of our RGB-IR technology include:

- *Day and night vision in one sensor.* The RGB-IR technology’s ability to both RGB and infrared images in one device allows for both day and night vision capabilities, making it the ideal choice for today’s battery-operated cameras for smart-home systems.
- *Enables biometric authentication.* Today’s smartphones, computers and laptops are life hubs requiring high level of access security. The advanced infrared sensitivity of our RGB-IR technology enables facial and gesture recognition.

Our RGB-IR technology targets smartphones, surveillance and computing markets. See “—Our Advanced Semiconductor Products and Solutions” for a detailed description of our signature solutions empowered by the RGB-IR technology.

OmniPixel®3-GS

Our global shutter technology, OmniPixel®3-GS, features global shutter technology and NIR image detection, enabling simultaneous image detection in all pixels to accurately capture moving objects and reproduce rapid motion, even at high speeds, without any deformation or creating spatial distortion.

Key features of our OmniPixel®3-GS technology include:

- *Global shutter technology.* OmniPixel®3-GS simultaneously exposes all pixels and reads them out line-by-line for steady, high-speed imaging.
- *NIR sensing.* NIR sensing in OmniPixel®3-GS enables high sensitivity to near-infrared light for effective zero-light imaging.
- *OmniPixel® architecture.* OmniPixel®3-GS leverages our OmniPixel® pixel architecture, an industry recognized standard for image quality, feature sets and compact size.

Key benefits of our OmniPixel®3-GS technology include:

- *High performance.* Automotive DMS can utilize global shutter technology to synchronize active illumination. OmniPixel®3-GS uses global shutter technology to capture and transmit high-speed images for accurate reproductions, regardless of the speed of motion.
- *Captures images invisible to humans.* Image sensors are sensitive to NIR light, which is outside the spectrum that can be seen with the human eye. Our OmniPixel®3-GS technology offers outstanding NIR sensitivity to enable effective applications such as eye tracking for computer vision.

Our OmniPixel®3-GS technology targets automotive, smart glasses, and surveillance applications. See “—Our Advanced Semiconductor Products and Solutions” for a detailed description of our signature solutions empowered by the OmniPixel®3-GS technology.

BUSINESS

HDR

Our HDR technology captures extremely high-contrast scenes for optimum content and image quality. It realizes crisp image capture, even with extremely bright and dark areas in one scene, enabling our sensors to produce high-quality images in extreme light conditions and accommodate a broad range of applications.

Key features of our HDR technology include:

- *Adaptive charge conversion.* Our new advanced HDR technology delivers HDR images by adaptive charge detection and conversion technology.
- *No time latency.* Our new advanced HDR technology produces HDR image data from a sensor with a single exposure process. This will remove and minimize artifacts caused by time latencies in traditional HDR technologies.

Key benefits of our HDR technology include:

- *Delivers outstanding image quality.* Image-system solutions for automotive and surveillance applications must be artifact free and need to recognize all objects in the scene. HDR technology achieves this and provides full scene details, regardless of the lighting environment.
- *Enables motion-artifact-free imaging.* Traditional HDR uses multiple images having different exposure times but results in motion artifacts from fast-moving objects. The HDR technology enables motion-artifact-free imaging of extremely high-contrast scenes to deliver high quality scene reproductions.

Our HDR technology caters to surveillance, automotive and mobile applications. See “—Our Advanced Semiconductor Products and Solutions” for a detailed description of signature our solutions empowered by the HDR technology.

CameraCubeChip® Technology

Our CameraCubeChip® technology integrates advanced image sensors, processor and lenses in a miniature wafer-level, chip-scale camera module, enabling ultra-thin, compact devices with advanced imaging capability.

Key features of our CameraCubeChip® technology include:

- *CISs.* CameraCubeChip® leverages both our frontside-illuminated and backside-illuminated CIS technology.
- *Wafer-level optics.* CameraCubeChip® applies semiconductor stacking methodology to fabricate wafer-level optical elements as wafer structure layers.
- *Chip-scale packaging.* CameraCubeChip®’s wafer-level chip-scale packaging expertise provides a simplified supply chain with standard surface mount handling.

Key benefits of our CameraCubeChip® technology include:

- *Small-form-factor camera solution.* With CameraCubeChip®, we are able to deliver fully integrated CIS products with high-quality camera functionality in very small footprints and low profiles to deliver miniature camera modules that fit in tiny spaces, allowing for multiple cameras in one device.

BUSINESS

- *A simplified supply-chain solution.* CameraCubeChip® has created a simplified, one-stop shop for wafer-level camera modules that require minimal assembly and handling. The reflowable CameraCubeChip® technology can be directly soldered to the printed circuit board with no socket or insertion required, making integration simple.

CameraCubeChip® delivers miniature-camera solutions to the medical, smart glasses, and mobile markets. See “—Our Advanced Semiconductor Products and Solutions” for a detailed description of our signature solutions empowered by CameraCubeChip®.

LCOS Technology

Our digital LCOS technology provides a fully integrated single chip solution for AR and VR systems and delivers a low-power, high speed and single chip solution in a compact micro display.

Key features of our LCOS technology include:

- *Full digital single chip LCOS panel.* Integrated driver function and frame buffers in a single chip LCOS panel simplifies the system design and makes the system compact with the small form factor.
- *Low power consumption.* All-in-one LCOS *successfully* reduces the power consumption by 40% compared to the two chip solution. It is ideal for wearable devices, such as AR and VR products.
- *High resolution and high frame rate.* Our LCOS technology features high resolution, high frame rate, and up to six color fields to deliver crisp *clear* stable images without image retention.

Key benefits of our LCOS technology include:

- *Low power with small form factor.* Our LCOS technology’s integrated driver and frame buffers into a single chip LCOS panel to enable a low power compact system design.
- *Crystal clear images.* Our LCOS technology features high resolution, high frame rate, and up to 6 color fields to deliver crystal clear stable images without image retention.

Our LCOS technology targets AR and VR, smart shelves, pico projectors, automotive and medical applications. See “—Our Advanced Semiconductor Products and Solutions” for a detailed description of our signature solutions empowered by the LCOS technology.

TDDI Technology

Our TDDI technology integrates the touch controller chip and the display driver chip into a single chip to provide a compact solution that delivers high performance with low power consumption.

Key features of our TDDI technology include:

- *Compact form delivering brighter display.* Our TDDI modules remove the traditional touch panel layers thereby increasing backlight transmittance, resulting in a brighter and thinner display screen.
- *Embedded micro-processors.* Our TDDI technology utilizes micro-processors to enable more advanced display and touch features, such as low-power wake-up gesture and face proximity detection.

BUSINESS

Key benefits of our TDDI technology include:

- *Optimal performance.* Our TDDI technology synchronizes touch and display activities, empowered by time-division multiplexing method, to avoid display and touch signal interference, offering outstanding performance in both display quality and touch sensitivity.
- *Low power consumption.* By integrating two chips into one, our TDDI technology simplifies data communication and interface between touch and display, which enables lower power consumption compared to solutions involving discrete touch controller and display driver chips.
- *Simplified module manufacturing.* Our TDDI technology enables in-cell display which integrates touch sensor circuits into the display panel, hence removing touch panel components and optical lamination from its production process.

Our TDDI technology focuses on smartphone applications. See “—Our Advanced Semiconductor Products and Solutions” for a detailed description of our signature solutions empowered by the TDDI technology.

LDO Technology

Our LDO technology enables us to offer a variety of LDO products that are highly adaptable for integration into a myriad of complex systems and solutions.

Key features of our LDO technology include:

- *High PSRR and low noise.* Our state-of-the-art LDO technology and design empower LDOs that can deliver PSRR of up to 100 db with very low noise.
- *Fast transient response.* The internal compensation networks of our LDOs are designed with high bandwidth to reduce response time and ensure stable output voltage.

Key benefits of our LDO technology include:

- *Consistent superior performance and clean output.* Our multi-channel LDOs adopt unique design and layout techniques to deliver single-chip solutions that deliver consistent superior performance. The high PSRR, low noise and fast transient response of our LDOs help ensure a clean output voltage, which is a key power supply requirement for high-performance CISs and ISPs.
- *Compact package.* The small package footprint of our LDOs provides our customers with the design flexibility required to meet space restrictions while maintaining low power consumption, making them ideal for integration into smartphones and wearable devices.
- *Easy integration.* Our LDOs use inter-integrated circuit (I2C) communication interface to facilitate straight-forward implementation and system integration.

Our LDOs are widely used to power CISs and other complex systems, and are integrated into smartphones, tablets, automotive, surveillance and network communication applications.

TVS Technology

Our industry-leading TVS technology enables us to offer a comprehensive range of high-performance TVS products, making us a market frontrunner in China.

BUSINESS

Key features of our TVS technology include:

- *Lower capacitance.* Our products provide electrostatic protection for high-speed signal interfaces such as USB4.0 and HDMI2.1, and lightning ports with capacitance as low as 0.1 pF. This is enabled by multilayer, high-resistivity epitaxy, a cutting-edge design which minimizes capacitance while reducing parasitic effects.
- *Deep trench isolation.* Our deep trench isolation technology provides improved junction isolation, which simplifies process flow and reduces die size, promoting device miniaturization.
- *Optimized device structure.* Our optimized device architectures help us achieve lower junction capacitance and lower clamping voltage.

Key benefits of our TVS technology include:

- *High performance at smaller device size.* Our deep trench isolation technology effectively suppresses electrical crosstalk in an ultra-small package, while achieving significantly better junction isolation performance compared to conventional products.
- *Lower clamping voltage.* Our innovative device design can reduce clamping voltage, which means our products can function in a wider range of power surge events to offer better protection.

Our TVSs are widely used in smartphones, tablets and PCs, surveillance, and network communication applications.

Signal Chain Technology

We have accumulated deep expertise and know-how in advanced signal chain technology, which enables larger charging currents and faster data transmission, among other enhanced functions. This technology underlies our diversified USB port protection solutions and has built us a strong technical barrier in the field.

Key features of our signal chain technology include:

- *Unique circuit architecture.* Our unique circuit architecture sets out to drastically reduce the incompatibilities between higher operating voltage and faster data rates.
- *Highly reliable gate drive technology.* Our gate drive technology empowers robust features including fast overvoltage, over-current, and reverse current blocking, high-precision current limiting, and rapid switching between charge/discharge. These features adeptly address the challenges in protecting USB Type-C ports during transmission at a higher voltage and power.

Key benefits of our signal chain technology include:

- *Higher speed with higher operating voltage.* Our ability to combine high-voltage and faster data rates enables better signal strength and efficient, high-performance signal switching.
- *High linearity range.* Better linearity, combined with channel compensation technology, simplifies the design and testing of communication systems.

BUSINESS

- *Well-rounded port protection.* Our signal chain technology enhances the reliability of power transmission and signal transmission on the USB interface, offers effective overvoltage and overload protection, and supports special functions such as rapid switching between charging/discharging.

Our years of dedication in signal chain technology have helped us establish a comprehensive portfolio of products that are used in a wide range of applications with a USB interface, including communication systems, automotive and consumer electronics.

DISTRIBUTION NETWORK OF OUR PRODUCTS

Direct sales

Our direct sales customers primarily consist of OEMs, ODMs and their contract manufacturers. Our sales and marketing team is well-versed in the professional knowledge pertinent to our products, enabling it to effectively communicate the value of our technologies and the performance of our products. We believe that our direct sales help us consolidate and improve our market shares and penetrate different industry verticals effectively. As of December 31, 2024, our sales and marketing team had a total of 702 full-time employees.

Our direct sales are usually conducted under sales and purchase arrangements. We have a buyer-seller relationship with our direct sales customers and we recognize revenue when they accept our products upon delivery.

Sales through distributors

In line with market practice, we use distributors principally to facilitate the logistics of the transactions and provide credit to end-user customers across our three product lines in our semiconductor design and sales business: advanced digital imaging solutions, display solutions and analog solutions. These distributors assume responsibility for collections, product returns and customer support. Revenues from sales of our products and solutions to our distributors represented approximately 48.9%, 47.6% and 44.6% of our revenues in 2022, 2023 and 2024, respectively. While the overall distributor arrangement is consistent across the three product lines, the specific sales arrangements under each vary slightly, in order to better align with market dynamics and customer needs.

BUSINESS

The following table sets forth a breakdown of the number of distributors that generated revenue for us in each of the years indicated for such products and solutions, as well as the number of those distributors retained from the prior year. All such distributors are independent from the Company:

	Year ended December 31,		
	2022	2023	2024
Advanced digital imaging solutions			
Number of distributors that generated revenue for the Group during the year	40	39	38
Number of such distributors retained from prior year	N/A	34	23
Display solutions			
Number of distributors that generated revenue for the Group during the year	7	8	5
Number of such distributors retained from prior year	N/A	5	4
Analog solutions			
Number of distributors that generated revenue for the Group during the year	112	304	275
Number of such distributors retained from prior year	N/A	89	231
Total	159	351	318

Note:

* Number of distributors shown above for each product line is calculated without taking into account distributors overlapping across the product lines. We manage our distributors across different product lines independently.

Key terms of distribution agreements for our products

Set forth below is a summary of the key terms of the agreements with our distributors:

- *Term.* We generally enter into a master distribution agreement with a term of one year, automatically renewable every year unless earlier terminated by either party (typically with 30 to 60 days prior notice).
- *Pricing.* We typically sell products to our distributors at our fixed prices in effect at the time of shipment.
- *Minimum purchase amount.* There is typically no minimum purchase amount requirement.
- *Scope of distribution.* The distribution agreements are non-exclusive, and international distributors typically are restricted to distribute in designated territories.
- *Sub-distribution.* Our distributors are generally not restricted from engaging sub-distributors. During the Track Record Period and up to the Latest Practicable Date, to our knowledge, none of our distributors had engaged sub-distributors in selling our products and solutions.
- *Limitations on return or exchange.* We generally do not accept returns or exchanges from our distributors, except under limited circumstances, such as return for discontinued or obsolete products.
- *Payment and credit terms.* Payment for products is generally due within 30 to 45 days from the each invoice date.
- *Termination.* Typically, either party may terminate any renewal with prior notice. We may also terminate such agreements immediately upon any material breach by, or the insolvency of, the distributor.

BUSINESS

Distribution model and accounting treatment

We recognize revenue when our distributors take possession of and accept the products. Until revenue is recognized, these products remain classified as part of our inventories.

Once ownership of the products has been transferred to the distributor, returns are no longer permitted, and any requests for resolution must be addressed through replacement procedures outlined in the distribution agreement. Furthermore, we are not obligated to assist distributors in managing or disposing of unsold inventory upon the termination of their distribution agreements. During the Track Record Period and up to the Latest Practicable Date, we had not repurchased any products previously sold to distributors.

Our management of distributors

As part of our commitment to upholding high operational and brand standards, we continuously assess our distributors throughout the year. We have implemented a thorough selection process to ensure that prospective distributors are well-equipped to represent our brand and effectively market our products. Key criteria in our evaluation include their existing customer base, core product offerings, established customer relationships, and warehousing capacity.

We collaborate closely with our distributors to provide ongoing operational support aimed at driving their success and fostering sustainable growth. This includes regular training sessions to enhance their team’s product knowledge, as well as strategic guidance on procurement to help them manage inventory levels more efficiently.

MANUFACTURING

Wafer Fabrication

Our semiconductor products are fabricated using standard CMOS processes, which permit us to engage independent wafer foundries to manufacture our semiconductors. We primarily outsource our wafer manufacturing to reputable wafer manufacturers. See “—Our Flexible and Efficient Fabless Business Model” for more information.

Color Filter Application

The majority of our image sensor sales were color image sensors, which, in addition to a micro-lens, require a color filter to be applied to the wafer before packaging. The color filter application uses a series of masks to place red, green and blue dyes on the individual pixels in an industry-standard Bayer pattern. In the final step, a micro lens is applied to each pixel. We outsource these manufacturing steps primarily to reputable image sensor manufacturers.

Wafer Probe Testing

After wafer fabrication, color filter application, if required, and micro-lens application, wafers are designated for either unpackaged or packaged deliveries. For unpackaged deliveries, referred to as chip-on-board, or COB, the wafers are tested using a process called wafer probe testing. The process identifies the good die on each wafer. We outsource wafer probe testing primarily to reputable testing facilities, which we later use to prepare the good die as identified during the wafer probe testing for final delivery in a format referred to as reconstructed wafers.

BUSINESS

Packaging

We support various packaging methods that are widely used for optical image sensor chips. In the case of chip scale packaged products, or CSP, the wafers are packaged and then diced into chips. These packages have a glass lid to allow light to pass through to the image sensor array. We rely primarily on reputable packaging service providers.

Final Testing

High-volume final product testing is a critical component in the manufacturing of our image sensors. Possessing this capability represents a significant barrier to entry for potential competitors. Conventional CMOS test equipment is not sufficient for image sensor testing, as it must verify not only standard logic and electrical functions, but also the ability to capture and process optical images. To meet these specialized requirements, we have installed high-throughput, automated final test systems — built to our custom specifications — at our testing facility in Shanghai, China. These systems are used for both our packaged products and our CameraCubeChip® imaging devices. The test equipment features automated handling, integrated lighting and lens systems, interchangeable image sources, and automated output sorting based on functionality. The system is fully programmable, allowing for quick adjustments to testing criteria and methodologies to support new product introductions or accommodate special testing needs. Our in-house final testing facilities allow us to establish an effective product-test-feedback loop, enhancing quality control and providing a capacity buffer in addition to outsourced testing processes.

Product Quality Assurance

We are committed to ensuring product quality throughout every stage of the design and manufacturing process. All of our designs undergo thorough circuit simulation before being implemented in silicon. Prior to moving a new product into full production, we fabricate test wafers, package and evaluate test chips, and conduct comprehensive final product testing. Initial production runs are kept small until enough units have successfully completed the entire manufacturing and testing process and met all required product specifications. Only then do we proceed with full-scale production.

Each of our subcontractors is qualified through a series of industry-standard environmental stress tests, as well as through audits and assessments of their quality systems and manufacturing capabilities. We also actively participate in quality and reliability monitoring at every stage of the production cycle, reviewing electrical parametric data provided by our foundries and other subcontractors to ensure consistent performance and reliability.

INVENTORY MANAGEMENT

We regularly monitor inventory quantities on hand and record provisions for excess and obsolete inventories based primarily on historical usage rates and our forecast of future demand for our products. We attempt to control our inventory levels so that we do not hold inventories in excess of demand at the end of each fiscal quarter.

Our inventory turnover days were 252 days, 203 days and 131 days in 2022, 2023 and 2024, respectively. To improve our inventory efficiency, we have adopted a unified warehousing and distribution system and continuously enhance inventory turnover. We have developed strong

BUSINESS

capabilities in regard to order execution, global supply chain management and efficient delivery, and have built the sales and operations planning cockpit and the commitment mechanism of sales and manufacturing with order pre-scheduling rules.

We have adopted business-to-business electronic data exchanges that enables us to manage our inventory and facilitate our order requests to our suppliers. Our suppliers are provided with improved demand planning through analyzes of transaction activities, which allows us to make reasonable forecasts and maintain efficient manufacturing or procurement processes. With the collaborative planning, forecasting and replenishment model, visualization of overseas orders, and other features, we can improve the execution and delivery efficiency of product orders at a much lower cost, better positioning us to maintain an optimal inventory level to satisfy market demand in a timely manner.

RESEARCH AND DEVELOPMENT

As of December 31, 2024, we had a total of 2,387 full-time employees engaged in research and development. In 2022, 2023 and 2024, our research and development investments included research and development expenses which amounted to RMB2.5 billion, RMB2.2 billion and RMB2.7 billion, respectively and capitalized development expenditure which amounted to RMB683.8 million, RMB692.5 million and RMB623.2 million, respectively.

Our research and development programs focus on the development of advanced digital imaging, display, and analog solutions for multiple applications and industries, in particular those enabling smoother human/device interfacing solutions within the automotive, smartphone, medical, surveillance, and emerging markets. We have established R&D centers across the globe. Our engineers and service teams collaborate closely with customers in each region to address their unique design requirements and support cutting-edge product development processes. By gathering first-hand industry insights, we not only design solutions to regional needs but also drive inspiration for our broader R&D initiatives. We also intend to pursue strategic relationships and acquisitions to enhance our research and development capabilities, leverage our technology, and shorten our time to market with new technological applications.

We conduct ongoing research and development programs that focus on advancing our existing technologies, improving our current solutions, developing new products, improving design and manufacturing processes, enhancing the quality and performance of our products and solutions, and expanding our technologies to serve new markets. Our goal is to provide our customers with innovative products and solutions that address their needs and improve their competitive positions. Our relentless R&D efforts are exemplified by an extensive array of pixel architectures and technologies we have developed, highlights of which are described under “—Our Industry-leading Pixel Architecture and Technology Portfolio.” See also “—Our Advanced Semiconductor Products and Solutions” for more details on the innovative semiconductor products and solutions we launched in recent years.

Our research, design, and engineering teams frequently work directly with our customers to design custom solutions for specific applications. We focus on enabling our customers to overcome their technical barriers and enhance the performance of their products. We believe our engineering know-how and electronic systems expertise provide significant benefits to our customers by enabling them to concentrate on their core competencies of production and marketing.

BUSINESS

OUR CUSTOMERS

Our end-use customers include many of the world’s leading smartphone OEMs and ODMs, auto manufacturers, major notebook OEMs and ODMs, large medical equipment companies, surveillance devices manufacturers and a variety of consumer electronics manufacturers, and also directly through their contract manufacturers and supply chain partners. Our demonstrated track record of technological leadership, design innovation, product performance, cost-effectiveness, and on-time deliveries have resulted in our leadership position in providing semiconductor products and solutions. We believe our strong relationship with our OEM and ODM customers, many of which are also currently developing solutions which are focused in several of our target markets, will continue to position us as a source of supply for their product offerings. We also use reputable distributors in selling our products, which is common practice in the industry.

Both the OEMs and ODMs, as well as their partners may determine the design and pricing requirements and make the overall decision regarding the use of our semiconductor solutions in their products. Our customers and distributors place orders with us for the purchase of our products, take title to the products purchased upon acceptance. The majority of these customers do not have return rights except for warranty provisions.

Below is the breakdown of our revenue derived from our five largest customers for each year of the Track Record Period, and their respective background information:

Customer	Revenue (RMB million)	Percentage of total revenue (%)	Major products purchased from us
For the year ended December 31, 2022			
Customer A ⁽¹⁾	4,969.7	24.8	Advanced digital imaging solutions
Customer B ⁽²⁾	2,006.9	10.0	Advanced digital imaging solutions
Customer C ⁽³⁾	1,787.9	9.0	Advanced digital imaging solutions
Customer D ⁽⁴⁾	1,345.4	6.7	Advanced digital imaging solutions
Customer E ⁽⁵⁾	944.8	4.7	Advanced digital imaging solutions
Total	11,054.7	55.2	

Customer	Revenue (RMB million)	Percentage of total revenue (%)	Major products purchased from us
For the year ended December 31, 2023			
Customer A	6,291.2	30.0	Advanced digital imaging solutions
Customer B	1,711.2	8.1	Advanced digital imaging solutions
Customer E	1,340.7	6.4	Advanced digital imaging solutions
Customer C	1,255.9	6.0	Advanced digital imaging solutions
Customer D	1,135.8	5.4	Advanced digital imaging solutions
Total	11,734.8	55.9	

Customer	Revenue (RMB million)	Percentage of total revenue (%)	Major products purchased from us
For the year ended December 31, 2024			
Customer A	7,136.7	27.8	Advanced digital imaging solutions
Customer F ⁽⁶⁾	2,245.2	8.7	Advanced digital imaging solutions
Customer E	1,303.7	5.1	Advanced digital imaging solutions
Customer D	1,223.1	4.8	Advanced digital imaging solutions
Customer C	1,189.2	4.6	Advanced digital imaging solutions
Total	13,097.9	51.0	

BUSINESS

Notes:

- (1) Customer A is a world leading group company that engages in the import, export, and wholesale distribution of electronic components, semiconductors, and microcomputers.
- (2) Customer B is a world leading group company that engages in the design, development, and manufacturing of optical components, optoelectronic modules, and optical instruments.
- (3) Customer C is a world leading group company that engages in the research, development, manufacture and sale of electronic components, communication, networking, mobile, consumer, imaging and multimedia instruments and accessories.
- (4) Customer D is a world leading group company that engages in the distribution and supply of electronic components, including semiconductors, passive components, electromechanical devices, and connectors.
- (5) Customer E is a world leading group company that engages in the design, development, and manufacturing of automotive switches and detection systems, serving global OEMs and the aftermarket.
- (6) Customer F is a world leading group company that engages in providing information and communications technology infrastructure and smart devices.

To the best knowledge of our Company, all of our top five customers during the Track Record were independent third parties. None of our Directors, their respective associates or any shareholder who, to the knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, has any interest in any of our five largest customers during the Track Record Period.

OUR SUPPLIERS

We utilize a fabless business model, as such, for our semiconductor products and solutions business. Our suppliers are primarily third-party foundries and packaging and testing service providers.

Below is the breakdown of our five largest suppliers for each year during the Track Record Period, and their respective background information:

Supplier	Procurement amount (RMB million)	Percentage of total procurement (%)	Products sold to us
<i>For the year ended December 31, 2022</i>			
Supplier A ⁽¹⁾	5,535.6	29.8	Wafers
Supplier B ⁽²⁾	1,873.7	10.1	Wafers
Supplier C ⁽³⁾	1,838.4	9.9	Wafers
Supplier D ⁽⁴⁾	800.7	4.3	Color filter
Supplier E ⁽⁵⁾	727.0	3.9	Printed circuit board
Total	10,775.4	58.0	

Supplier	Procurement amount (RMB million)	Percentage of total procurement (%)	Products sold to us
<i>For the year ended December 31, 2023</i>			
Supplier A	2,374.0	24.2	Wafers
Supplier B	2,227.4	22.7	Wafers
Supplier C	480.7	4.9	Wafers
Supplier F ⁽⁶⁾	451.1	4.6	Capacitor and inductor
Supplier G ⁽⁷⁾	449.8	4.6	Display screen
Total	5,983.0	61.0	

BUSINESS

Supplier	Procurement amount (RMB million)	Percentage of total procurement (%)	Products sold to us
<i>For the year ended December 31, 2024</i>			
Supplier B	4,833.4	26.0	Wafers
Supplier A	3,828.5	20.6	Wafers
Supplier C	1,613.9	8.7	Wafers
Supplier D	671.4	3.6	Color filter
Supplier H ⁽⁸⁾	528.6	2.9	Connector
Total	11,475.8	61.8	

Notes:

- (1) Supplier A is a world leading group company that engages in IC manufacturing and foundry services supporting industries such as automotive and electronics.
- (2) Supplier B is a world leading group company that engages in IC manufacturing, packaging, and testing, serving consumer electronics, communications, and automotive industries.
- (3) Supplier C is a world leading group company that engages in IC manufacturing.
- (4) Supplier D is a world leading company that engages in the design, development, and manufacturing of image sensors and optical components.
- (5) Supplier E is a world leading group company that engages in the design, development, and manufacturing of PCBs and IC substrates.
- (6) Supplier F is a world leading group company that engages in the design, development, and manufacturing of electronic components such as MLCCs, camera modules, and package substrates.
- (7) Supplier G is a world leading group company that engages in the design, development, and manufacturing of display products such as OLED and LCD panels.
- (8) Supplier H is a world leading group company that engages in the investment and management of electronic connector manufacturing and sales operations.

To the best knowledge of our Company, all of our five largest suppliers during the Track Record were independent third parties. None of our other Directors, their respective associates or any shareholder who, to the knowledge of such Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, has any interest in any of our top five suppliers during the Track Record Period.

We believe we have sufficient alternative suppliers that can provide us with substitutes of comparable quality and prices. During the Track Record Period, we did not experience any disruption to our business as a result of any significant shortage or delay in supply of the products we sourced from our suppliers.

TRANSFER PRICING ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, we entered into certain transfer pricing arrangements (“**Transfer Pricing Arrangements**”), primarily including intercompany loans and allocation of general and administrative expenses, and the transfer of interest in certain intellectual properties.

We carried out the Transfer Pricing Arrangements in line with our transfer pricing policy and followed the fundamental arm’s length principle as stated in the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations published by Organization for Economic Co-operation and Development.

During the Track Record Period and up to the Latest Practicable Date, we were not subject to any penalties, investigations, inquiries or transfer pricing audits conducted by local tax authorities in connection with the Transfer Pricing Arrangements. Our Directors believe that the Transfer Pricing Arrangements adhered to the arm’s length principle and we remained compliant with applicable transfer pricing laws and regulations during the Track Record Period and up to the Latest Practicable Date.

BUSINESS

BRANDING AND MARKETING

Branding

In January 2022, we announced the adoption of our new global brand and logo: **OMNIVISION®**. This new branding reflects our latest expansion in product offerings and capabilities, leveraging the collective expertise of OmniVision Technologies’ industry-leading digital imaging capabilities, our established analog portfolio and the TDDI Business we expanded into in 2020. This new branding name symbolizes outstanding service, reliability and speed. Emphasis is continually placed on promoting and protecting our brand, one of our most important assets.

We strive to enhance our brand awareness through maintaining high service quality and other marketing initiatives. We believe that the most effective form of marketing is to continually enhance our customer experience. Specifically, our sales and marketing strategy is designed to build brand recognition, increase demand for our products and solutions, build strong customer loyalty, drive cross-selling, and develop incremental business opportunities.

Leveraging our brand value and our own marketing efforts, we have been able to build a large base of loyal customers. We employ a variety of programs and marketing activities, such as attending well-acclaimed industry conventions and exhibitions, to promote our brand and our products and solutions.

Sales and Marketing/Customer Technical Support

We focus our sales and marketing strategy on establishing business and technology relationships principally with OEMs, ODMs and their contract manufacturers in order to work closely with them on future semiconductor solutions that align with their product road maps. Our engineers collaborate with our customers’ engineers to create products that comply with their specifications and provide a high level of performance at competitive prices. We also market our products directly to automobile, monitor, notebook and smartphone manufacturers so that our products can be qualified for their specifications and designed into their products. Additionally, we form strategic partnership with customers for our LCOS micro displays, 3D sensing and AI image sensing to penetrate into the emerging market. We believe we need close alliance with our customers to build up ecosystem for new applications.

Our sales and marketing team boasts a high level of technical expertise and industry knowledge, enabling them to effectively support a lengthy and complex sales process. This team includes a highly trained group of product managers and field applications engineers who are well-equipped to address customer needs and provide solutions. Additionally, our team is armed with extensive strategic marketing experience and a strong ability to identify and capitalize on emerging market trends, ensuring we stay ahead in a dynamic industry landscape. We also provide comprehensive technical support and assistance to potential and existing customers, so as to facilitate a smooth integration of our solutions into their products. We believe that the depth and quality of this design support are key to improving customers’ time to market and maintaining a high level of customer satisfaction.

We attend periodic technology forums that facilitate direct interaction between their product development teams and our research and development teams. These forums not only provide us with valuable insights into our customers’ long-term needs but also enable our customers to align their plans

BUSINESS

with the advancements and capabilities we can deliver. Also, our customers are increasingly utilizing contract manufacturers while retaining design and key component qualification activities. As this trend matures, we continually upgrade our sales operations and manufacturing support to maximize our efficiency, flexibility and coordination with our customers.

We work with our customers to design integrated solutions, including both hardware and software applications, to enhance the performance and efficiency of their products. Due to the deep integration of both hardware and software applications, we work extensively with our customer’s management and engineers to help optimize our solution. Our customer will then decide when to start volume production for the specific product based on various factors including the competitiveness of their own product, the market demand for the product and other factors. We believe that once our solutions are incorporated into our customer’s design, it will likely be used for the life cycle of the customer’s product as a redesign, and subsequent requalification, of the product would generally be time-consuming and expensive. After our customer begins production of the IC, our application engineers, who are often geographically close to our end customers, support our solutions. We believe that our deep interaction with numerous levels of our customer’s management team helps us to understand our customers, fosters customer loyalty and increases visibility of the services that we can offer.

INTELLECTUAL PROPERTY

Our success and ability to compete depend in part on our ability to maintain the proprietary aspects of our technologies and products. We rely on a combination of patents, trademarks, trade secrets, copyrights, confidentiality agreements, and other statutory and contractual provisions to protect our intellectual property, but these measures may provide only limited protection.

As of December 31, 2024, we held 4,865 authorized patents, including 4,659 invention patents, 204 utility model patents and two design patents, as well as 135 layout designs and 83 software copyrights. Our inability to adequately protect our intellectual property rights could materially and adversely affect our competitive position, business, financial condition and results of operations. See also “Risk Factors—Risks Relating to Our Business and Industry—Our ability to compete will be harmed if we are unable to protect, maintain or enforce our intellectual property rights adequately. Our patents, trade secrets, know-how and other proprietary information may be stolen, used in an unauthorized manner, or compromised, which could materially and adversely affect our results of operations, financial condition, business and prospects.”

As of the Latest Practicable Date, our Directors believe that there is no legal impediment for the renewal of the above patents, copyrights, trademarks and domain names that would materially and adversely affect our business. For details, please refer to the paragraph headed “Appendix VI—Statutory and general information—2. Further Information about Our Business—B. Our Material Intellectual Property Rights” in this document.

To protect and enforce our intellectual property rights, we enter into framework agreements with our suppliers imposing confidentiality obligations to protect our intellectual property rights during the manufacturing.

We have adopted a number of internal control policies and measures to protect our intellectual property rights and trade secrets. For example, we deploy a group-level digital platform to monitor and

BUSINESS

manage the full lifecycle of our patents, trademarks, copyrights, domain names and other intellectual property rights. Our intellectual property team proactively take initiatives to identify potential infringement upon our intellectual property rights and take appropriate actions based on our findings. We rely on confidentiality agreements to safeguard our interests in proprietary know-how that are not patentable and manufacturing processes for which patents are difficult to enforce. The contracts we entered into with our employees, suppliers, distributors, and other strategic partners are subject to review and approval by our in-house legal team, who is tasked with ensuring that sufficient protection is built into the contracts to prevent unauthorized disclosure. However, there is no guarantee that we will prevail on patent infringement claims against third parties, and we cannot assure you that our products do not infringe patents held by others or that they will not in the future. To the best of our knowledge, information and belief, during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material intellectual property rights claims by third parties.

COMPETITION

The markets for our products and solutions are, in general, intensely competitive, characterized by continuous technological change, evolving industry standards, and fluctuating average selling prices.

Our competitors include large domestic and international semiconductor companies who may have greater presence in key markets, a more established and larger customer base, and, in general, better access to other resources than we do. As a result, they may be able to adapt more quickly to new or emerging technologies and customer requirements or devote greater resources to the promotion and sale of their products. For a description of the semiconductor industry’s market environment, please refer to the “Industry Overview” section.

DATA PRIVACY AND PROTECTION

Information security is a critical defense for our Company’s stable operations and sustainable development. To strengthen our information security management system, we have implemented key policies and frameworks, including the Information Security Management System, the Policy for Information Security, and Information Security Governance. We established an Information Security Management System (ISMS) and enhanced related policies and documents under the ISO 27001 framework. Additionally, we integrated our risk management framework into the ISMS to proactively assess and address cybersecurity risks, protecting our assets and minimizing vulnerabilities. We also adopted cloud backup solutions to mitigate data loss risks and reinforce data security. We are fully committed to complying with the laws and regulations of the regions where we operate, including China.

Guided by accountability and due diligence, we have formed an information security management team under the Office of Information Security. This team includes Security Awareness, Vulnerability Management, Security Operations, and Security Engineering and Architecture units. We clarified roles and responsibilities within the information security framework and enforced an information security responsibility system. Furthermore, we implemented various daily operational measures to reduce information leakage risks. By continuously enhancing our employees’ emergency response capabilities and information security awareness, we effectively safeguard our information assets.

BUSINESS

We have enhanced measures to prevent information leakage, including implementing network segmentation and document classification to eliminate potential channels for information leakage. Additionally, we continue to advance key technologies to safeguard our information systems against network threats.

OUR CORPORATE SOCIAL RESPONSIBILITY

Our ESG Strategy

Our ESG strategy consists of three pillars: (i) green operations, (ii) talent orientation and (iii) pioneering innovation.

Green operations

We are committed to addressing environmental problems, such as energy management, waste, water resource and wastewater discharge, exhaust emission and climate change. We integrate the concept of environmental protection into our production and operation activities. Through the establishment of a sound environmental management system and raising employees’ awareness of environmental protection, we aim to achieve sustainable development of our company.

On energy management, our Songjiang Park in Shanghai, China has established an ISO 50001 energy management system. With “compliance with regulations, scientific management, energy saving and emission reduction, continuous improvement” as the system policy, we continue to invest in energy and water saving management and technology to improve efficiency and continuously optimize resource management.

For hazardous waste generated in the production process, we implement classification management and centralized disposal, and entrust it to units qualified to dispose of hazardous waste for collection, storage, transportation and disposal. For general waste, we take optimal measures to responsibly dispose, fully recycle, and/or reuse recyclable waste.

In addition, on water resources and wastewater discharge, exhaust emissions, our Songjiang Park in Shanghai, China has established an ISO 14001 environmental management system. We implement the environmental management policy of “optimizing resources, reducing pollution and waste, making continuous improvements, protecting the environment and complying with regulations” to minimize the impact of our production and operation activities on the environment.

Talent orientation

Along with a strong reputation among customers and the general public, we are widely acknowledged as a great place to work. It is our people—our greatest asset—that give us our strong reputation.

We have always striven to provide employees with comprehensive social benefits, a diverse work environment and a wide range of career development opportunities. We are committed to providing a safe and healthy workplace, which is backed by strict policies, robust team member education and safety recognition awards, along with continued investments in technology. We support the physical and behavioral health and well-being of our team members and their families by providing an array of programs that help our people and their loved ones stay at their best level of health. In

BUSINESS

addition, we are committed to establishing competitive and fair remuneration. In order to effectively motivate our staff, we continually refine our remuneration and incentive policies through market benchmarking. We conduct performance evaluations for our employees annually to provide feedback on their performance. Compensation for our staff typically consists of base salary and a performance-based bonus.

Our workforce is as diverse as the community we serve, and we believe that everyone deserves respect. We are committed to the education, recruitment, development and advancement of diverse team members worldwide, and are recognized for our commitment to those efforts. We not only focus on the improvement of employees’ professional development, but have made efforts to incentivize our employees to have a “sense of goals” and “sense of fulfillment.” Additionally, we place special emphasis on the building of a talent pipeline and cohesive organizational culture. We have established a comprehensive system for employee training and development, covering leadership, general competencies, professional competencies, and others. Our comprehensive training program includes corporate culture, employee rights and responsibilities, team building, professional behavior, job performance, management skills, leadership, and administrative decision-making.

Pioneering innovation

We are committed to product innovation and research and development, constantly increasing our investment in R&D, and strengthening our investment in areas such as green products. We systematically protect our intellectual property and trade secrets. We optimize our customer service and continuously strive to improve customer satisfaction.

As one of the world’s leading semiconductor design companies, we are committed to optimizing our supply chain management, improving the environmental and social performance of our suppliers and to cooperating with all business partners to create a sustainable business model. We convey the concepts of product quality management, environmental protection and corporate social responsibility to our suppliers. We embrace the spirit of local sourcing and always adhere to the social responsibility of banning hazardous substances and not using conflict minerals to reduce the risks associated with the environment and society. We continuously strive to work with our suppliers to expand our socially responsible ecological network and work together for sustainable operations.

Our Key ESG Topics

Following a materiality assessment procedure, we have identified six key ESG topics, namely Talent Attraction and Retention, Health and Safety of Employees, Business Ethics, Sustainable Supply Chain, Customer Service and Product Innovation and R&D, which correspond to the ESG management actions that have been taken to fulfill our ESG commitment and objectives set for each of the key ESG topics.

Our ESG Governance Structure

ESG committee

For the long-term sustainability of our company, we have decided to change the name of the Strategy and Development Committee to the Strategy and ESG Committee, effective upon the completion of the [REDACTED], to incorporate the responsibilities of evaluating and determining the

BUSINESS

ESG-related risks and opportunities, and ensure an appropriate and effective ESG risk management system is in place. Additionally, it should also report ESG-related risks and opportunities to the Board of Directors and ensure the effectiveness of the system.

We have also established an ESG Working Group which is composed of four groups, covering environment, product, employee and corporate governance, which serve to strive for our sustainability objectives. These groups are responsible for implementing ESG management policies approved by the Strategy and ESG Committee, managing and reporting ESG issues, and reporting on the progress of ESG work to the Strategy and ESG Committee.

Diversified governance

We believe that a diverse governance structure benefits our business operations and considers diversity within that governance structure a key element necessary to maintain our long-term competitiveness and promote sustainable growth. We have formulated the Board Diversity Policy, and the nomination committee selects board members based on a range of diversity categories, taking into account our business model and specific needs, including but not limited to gender, age, ethnicity, language, cultural background, educational background, industry experience or professional skills. We have designed appropriate procedures to develop board members with broader backgrounds, more diverse experience and skills.

Performance and Remuneration

To continuously promote our sustainability, we have formulated the “Administrative Measures for Remuneration and Performance of Senior Management,” which links the performance appraisal of executive directors, including senior managers, with business performance, compliance management, and environmental and social responsibilities. The environmental and social performance includes, but is not limited to, contributions in energy conservation and emission reduction, talent attraction and retention, sustainable supply chain, business ethics, product innovation and R&D.

To further regulate the remuneration incentive policy for our senior executives, and to prevent unethical business practices and violations of law, we have formulated a clear clawback policy to reasonably manage remuneration risks.

Our ESG KPIs

During the Track Record Period, our energy consumption, Greenhouse Gas (GHG) emissions and water consumption are as follows:

KPI	2024	2023	2022
Total energy consumption (MWh)	92,122.87	77,765.23	65,063.08
Direct energy consumption (MWh)	3,614.36	3,037.14	3,339.21
Indirect energy consumption (MWh)	88,508.51	74,728.09	61,723.87
Energy consumption intensity (MWh per capita)	17.14	16.20	13.06
Total GHG emissions (tCO ₂ e)	39,834.32	33,578.59	27,091.34
Direct GHG emissions (Scope 1) (tCO ₂ e)	729.96	613.38	674.39
Indirect GHG emissions from energy consumption (Scope 2) (tCO ₂ e) . .	39,104.36	32,965.21	26,416.95
GHG emission intensity (tCO ₂ e per capita)	7.41	7.00	5.44
Water consumption (tons)	352,101.99	353,600.67	250,511.39
Water consumption intensity (ton per capita)	65.50	73.67	50.30

BUSINESS

Notes:

1. The scope of the environmental data in this section covers the main offices of our Company, including Shanghai Zhangjiang Park, Shanghai Songjiang Park, Zhejiang Shaoxing Park, Silicon Valley in the United States.
2. The main categories of applicable energies include natural gas used for offices and factories (direct energy) and electricity purchased (indirect energy)
3. The Company has revised some data on indirect energy consumption in 2023 and recalculated the data related to energy consumption in 2023.
4. Content and category of GHG emissions collected in Scope 1 and Scope 2 include: natural gas used for offices and factories (Scope 1) and electricity (Scope 2). GHG emissions are presented in CO₂ equivalents, and the GHG emission of natural gas and the electricity purchased from Mainland China shall be calculated according to the Guidelines for Accounting and Reporting Greenhouse Gas Emissions of Other Industrial Enterprises (Trial) issued by the NDRC. GHG emissions in Scope 2 were calculated based on the latest regional average CO₂ emission factor for electricity announced by the Ministry of Ecology and Environment. Additionally, we recalculated the data for 2022 and 2024 based on the latest regional average CO₂ emission factor for electricity. The GHG emissions from purchased electricity from overseas sources were calculated using the electricity emission factor published by the International Energy Agency in 2023.
5. During the Track Record Period, due to the Company’s production expansion and the addition of equipment, there was an increase in total energy consumption, total GHG emissions, and their intensities compared with 2023. In addition, we installed reclaimed water reuse facilities during the Track Record Period, which improved water use efficiency. As a result, even though the number of employees increased, both the total water consumption and its intensity decreased compared with 2023.

EMPLOYEES

Our future success will depend, in part, on our ability to continue to attract, retain and motivate highly qualified technical and management personnel. As of December 31, 2024, we had a total of 5,376 full-time employees. The following is a breakdown of our employees by function as of the dates indicated:

Function	As of December 31,					
	2022		2023		2024	
	Number of Employees	% of Total	Number of Employees	% of Total	Number of Employees	% of Total
Research and development	2,148	43.1	2,053	42.8	2,387	44.4
Production	1,518	30.5	1,585	33.0	1,790	33.3
Sales and marketing	746	15.0	684	14.3	702	13.1
General and administrative	401	8.1	328	6.8	351	6.5
Logistics	167	3.3	150	3.1	146	2.7
Total	4,980	100.0	4,800	100.0	5,376	100.0

As required by PRC laws and regulations, we participate in various employee social security plans that are organized by municipal and provincial governments, including, among other things, pension, medical insurance, unemployment insurance, maternity insurance, on-the-job injury insurance and housing fund plans through a PRC government-mandated benefit contribution plan. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our staff, up to a maximum amount specified by the local government from time to time.

We typically enter into standard employment agreements and confidentiality agreements or clauses with our senior management and core personnel. None of our employees is represented by a collective bargaining agreement, and we have never experienced any material work stoppage.

Properties

We have a global presence that allows us to support our customers around the world. Our global corporate headquarters is located in a property we own in Shanghai, with a gross floor area of

BUSINESS

approximately 51,641.0 square meters. We also own land and properties in Songjiang, Shanghai and Santa Clara, California where our offices and research and development facilities are located. Our other facilities around the world are located on leased properties. As of the Latest Practicable Date, we had not received any claims from third-parties disputing the ownership of our properties.

The following table sets forth an overview of the key properties that we owned as of December 31, 2024.

Location	Gross Floor Area	Main Use
Santa Clara, U.S.	101,193.0 sq ft	Office
Shanghai, PRC	66,669.4 sq m	Factory, Warehouse (under construction)
Shanghai, PRC	51,641.0 sq m	Office, Rental
Shanghai, PRC	39,596.8 sq m	Factory, Warehouse
Shanghai, PRC	21,682.5 sq m	Office (under construction)
Shaoxing, PRC	36,301.3 sq m	Factory, Warehouse
Shanghai, PRC	12,932.8 sq m	Factory, Warehouse
Shanghai, PRC	9,279.02 sq m	Rental
Suzhou, PRC	570.5 sq m	Office
Beijing, PRC	403.4 sq m	Office

INSURANCE

We maintain insurance policies that are required under the laws and administrative regulations of the jurisdiction where we operate as well as based on our assessment of our operational needs and industry practice. We maintain insurance policies on our buildings, equipment and inventories covering property damage and damage due to, among other events, fires, typhoons, earthquakes and floods. We maintain these insurance policies on our facilities and on transit of inventories. Additionally, we maintain director and officer liability insurance. In compliance with the applicable PRC laws and regulations, we also provide social security insurance including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and medical insurance for our employees. We do not have insurance for business interruptions, nor do we maintain product liability insurance or have key person insurance.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations. From time to time, we may be subject to legal proceedings and claims in the ordinary course of business, including patent, commercial, professional liability, product liability, employment, class action, and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. In addition, third parties may from time to time assert claims against us in the form of letters and other communications. The results of any future litigation or administrative proceeding cannot be predicted with certainty, and regardless of the outcome, litigation and administrative proceedings can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

BUSINESS

Compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material non-compliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

RISK MANAGEMENT AND INTERNAL CONTROL

Internal Control Mechanism

We have adopted and implemented various policies and procedures to ensure rigorous risk management and internal control, and we are dedicated to continually improving these policies and procedures. Pursuant to our risk management policy, our key risk management objectives include: (i) identifying different types of risks; (ii) analyzing the identified risks, setting appropriate risk resistant level, and designing responsive policies and procedures; (iii) establishing a risk control and compliance management professionals organization; (iv) leveraging our IT systems to improve the accuracy and efficiency of related controls; (v) regularly reviewing risk management policies and relevant internal control systems to adapt to changes in regulatory updates, market conditions or our operating activities; and (vi) monitoring implementation of those designed policies and procedures.

Our risk management and internal control policies and procedures cover various aspects of our business operations, such as quality control, financial reporting, information disclosure, information system, internal control, human resources and regulatory risk management. We have taken various internal control measures and will continue to monitor and enhance our internal control policies to ensure our compliance with the requirements under the listing rules of the Shanghai Stock Exchange, the SIX Swiss Exchange and the Hong Kong [REDACTED]. We have formulated and implemented the Policy on Inside Information and Securities Dealing, which provides that (a) the Directors, officers or employees of the Company shall keep inside information confidential; and (b) the Company’s financial results or forecasts, its annual, half-year and quarterly reports, or related information shall not be disclosed prior to the publication of announcements by our Company. Among others, the Policy on Information Disclosure we set in place, which will take effect upon the [REDACTED], provides that (i) a shareholder holding 5% or more of the shares of our Company shall notify us in the event of any change in its shareholding of our Company, any major change in its control of the Company or any other circumstances as required under the listing rules of our Company’s place of listing, and (ii) the Directors, senior management and other staff who have access to material non-public information of the Company shall keep such information confidential and no inside information may be disclosed in the press conferences for the financial results, meetings with analysts, roadshow, meetings with potential investors or other meetings or communications in respect of the operations, financial conditions or other matters of the Company. Furthermore, the Directors and senior management of the Company have attended and will continue to attend trainings on securities laws and continuing compliance obligations under the listing rules of the Shanghai Stock Exchange, the SIX Swiss Exchange and the Hong Kong [REDACTED]. We have also engaged a compliance adviser to advise us on the compliance with the applicable laws, regulations and listing rules.

Anti-bribery and Anti-corruption

We strictly adhere to our Anti-Bribery and Anti-Corruption Policy, and we maintain a “zero tolerance” stance toward bribery and corruption. Based on regular risk assessments of critical areas

BUSINESS

vulnerable to bribery and corruption, we continuously review and enhance our policies and controls. Each year, our Audit Department evaluates and analyzes key issues based on the outcomes of corruption and bribery complaints, with the goal of minimizing such incidents, protecting our company’s reputation and credibility, and ensuring full operational compliance. Additionally, we have established robust document and records archiving policies to properly record all transactions and activities. This enables us to efficiently support internal and external audits and investigations whenever necessary.

We have established a public whistleblowing channel (whistleblower@ovt.com) and formulated a comprehensive Whistleblowing Policy to promote effective supervision of our business activities. This policy clearly defines the scope of whistleblowing, available reporting channels, protective measures for whistleblowers, and other detailed provisions.

Upon receiving any whistleblowing reports suspected of violations of business ethics, our internal audit department promptly assigns qualified internal or external investigators to conduct a thorough investigation. If the allegations are substantiated, we take appropriate actions based on the severity of the case, which may include disciplinary measures, dismissal, or termination of cooperation with the involved personnel.

We place great importance on protecting whistleblowers and witnesses, committing to strict confidentiality to safeguard their identities. This ensures that whistleblowers and witnesses are shielded from harassment, accusations, or retaliation, fostering a secure environment for reporting concerns.

To comply with applicable sanctions and export controls regulations, we maintain a trade compliance program which includes policies, standard operating procedures, automated control systems, compliance governance organization and an inquiry and reporting mechanism. We have been continually investing resources to enhance the program over the past years. As part of this compliance program, we generally screen our customers and suppliers against consolidated sanctions lists. We have also incorporated sanctions compliance controls into our IT systems, which, for example, do not allow orders from or destined to certain sanctioned countries.

Tariff and Export Control Policy Monitoring

Our business and financial performance may be influenced by geopolitical risks. Geopolitical tensions have resulted in and may continue to cause changes in international trade policies and additional barriers to trade such as increased tariffs and export restrictions. During the Track Record Period, our products exported to the United States accounted for an insignificant portion of revenue in each of 2022, 2023 and 2024. We expect that the impact of the U.S. tariff policy on our business is limited. During the Track Record Period, we consistently complied with the applicable licensing, documentation and other requirements in accordance with U.S. export control rules and did not encounter any material issue related to U.S. export control. Our trade compliance program helps us adhere to U.S. export control requirements. While the U.S. introduced tight rules targeting China’s access to advanced chips, supercomputers, and semiconductor manufacturing equipment — technologies often used in military applications, our products currently do not involve these technologies. We do not design or manufacture AI chips or processors. We actively monitor and manage our supply chain risks, striving to diversify our supply sources. Overall, the U.S. export control measures currently in place do not have a material impact on our business or financial performance. However, future developments in geopolitics could have additional impacts on our business and

BUSINESS

financial performance. See “Risk Factors—Risks Relating to Our Business and Industry—Our international strategy and ability to conduct business in international markets may be adversely affected by legal, regulatory, political and economic risks. Changes in international trade policies and investment restrictions, including imposition of additional trade restrictions and sanctions, may adversely impact our reputation, business, investments, financial condition and results of operations.”

LICENSES, APPROVALS AND PERMITS

During the Track Record Period and up to the Latest Practicable Date, we have obtained all material and necessary licenses, approvals, permits, and certificates required for our business operations in the jurisdictions where we operate, and all such licenses, permits, approvals, and certificates remain valid and in effect.

AWARDS AND RECOGNITIONS

During the Track Record Period and up to the Latest Practicable Date, we have received numerous accolades for both our technologies and products. Some of the most notable awards and recognitions are listed below.

Award Year	Award/Recognition	Awarding Institution/Authority
2025	BIG Innovation Awards - OMNIVISION TheiaCel® Product Family - Automotive	Business Intelligence Group
2024	2024 Automotive IC Technology Breakthrough of the Year Award	China Semiconductor Investment Alliance
2024	2024 Global Supply Chain Breakthrough of the Year Award	China Semiconductor Investment Alliance
2024	“China Chip” Outstanding Technological Innovation Product Award - System Basis Chip (SBC)/OKX0210	China Center for Information Industry Development
2024	2024 Star Product Award in the Global CMOS Industry	Shenzhen Camera Industry Association
2024	2024 World Electronics Achievement Awards – Sensor of the Year - OCH2B Camera Module	AspenCore, well-known global media platform covering the electronics industry
2024	2024 Top 10 Chinese IC Design Companies	AspenCore
2024	Best Sensor of the Year 2024 (OX08D)	AspenCore
2023	The 2nd Compass Tech Awards for Innovative Auto Semiconductor Company of the Year 2023	The 3rd China (Lin-Gang) International Semiconductor Summit in 2023
2023	The 10th Auto Electronic Innovation Awards	Shanghai Society of Automotive Engineers
2023	2023 Gaogong Golden Globe Award - Leading Provider of Automotive Image Sensors of the Year	Gaogong Intelligent Auto Research Institute
2023	2023 People’s Choice Award – Autonomous Vehicle	CAEV Expo
2023	2023 World Electronics Achievement Awards - Best Sensor of the Year (OV50H)	AspenCore

BUSINESS

Award Year	Award/Recognition	Awarding Institution/Authority
2023	Sensory Technology: Sensory Technology Solution of the Year (OX08D/ TheiaCel®)	Merit Awards, an independent awards program that recognizes global industries and the market they serve
2023	Med-Tech Innovations Awards 2023 Finalist (OCH2B & AntLinx™ Endoscope Imaging)	Med-Tech Innovations Awards 2023
2023	Automotive-Grade Chip Technology Breakthrough of the Year (OX08D10)	China Semiconductor Investment Alliance, JW Insights
2022	2022 Platinum Award for Digital Video Creation	Association of Marketing and Communication Professionals
2022	2022 Gold Award for Social Media	Association of Marketing and Communication Professionals
2022	2022 China Semiconductor Market Leader Award	World Semiconductor Conference & Nanjing International Semiconductor Expo
2022	2022 Best Imaging Solutions Manufacturer	Global Health and Pharma Magazine
2022	2022 Phoenix Chapter Spectrum Awards	American Marketing Association
2022	2022 Video, Visual & Virtual Awards - Winner of Best Virtual Customer Engagement Event	Lawrence Ragan Communications, Inc.
2022	2022 Video, Visual & Virtual Awards - Honorable Mention for Company Overview Video	Lawrence Ragan Communications, Inc.
2022	2022 Q1 Top 10 global IC design companies	TrendForce
2022	2022 Top 10 Chinese IC Design Companies	AspenCore
2022	Comprehensive strength index of 70 domestic IC design listed companies	AspenCore
2022	Growth potential index of 70 domestic IC design listed companies	AspenCore
2022	2022 World Electronics Achievement Awards Annual Sensor	AspenCore
2022	2022 Truly Innovative Electronics Award	Truly Innovative Electronics, an initiative by tech journalists to select electronics that they believe are critical for solving challenges faced by technology innovators
2022	2022 Innovators Awards: Silver Award	Vision Systems Design, a global media platform specialized in machine vision and image processing, demonstrating our relentless efforts to expand the frontiers of our image sensors through innovation
2022	2022 Leadership in Engineering Achievement Program Award: Embedded Computing - Bronze	LEAP Awards, which stands for The Leadership in Engineering Achievement Program Awards from Design World magazine, recognizes the most innovative products and components in the design engineering space
2022	2022 Best Imaging Solutions	AI Breakthrough Awards

BUSINESS

Award Year	Award/Recognition	Awarding Institution/Authority
2022	2022 Most Innovative In-Cabin Perception Application - Silver Award	AutoSens Awards, which recognize world leading ADAS and autonomous vehicle perception technology
2022	Hardware Development of the Year - Silver	AutoSens Awards

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Mr. YU Renrong is the founder of our Group, the chairman of the Board of Directors and an executive Director of our Company. See “Directors and Senior Management—Directors” for more details. Mr. YU Renrong is the direct beneficial owner of 333,472,250 A Shares of our Company and indirectly owns 74,132,662 A Shares of our Company through Shaoxing Weihao Management, which is ultimately controlled by Mr. YU Renrong. In addition, Mr. YU Xiaorong, brother of Mr. YU Renrong, is the direct beneficial owner of 972,000 A Shares of our Company. As advised by our PRC Legal Advisor, Shaoxing Weihao Management and Mr. YU Xiaorong are parties acting in concert with Mr. YU Renrong pursuant to PRC law. Mr. YU Renrong, Shaoxing Weihao Management and Mr. YU Xiaorong constitute a group of our Controlling Shareholders, holding approximately 33.57% of the issued share capital of our Company immediately before the [REDACTED].

Immediately following the completion of the [REDACTED] and assuming that no new Shares are issued under the [REDACTED] and our Share Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED], our Controlling Shareholders will hold approximately [REDACTED]% of the issued share capital of our Company.

Shaoxing Weihao Management is a partnership established under the laws of the PRC on December 12, 2017, whose sole business is to hold beneficial interest of our Company. Save for the business of our Group, each member of our Controlling Shareholders does not currently have any interest in a business that competes or is likely to compete, whether directly or indirectly, with our Group’s business, which would otherwise require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and their close associates after the [REDACTED].

Management independence

Our business is managed and conducted by our Board and senior management. Upon [REDACTED], our Board will consist of nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. Each of our Directors and senior management possesses relevant management, financial or industry-related experience to contribute to the management of our business. For further information on the qualifications and experience of our Directors and senior management, see “Directors and Senior Management” in this document.

In addition, our Directors consider that our Board and senior management are capable of functioning independently of our Controlling Shareholders for the following reasons:

- (a) each Director is aware of his fiduciary duties as a director which require, among other things, that he acts for the benefit and in the interest of our Company and does not allow any conflict between his duties as a Director and his personal interests;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;
- (c) we have appointed three independent non-executive Directors, comprising one-third of the total members of the Board, who have sufficient knowledge, experience and competence, so that there is a balanced composition of executive, non-executive Directors and independent non-executive Directors to ensure the independence of the Board in making decisions affecting our Company and to promote the interests of our Company and the Shareholders as a whole. In particular, the three independent non-executive Directors possess the relevant qualifications and industry experiences to safeguard the interests of the minority Shareholders of our Company by, among other things, reviewing and opining on connected transactions of our Company, if any, including those between our Company and our Controlling Shareholders and/or their close associates. Please refer to the section headed “Directors and Senior Management” for details of the biographies of the independent non-executive Directors;
- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions;
- (e) our Company is an A-share listed company and has established internal control mechanisms to identify connected transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director is obliged to declare and fully disclose such potential conflict of interest and shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted; and
- (f) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. Please see “—Corporate Governance Measures” in this section for further information.

Based on the above, our Directors believe that our business is managed independently from our Controlling Shareholders.

Operational independence

Our Company will continue to operate independently from our Controlling Shareholders after the [REDACTED]. Our Company makes and implements operational decisions independently of our Controlling Shareholders and has our own organizational structure with independent departments, each with specific areas of responsibility. Furthermore, we have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders. Our Company also maintains a set of comprehensive internal control measures to facilitate the effective operation of our business. Our Company has independent channels to access our customers and is not dependent on

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

our Controlling Shareholders with respect to suppliers for our business operations. Our Company has its own employees to operate the business and can independently manage its human resources. We have obtained relevant licenses, approvals and permits from relevant regulatory authorities which are material to our operations in Mainland China and other jurisdictions.

Based on the above, our Directors believe that our business is operationally independent of our Controlling Shareholders.

Financial independence

We have adopted our own independent internal control and financial management systems and we also have an independent accounting and finance department responsible for discharging relevant financial and treasury function with relevant finance personnel. We make financial decisions and determine our use of funds according to our own business needs. We have adequate internal resources and a strong credit profile to support our daily operation. Moreover, our Board has established the Audit Committee to provide independent oversight to, among others, our accounting and financial reporting processes.

We open and manage our bank accounts independently, and have not shared any bank account with our Controlling Shareholders. We are also capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders. We do not expect to rely on our Controlling Shareholders or any of his close associates for financing after the [REDACTED] as we expect that our working capital will be primarily funded by cash generated from our business operation, and to a lesser extent, external indebtedness.

As of the Latest Practicable Date, our Controlling Shareholders or their associates did not provide any loans to the Group or guarantee any loans of the Group.

In light of the above, our Directors are of the view that we are able to maintain financial independence from our Controlling Shareholders.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders’ interests. Our Company will comply with the provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix C1 to the Listing Rules, which set out principles of good corporate governance in relation to, among other matters, directors, the chairperson and chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration and communications with Shareholders. We have adopted/will adopt the following corporate governance measures to resolve actual or potential conflict of interests between our Group and our Controlling Shareholders:

- (a) under the Articles, where a Shareholders’ meeting is held to consider proposed transactions in which our Controlling Shareholders are, under the Listing Rules, required to abstain, our Controlling Shareholders shall abstain from voting and their votes shall not be counted in respect of such transactions;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon [REDACTED], if our Company enters into connected transactions with our Controlling Shareholders or any of their associates, our Company will comply with the applicable requirements under the Listing Rules;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (c) our Board consists of a balanced composition of executive, non-executive and independent non-executive Directors, with not less than one-third of independent non-executive Directors to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors, details of whom are set out in the section headed “Directors and Senior Management”, individually and collectively possess the requisite knowledge and experience to perform their roles. They will review whether there is any conflict of interests between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interest of our minority Shareholders;
- (d) our independent non-executive Directors will continuously review the compliance of the non-competition and independence undertakings provided by our Controlling Shareholders;
- (e) in the event that our independent non-executive Directors are requested to review any conflict of interests circumstances between our Group, on one hand, and our Controlling Shareholders and/or our Directors, on the other hand, our Controlling Shareholders and/or our Directors shall provide our independent non-executive Directors with all necessary information for consideration. Where our independent non-executive Directors reasonably request the advice of independent professionals, such as financial advisers, to help them make the judgment, the appointment of such independent professionals will be made at the expense of our Company; and
- (f) we have appointed Guotai Junan Capital Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders’ interests after the [REDACTED].

DIRECTORS AND SENIOR MANAGEMENT

OVERVIEW

Upon [REDACTED], our Board will consist of nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. Our Directors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office. The independent non-executive Directors shall not hold office for more than six consecutive years pursuant to the relevant PRC laws and regulations.

Our Company no longer maintains a supervisory board, effective June 10, 2025.

DIRECTORS

The following table provides information about our Directors:

Name	Age	Positions	Date of joining our Group	Date of appointment as a Director	Roles and duties
Mr. YU Renrong (虞仁榮先生)	59	Executive Director and Chairman of the Board	May 2007	May 2007	Overall strategic planning, business development and management of our Group
Mr. WU Xiaodong (吳曉東先生)	57	Executive Director	January 2018	November 2022	Global sales and marketing
Mr. JIA Yuan (賈淵先生)	51	Executive Director and Deputy General Manager	February 2011	June 2018	Overall strategic planning and management of our Group
Ms. QIU Huanping (仇歡萍女士)	50	Executive Director	September 2003	October 2023	Overall strategic planning and human resources management of our Group
Mr. LYU Dalong (呂大龍先生)	63	Non-executive Director	June 2020	June 2020	Providing advice on operation and management of our Group
Ms. CHEN Yu (陳瑜女士)	48	Non-executive Director	June 2025	June 2025	Providing advice on operation and management of our Group
Mr. ZHU Liting (朱黎庭先生)	64	Independent non-executive Director	June 2022	June 2022	Supervising and providing independent opinion and judgment to the Board
Ms. FAN Mingxi (范明曦女士)	45	Independent non-executive Director	June 2025	June 2025	Supervising and providing independent opinion and judgment to the Board
Mr. MOU Lei (牟磊先生)	62	Independent non-executive Director	June 2025	June 2025	Supervising and providing independent opinion and judgment to the Board

DIRECTORS AND SENIOR MANAGEMENT

Mr. YU Renrong (虞仁榮先生), aged 59, is our Director and Chairman of the Board. Mr. Yu founded our Company in 2007 and served as the deputy chairman of the Board of Directors and general manager from May 2007 to April 2011. Since April 2011, Mr. Yu has been the chairman of our Board of Directors.

Mr. Yu has 35 years of experience in the electronics industry. From July 1990 to May 1992, Mr. Yu was an engineer of Inspur Group Co., Ltd. (浪潮集團有限公司). Mr. Yu was a sales manager of Beijing representative office of Longyue Electronic (HK) Limited* (龍躍電子(香港)有限公司) from June 1992 to February 1998. From February 1998 to September 2001, Mr. Yu served as the chairman of the board of directors of Beijing Huaqing Xingchang Science and Trade Co., Ltd. (北京華清興昌科貿有限公司). Mr. Yu held several positions within our Group, including the executive director and manager of Beijing Jinghongzhi from September 2001 to November 2020, the executive director and general manager of Shenzhen Jinghongzhi from May 2003 to October 2020, and the chairman of the board of directors of Waching Electronic from September 2006 to May 2007. Mr. Yu also served as the chairman of the board of directors of Beijing Taihe Zhiheng Technology Co., Ltd.* (北京泰合志恒科技有限公司) from July 2014 to January 2021. He has been the director of Wuhan Guohe Technology Co., Ltd. (武漢果核科技有限公司) since July 2014. Since September 2015, He has been serving as the general partner of Shanghai Jingen Asset Management Partnership Enterprise (Limited Partnership) (上海京恩資產管理合夥企業(有限合夥)). From September 2017 to present, Mr. Yu has been the director and general manager of Beijing OmniVision, a subsidiary of our Company. Since January 2018, he has also been serving as the director of HENGHUI Technology Corporation Limited (新恒匯電子股份有限公司), a company listed on the Shenzhen Stock Exchange (SZSE: 301678). Since May 2024, Mr. Yu has been a director of Ingenic Semiconductor Co., Ltd. (北京君正集成電路股份有限公司), a company listed on the Shenzhen Stock Exchange (SZSE: 300223).

Mr. Yu graduated from Tsinghua University (清華大學) with a bachelor's degree in engineering, specializing in radio communications technology and information systems, in July 1990.

Mr. WU Xiaodong (吳曉東先生), aged 57, is our Director. He joined our Group in January 2018 and was elected our Director in November 2022. He also serves as senior vice president of global sales and marketing of the Group.

Mr. Wu has more than 30 years of experience in the semiconductor industry. From April 1989 to February 2004, he served as senior sales manager of the semiconductor division of Motorola, Inc. From February 2004 to April 2005, Mr. Wu served as the marketing director of Shanghai Freescale Technology Co., Ltd.* (上海飛思卡爾科技有限公司). He was the general manager in China of Xilinx China Technology Co., Ltd.* (賽靈思中國科技有限公司) from April 2005 to August 2008. From August 2008 to September 2012, Mr. Wu served as the president of the Asia Pacific region of Tiler Corporation* (泰邇睿公司). He served as the sales vice president of the Asia Pacific region of Lantiq Information Technology Co., Ltd.* (領特通信技術有限公司) from October 2012 to June 2015. From July 2015 to December 2017, he served as the general manager of Marvell Technology (Shanghai) Co., Ltd.* (美滿技術(上海)有限公司). Mr. Wu has been serving as the director of Xinkai Medical Technology (Shanghai) Co., Ltd. (心凱諾醫療科技(上海)有限公司) since January 28, 2021. He has also been serving as the director of Shanghai Jingxin Haotong Semiconductor Technology Co., Ltd. (上海景芯豪通半導體科技有限公司), a company mainly engaged in semiconductor research and development, since June 2022.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wu obtained a bachelor’s degree in radio communications technology and a master’s degree in communications and electronic systems from Tianjin University (天津大學) in July 1987 and March 1989, respectively, and an MBA degree from Northwestern University in December 2003.

Mr. JIA Yuan (賈淵先生), aged 51, is our Director and deputy general manager. Mr. Jia was elected our Director in June 2018 and appointed our deputy general manager in July 2023. He also served as secretary to our board of directors from February 2011 to September 2021 and our chief financial officer from February 2011 to June 2025.

Mr. Jia was an audit manager at Shanghai Accountants Firm Co., Ltd. (上海會計師事務所有限公司) from August 1996 to July 2001. He was a senior manager at Lixin Certified Public Accountants Co., Ltd. (立信會計師事務所有限公司) from August 2001 to January 2011. Mr. Jia has been a director of Shanghai Yi Yi Semiconductor Co., Ltd.* (上海夷易半導體有限公司) since November 2017. He has been serving as a supervisor of Hefei Weihao Semiconductor Technology Co., Ltd.* (合肥韋豪半導體技術有限公司) since December 2018. He has been the executive director of OmniVision Analog Integrated Circuit (Beijing) Co., Ltd.* (豪威模擬集成電路(北京)有限公司) since January 2020. Mr. Jia has also been the executive director of Zhejiang Will since June 2020.

Mr. Jia obtained a bachelor’s degree in accounting from Hangzhou Dianzi University (杭州電子科技大學) (previously known as Hangzhou Electronic Industrial College* (杭州電子工業學院)) in July 1996. Mr. Jia is a non-practicing member of the Chinese Institute of Certified Public Accountants. He also holds the qualification certificate for serving as the secretary to the board of directors issued by the Shenzhen Stock Exchange in June 2011.

Ms. QIU Huanping (仇歡萍女士), aged 50, has been our Director since October 2023. Under PRC law, she is an employee-representative director of our Company.

Ms. Qiu joined our Group in September 2003 as human resources supervisor, and currently serves as senior director of human resources of our Group. Before joining our Company, Ms. Qiu was an assistant in the business department of Haier Group Corporation (海爾集團公司) from July 1998 to January 1999. Ms. Qiu served as the manager of human resources and administration at Shanghai Mingshi Computer Co., Ltd.* (上海明釋電子有限公司) from January 2000 to December 2001 and at Aoduo (Shanghai) Construction Products Co., Ltd.* (奧多(上海)建築製品有限公司) from January 2002 to August 2003.

Ms. Qiu graduated from the Department of Computer Science and Engineering at Tongji University (同濟大學) in July 1998.

Mr. LYU Dalong (呂大龍先生), aged 63, has been our Director since June 2020.

Mr. Lyu possesses extensive experience in the fields of engineering and technology. From 1992 to 1993, he served as the general manager of Hainan Zhongfa Company China Township Enterprises Investment and Development Corporation* (中國鄉鎮企業投資開發有限公司海南中發公司). He was the general manager of Hainan Guoshitong Investment Company* (海南國世通投資公司) and Beijing Wanquan Garden Real Estate Development Co., Ltd. (北京萬泉花園物業開發有限公司) from 1993 to 2001. He has served as an independent director at Chongqing VDL Electronics Co., Ltd. (重慶市紫建電子股份有限公司) since May 2024, a company listed on the Shenzhen Stock Exchange (SZSE: 301121) specializing in the design, production and sale of rechargeable lithium-ion battery products. He has also been an independent director at Tus-Design Group Co., Ltd. (啓迪設計集團股份有限公司) since

DIRECTORS AND SENIOR MANAGEMENT

June 2024, a company engaged in whole-process engineering design and consulting listed on the Shenzhen Stock Exchange (SZSE: 300500).

Mr. Lyu obtained a bachelor’s degree in engineering, specializing in air conditioning engineering, from Tsinghua University (清華大學) in July 1983.

Ms. CHEN Yu (陳瑜女士), aged 48, has been our Director since June 2025.

From July 1998 to July 2002, Ms. Chen was an engineer in the Equipment Department of Shanghai Hua Hong NEC Electronics Co., Ltd. (上海華虹NEC電子有限公司) where she was responsible for product research and development. From August 2002 to May 2011, Ms. Chen was an engineer in the quality engineering department, a chief engineer in the new technology introduction department, and a senior manager in the customer engineering department, of Semiconductor Manufacturing International* (中芯國際), a company dual listed on the Hong Kong Stock Exchange (HKEx: 981) and the Shanghai Stock Exchange (SHSE: 688981). From June 2011 to March 2018, Ms. Chen was head of the sales department of Shanghai Huali Microelectronics Co., Ltd.* (上海華力微電子有限公司). From March 2018 to February 2022, Ms. Chen was the head of the sales department of Shanghai Huali Integrated Circuit Corporation (上海華力集成電路製造有限公司). Ms. Chen serves as a managing director of Yuanhe Puhua (Suzhou) Investment Management Co., Ltd.* (元禾璞華(蘇州)投資管理有限公司). Ms. Chen has also served as a director of several companies, including a director of Suzhou Sail Science & Technology Co., Ltd. (蘇州賽爾科技有限公司) since January 2024, a director of Xi’an Jili Electronic New Material Co., Ltd.* (西安吉利電子新材料股份有限公司) and Zhejiang Yasheng Semiconductor Equipment Co., Ltd. (浙江亞笙半導體設備有限公司) since March 2024, a director of Honghu (Suzhou) Semiconductor Technology Co., Ltd.* (泓滄(蘇州)半導體科技有限公司) since May 2024, a director of Ningbo Chuangrun New Material Co., Ltd. (寧波創潤新材料有限公司) since July 2024, a director of Dierberg (Shenzhen) Intelligent Technology Co., Ltd. (帝爾博格(深圳)智能科技有限公司) since August 2024. Since September 2024, Ms. Chen has been a director of Suzhou Tengxin Microelectronics Co., Ltd. (蘇州騰芯微電子有限公司), a director of Feejoy Technology (Shanghai) Co., Ltd. (飛卓科技(上海)股份有限公司), and a director of Gyrobot Technology (Suzhou) Co., Ltd. (捷螺智能設備(蘇州)有限公司). Ms. Chen has also been a director of Youwei Image Technology (Suzhou) Co., Ltd. (有為圖像技術(蘇州)有限公司), a director of Xinshuai Intelligent Technology (Suzhou) Co., Ltd.* (芯率智能科技(蘇州)有限公司), a director of Xihe Microelectronics Technology (Shanghai) Co., Ltd.* (矽赫微科技(上海)有限公司), and a director of Shanghai Zhiman Technology Co., Ltd. (上海知滿科技有限公司), with appointments to these boards beginning between January 2025 and April 2025.

Ms. Chen obtained a bachelor’s degree in chemical engineering from East China University of Science and Technology (華東理工大學) in July 1998 and an EMBA degree from Fudan University (復旦大學) in June 2017.

Mr. ZHU Liting (朱黎庭), aged 64, has been our independent non-executive Director since June 2022.

Mr. Zhu was an attorney at Boss & Young Attorney at Law (上海邦信陽中建中匯律師事務所) from 1997 to 2017 where the last position he held was partner. He has been a partner at Grandway Law Offices (北京國楓(上海)律師事務所) since 2017. Since June 2019, he has been an independent director of Shanghai Guandong Electric (Group) Co., Ltd. (上海廣電電氣(集團)股份有限公司), a company listed on the Shanghai Stock Exchange (SHSE: 601616). He has also been a director of Lao Feng

DIRECTORS AND SENIOR MANAGEMENT

Xiang Co., Ltd. (老鳳祥股份有限公司) since June 2019, a company listed on the Shanghai Stock Exchange (SHSE: 600612). From December 2021 to January 2025, Mr. Zhu served as an independent director of Omh Science Group Co., Ltd. (東杰智能科技集團股份有限公司), an intelligent manufacturing service provider listed on the Shenzhen Stock Exchange (SZSE: 300486).

Mr. Zhu obtained a bachelor’s degree in law from Fudan University (復旦大學) in July 2003 and holds the independent director qualification issued by the Shanghai Stock Exchange in June 2016.

Ms. FAN Mingxi (范明曦女士), aged 45, has been our independent non-executive Director since June 2025.

From July 2003 to October 2008, Ms. Fan held various positions in the global markets division of Deutsche Bank AG, Hong Kong Branch where the last position she held was vice president, equity structuring. From October 2008 to March 2024, Ms. Fan held various positions in the global markets department of UBS AG Hong Kong Branch where the last position she held was managing director, deputy head of Global Markets, China.

Ms. Fan obtained a bachelor’s degree in international finance and accounting in July 2001 and a master’s degree in applied economics in July 2003, both from Tsinghua University (清華大學).

Mr. MOU Lei (牟磊先生), aged 62, has been our independent non-executive Director since June 2025.

From October 1996 to June 2023, he was a partner at PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所 (特殊普通合伙)). Since February 2024, he has been an independent director of CITIC Bank International (China) Co., Ltd.* (中信銀行國際(中國)有限公司).

Mr. Mou graduated from Shanghai Lixin Technical School of Accounting (上海立信會計專科學校) (now known as Shanghai Lixin University of Accounting and Finance (上海立信會計金融學院)) in July 1983. Mr. Mou was qualified as a certified public accountant in the PRC in October 1988.

SENIOR MANAGEMENT

The following table provides information about members of the senior management of our Company:

<u>Name</u>	<u>Age</u>	<u>Positions</u>	<u>Date of joining our Group</u>	<u>Roles and duties</u>
Mr. WANG Song (王崧先生)	49	General Manager	October 2017	Responsible for overall operational management of our Group
Mr. JIA Yuan (賈淵先生)	51	Executive Director and Deputy General Manager	February 2011	Overall strategic planning and management of our Group
Mr. XU Xing (徐興先生)	43	Chief Financial Officer	March 2021	Responsible for financial planning and management of our Group
Ms. REN Bing (任冰女士)	33	Secretary to our Board of Directors	July 2015	Responsible for the Board-related matters, overall information disclosure and investor relationship of our Group

DIRECTORS AND SENIOR MANAGEMENT

Mr. WANG Song (王崧先生), aged 49, has been our general manager since June 2020. Mr. Wang has been the senior vice president of OmniVision Technologies (Shanghai) Co., Ltd. (豪威科技(上海)有限公司) since October 2017, prior to which he was a senior director in Knowles Electronics (Shanghai) Co., Ltd. (樓世电子(上海)有限公司) from October 2015 to October 2017 and a director of Nidec Compressor (Beijing) Co., Ltd. (尼得科壓縮機(北京)有限公司) from October 2013 to October 2015. Before that, he was with ON Semiconductors (Hong Kong) Limited (安森美半導體(香港)有限公司) from August 2000 to October 2013, with his last position there being the chief representative and director of its Beijing office. He has been an independent director at WeEn Semiconductors Co., Ltd. (瑞能半導體科技股份有限公司) since June 2019.

Mr. Wang obtained a double bachelor’s degree in economics of technology and radio communications technology in July 1998 from Tianjin University (天津大學), and an EMBA degree in December 2016 from Xi’an Jiaotong University (西安交通大學).

Mr. JIA Yuan (賈淵先生), aged 51, is our Director and deputy general manager. For his biography, see “—Directors” in this section.

Mr. XU Xing (徐興先生), aged 43, has been the chief financial officer of the Group since June 2025. From August 2006 to December 2011, Mr. Xu was an audit manager of KPMG Huazhen LLP (畢馬威華振會計師事務所(特殊普通合夥)). Mr. Xu was a partner of PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所(特殊普通合夥)) from January 2012 to February 2021. Mr. Xu holds various positions within our Group, including serving as the financial director, China, of our Company since March 2021, a director of OmniVision Technology Beijing since September 2022, a director of Shaoxing OmniVision Micro-display Technology Co., Ltd.* (紹興豪威微顯示技術股份有限公司) since December 2022, and a director of Zhejiang Core Test Semiconductor Co., Ltd.* (浙江芯測半導體有限公司) since March 2024. Mr. Xu obtained a bachelor’s degree in financial management in June 2004 from Wuhan University (武漢大學), and a master’s degree in accounting in June 2006 from Wuhan University (武漢大學). Mr. Xu is a non-practising member of the Chinese Institute of Certified Public Accountants.

Ms. REN Bing (任冰女士), aged 33, has been the secretary to our Board of Directors since September 2021, and director of securities investment department of our Company since August 2020. Ms. Ren also served as the securities affairs representative of our Company from July 2015 to September 2021.

Ms. Ren obtained a bachelor’s degree in law in July 2013 from Southwest University of Political Science and Law (西南政法大學) and a master’s degree in law in June 2015 from Soochow University (蘇州大學). She also holds a legal professional qualification certificate issued by the Ministry of Justice of PRC in August 2013, as well as a board secretary certificate issued by the Shanghai Stock Exchange in September 2016.

None of our Directors and members of senior management is related to other Directors or members of senior management. Save as disclosed in this section, (i) none of our Directors held any directorships in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this document; and (ii) to the best knowledge, information and belief of the Directors having made all reasonable inquiries, there were no other matters with respect to the appointment of the Directors that need to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

Ms. REN Bing (任冰女士) has been appointed as our joint company secretary. See “—Senior Management” above for Ms. Ren’s biography.

Ms. LAU Yee Wa (劉綺華) has been appointed as one of our joint company secretaries with effect from the [REDACTED]. Ms. Lau is a director of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. Lau has over 20 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Lau currently serves as the company secretary/joint company secretary in several listed companies on the Stock Exchange, including Meituan (HKEx: 3690), Li Auto Inc. (HKEx: 2015), Zhihu Inc. (HKEx: 2390) and RoboSense Technology Co., Ltd. (HKEx: 2498). Ms. Lau is a Chartered Secretary, a Chartered Governance Professional and an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Lau obtained her bachelor of business administrative management from the University of South Australia.

CONFIRMATION FROM OUR DIRECTORS

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in June 2025, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his or her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he or she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his or her independence at the time of his/her appointments.

DISCLOSURE UNDER RULE 8.10(2) OF THE LISTING RULES

As of the Latest Practicable Date, none of our Directors had interests in any business, which competes directly or indirectly with our business for the purpose of Rule 8.10(2) of the Hong Kong Listing Rules.

MANAGEMENT AND CORPORATE GOVERNANCE

Board Committees

We have established four Board Committees in accordance with the relevant laws and regulations in Mainland China, the Articles and the code of corporate governance practices under the Listing Rules, namely the Audit Committee, the Remuneration and Evaluation Committee, the Nomination Committee and the Strategy and Development Committee. The functions of the four committees are summarized as follows:

DIRECTORS AND SENIOR MANAGEMENT

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of our Group, review and approve related party and/or connected transactions and provide advice and comments to the Board. The Audit Committee consists of three members, namely Ms. FAN Mingxi, Mr. ZHU Liting and Mr. MOU Lei, with Mr. MOU Lei as the chairperson of the Audit Committee. Mr. MOU Lei is the director appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration and Evaluation Committee

We have established the Remuneration and Evaluation Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Remuneration and Evaluation Committee are to review and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management. The Remuneration and Evaluation Committee comprises three members, namely Mr. ZHU Liting, Ms. FAN Mingxi and Mr. MOU Lei, with Mr. ZHU Liting as the chairperson of the Remuneration and Evaluation Committee.

Nomination Committee

We have established a Nomination Committee with written terms of reference in compliance with the Code on Corporate Governance in Appendix C1 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment of Directors and management of Board succession. The Nomination Committee comprises three members, namely Ms. FAN Mingxi, Ms. QIU Huanping and Mr. MOU Lei, with Ms. FAN Mingxi as the chairperson of the Nomination Committee.

Strategy and Development Committee

We have established a Strategy and Development Committee with written terms of reference. The primary duties of the Strategy and Development Committee are to make recommendations to our Board on the long-term development strategy and major investments decisions. We have decided to change the name of the Strategy and Development Committee to the Strategy and ESG Committee, effective upon the completion of the [REDACTED], to incorporate the responsibilities of evaluating and determining the ESG-related risks and opportunities, and ensure an appropriate and effective ESG risk management system is in place. The Strategy and ESG Committee will make recommendations to our Board on sustainable development planning and ESG related matters, in particular, the aspects as stipulated in the Appendix C2 Environmental, Social and Governance Reporting Code to the Listing Rules, including climate-related themes and topics. The Strategy and Development Committee comprises three members, namely Mr. YU Renrong, Mr. ZHU Liting and Ms. FAN Mingxi with Mr. YU Renrong as the chairperson of the Strategy and Development Committee.

DIRECTORS AND SENIOR MANAGEMENT

Corporate Governance Code

We aim to implement a high standard of corporate governance, which we believe is crucial to safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix C1 of the Listing Rules after the [REDACTED].

Board diversity

Our Company has adopted a board diversity policy which sets out the approach to achieve diversity of the Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining our Company’s competitive advantage and enhancing our ability to attract, retain and motivate employees from the widest possible pool of available talent. Pursuant to the board diversity policy, in reviewing and assessing suitable candidates to serve as a director of our Company, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. In particular, our Company currently has three female Directors in the Board and will continue to work towards enhancing the gender diversity of the Board. Our Directors have a balanced mix of knowledge and skills, and we have five non-executive Directors, including three independent non-executive Directors, with different industry backgrounds. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our board diversity policy. Pursuant to the board diversity policy, the Nomination Committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for formal adoption.

Management presence

According to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Our Company does not and, for the foreseeable future, will not have a sufficient management presence in Hong Kong. We have applied for, and the Stock Exchange [has granted], a waiver from compliance with Rule 8.12 of the Listing Rules. For further details, see “Waivers and Exemptions - Waiver in respect of Management Presence in Hong Kong”.

REMUNERATION

Our Directors and senior management receive their remuneration in the form of basic annual payments and performance-related annual payments, including fees, salaries, share-based compensation, pension schemes contribution and other benefits in kind.

For the years ended December 31, 2022, 2023 and 2024, the total remuneration (including share-based compensation) paid to our Directors amounted to RMB17.7 million, RMB3.9 million and RMB10.3 million, respectively.

For the years ended December 31, 2022, 2023 and 2024, the total remuneration (including share-based compensation) paid to the five highest paid individuals (excluding Directors) by us amounted to RMB25.5 million, RMB23.4 million and RMB32.8 million, respectively.

DIRECTORS AND SENIOR MANAGEMENT

For the years ended December 31, 2022, 2023 and 2024, no payment was made by us to any of the Directors or the five highest paid individuals as an inducement to join us or as compensation for loss of office. None of the Directors waived their remuneration during the relevant period.

The remuneration of our Director and senior management is determined with reference to factors including the responsibility, risk and commitment of our Directors and senior management, the completion rate of our corporate profit, the assessment result of our target responsibility system, the performance evaluation structure of each of our corporate departments and the salaries paid by comparable companies.

Save as disclosed above and in “Financial Information,” “Accountants’ Report” and “Statutory and General Information,” no other payments have been paid or are payable in respect of the Track Record Period to our Directors and senior management by our Group. Under the arrangements currently in force, we estimate the aggregate remuneration (including share-based compensation), excluding discretionary bonus, of our Directors for the year ending December 31, 2025 to be approximately RMB11.5 million.

See the Accountants’ Report in Appendix I for details on remuneration paid to our Directors and senior management and, on an aggregate basis, the five highest paid individuals of our Group during the Track Record Period, and paragraphs headed “Statutory and General Information — 4. Our Incentive Schemes” in Appendix VI for details regarding the incentive plans for our Directors and senior management.

COMPLIANCE ADVISER

We have appointed Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. The compliance adviser will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company, among others, in the following circumstances:

- (a) before the publication of any regulatory announcement, circular, or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this document; and
- (d) where the Hong Kong Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of the compliance adviser shall commence on the [REDACTED] and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED] and such appointment may be subject to extension by mutual agreement.

SHARE CAPITAL

BEFORE THE [REDACTED]

As of the Latest Practicable Date, the total issued share capital of our Company was RMB1,217,161,090, comprising 1,217,161,090 A Shares with a nominal value of RMB1.00 each, all of which are listed on the Shanghai Stock Exchange.

Description of Shares	Number of Shares	Approximate % of issued share capital
A Shares*	1,217,161,090	100.0%
Total	1,217,161,090	100.00%

Note:

* Including 15,134,363 A Shares repurchased by our Company pursuant to the repurchase mandates approved by the Shareholders, accounting for approximately 1.24% of the total number of A Shares in issue as of the Latest Practicable Date.

UPON COMPLETION OF THE [REDACTED]

Immediately following the completion of the [REDACTED] and assuming that the [REDACTED] Option is not exercised and that there will be no change in the total issued share capital of the Company other than the [REDACTED], the share capital of our Company will be as follows.

Description of Shares	Number of Shares	Approximate % of enlarged issued share capital
A Shares*	1,217,161,090	[REDACTED]
H Shares to be issued pursuant to the [REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]

Immediately following the completion of the [REDACTED] and assuming that the [REDACTED] Option is fully exercised and that there will be no change in the total issued share capital of the Company other than the [REDACTED], the share capital of our Company will be as follows.

Description of Shares	Number of Shares	Approximate % of enlarged issued share capital
A Shares*	1,217,161,090	[REDACTED]
H Shares to be issued pursuant to the [REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]

Note:

* Including 15,134,363 A Shares repurchased by our Company pursuant to the repurchase mandates approved by Shareholders, accounting for approximately 1.24% of the total number of A Shares in issue as of the Latest Practicable Date.

OUR SHARES

Our H Shares in issue upon completion of the [REDACTED], and our A Shares, are ordinary Shares in our share capital and are considered one class of shares. Shanghai-Hong Kong Stock Connect has established a stock connect mechanism between Mainland China and Hong Kong. Our A Shares can be subscribed for and traded by mainland Chinese investors, qualified foreign institutional investors or qualified foreign strategic investors and must be traded in Renminbi. As our A Shares are

SHARE CAPITAL

eligible securities under the Northbound Trading Link, they can also be [REDACTED] and [REDACTED] by Hong Kong and other overseas [REDACTED] pursuant to the rules and limits of Shanghai-Hong Kong Stock Connect.

Our H Shares can be subscribed for or [REDACTED] by Hong Kong and other overseas [REDACTED] and qualified domestic institutional [REDACTED]. If our H Shares are eligible securities under the Southbound Trading Link, they can also be [REDACTED] by mainland Chinese [REDACTED] in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

RANKING

The differences between A Shares and H Shares, the dispatch of notices and financial reports to Shareholders, dispute resolution, registration of Shares on different registers of shareholders, the method of Share transfer, appointment of dividend receiving agents and other matters are set out in our Articles of Association and summarized in the section headed “Summary of the Articles of Association” in Appendix V to this document.

Except for the differences above, our H Shares and our A Shares are regarded as one class of Shares under our Articles of Association and will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this document. All dividends in respect of our H Shares are to be paid by us in Hong Kong dollars whereas all dividends in respect of our A Shares are to be paid by us in Renminbi. In addition to cash, dividends may also be distributed in the form of Shares. The holders of our H Shares will receive share dividends in the form of H Shares, and the holders of our A Shares will receive share dividends in the form of A Shares.

NO CONVERSION OF OUR A SHARES INTO H SHARES FOR [REDACTED] AND [REDACTED] ON THE HONG KONG STOCK EXCHANGE

Our A Shares and our H Shares are generally neither interchangeable nor fungible, and the market prices of our A Shares and our H Shares may be different after the [REDACTED]. The Guidelines on Application for “Full Circulation” of Domestic Unlisted Shares of H-share Companies (《H股公司境内未上市股份申请“全流通”业务指引》) announced by the CSRC are not applicable to companies dual listed in the PRC and on the Hong Kong Stock Exchange. As of the Latest Practicable Date, there were no relevant rules or guidelines from the CSRC providing that A Shareholders may convert A shares held by them into H shares for [REDACTED] and [REDACTED] on the Hong Kong Stock Exchange.

APPROVAL FROM HOLDERS OF A SHARES REGARDING THE [REDACTED]

Approval from the holders of A Shares is required for our Company to issue H Shares and seek the [REDACTED] of H Shares on the Hong Kong Stock Exchange. Such approval was obtained by us at the shareholders’ general meeting of our Company held on June 18, 2025 and is subject to the following conditions:

- (i) *Size of the [REDACTED]*. The proposed number of H Shares to be [REDACTED] shall not exceed 5% of the total issued share capital enlarged by the H Shares to be issued pursuant to the [REDACTED] (before the exercise of the [REDACTED]). The number of H Shares to be [REDACTED] pursuant to the full exercise of the [REDACTED] shall not exceed 15% of the total number of H Shares to be [REDACTED] initially under the [REDACTED].

SHARE CAPITAL

- (ii) *Method of [REDACTED]*. The method of [REDACTED] shall be by way of an international [REDACTED] to institutional [REDACTED] and a [REDACTED] for subscription in Hong Kong.
- (iii) *Target [REDACTED]*. The H Shares shall be [REDACTED] to public [REDACTED] in Hong Kong under the [REDACTED] and international [REDACTED], qualified domestic institutional [REDACTED] in Mainland China and other [REDACTED] who are approved by mainland Chinese regulatory bodies to [REDACTED] abroad in [REDACTED].
- (iv) *Price determination basis*. The [REDACTED] of the H Shares will be determined, among others, after due consideration of the interests of existing shareholders of our Company, [REDACTED] acceptance and the risks related to the [REDACTED], according to international practice, through the demand for orders and the book building process, subject to the domestic and overseas capital market conditions and by reference to the valuation levels of comparable companies in domestic and overseas markets.
- (v) *Validity period*. The [REDACTED] of H Shares and [REDACTED] of H Shares on the Hong Kong Stock Exchange shall be completed within 18 months from the date when the shareholders’ meeting was held on June 18, 2025. If the Company obtains the approvals from the relevant regulatory authorities for the [REDACTED] and [REDACTED] of H Shares within the 18 months validity period, the validity period will be automatically extended to the later of the completion date of the [REDACTED] or the exercise of the [REDACTED].

There is no other approved offering plans for our Shares except the [REDACTED].

SHAREHOLDERS’ GENERAL MEETINGS

For details of circumstance under which our shareholders’ general meeting is required, see “Summary of the Articles of Association — Shareholders and Shareholders’ General Meetings” in Appendix V to this document.

SHARES SCHEMES

Certain employees of our Company and our subsidiaries are eligible to subscribe in interests of our Shares through the Share Schemes. For details, please refer to “Statutory and General Information — Our Incentive Schemes” in Appendix VI to this document.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

Immediately following completion of the [REDACTED], assuming no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED], the following persons will have an interest or short position (as applicable) in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company or any other member of our Group:

Substantial shareholders of our Company

Shareholder	Nature of interest	Description of Shares	Number of Shares directly or indirectly held	Assuming that the [REDACTED] are not exercised		Assuming that the [REDACTED] are fully exercised	
				Approximate % of shareholding in our A Shares immediately after the [REDACTED]	Approximate % of shareholding in the total share capital of our Company immediately after the [REDACTED]	Approximate % of shareholding in our A Shares immediately after the [REDACTED]	Approximate % of shareholding in the total share capital of our Company immediately after the [REDACTED]
Mr. YU Renrong . . .	Interest of person acting in concert ⁽¹⁾	A Shares	972,000	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	Interest in controlled corporation ⁽²⁾	A Shares	74,132,662	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	Beneficial owner	A Shares	333,472,250	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Shaoxing Weihao Management	Interest of person acting in concert ⁽¹⁾	A Shares	334,444,250	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	Beneficial owner	A Shares	74,132,662	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mr. YU Xiaorong . .	Interest of person acting in concert ⁽¹⁾	A Shares	407,604,912	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	Beneficial owner	A Shares	972,000	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Note:

(1) Mr. YU Renrong is the chairman of the Board of Directors and an executive Director of our Company. See “Directors and Senior Management—Directors” for more details. Mr. YU Renrong is the direct beneficial owner of 333,472,250 A Shares of our Company and indirectly owns 74,132,662 A Shares of our Company through Shaoxing Weihao Management, which is ultimately controlled by Mr. YU Renrong. In addition, Mr. YU Xiaorong, brother of Mr. YU Renrong, is the direct beneficial owner of 972,000 A Shares of our Company. As advised by our PRC Legal Advisor, Shaoxing Weihao Management and Mr. YU Xiaorong are parties acting in concert with Mr. YU Renrong pursuant to PRC law. Each of Mr. YU Renrong, Shaoxing Weihao Management and Mr. YU Xiaorong is deemed to be interested in all the A Shares in which each of them is interested. Mr. YU Renrong, Shaoxing Weihao Management and Mr. YU Xiaorong constitute our Controlling Shareholders, holding approximately 33.57% of the issued share capital of our Company immediately before the [REDACTED].

(2) Mr. YU Renrong is the ultimate beneficial owner of the general partner of Shaoxing Weihao Management. Accordingly, Mr. Yu Renrong is deemed to be interested in the 74,132,662 A Shares held by Shaoxing Weihao Management.

For further information on any other person who will be, immediately following completion of the [REDACTED], directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group, see section headed “Statutory and General Information — Further Information About Our Directors — Disclosure of Interests — interests of Substantial Shareholders in Members of Our Group (excluding our Company)” in Appendix VI to this document.

SHARE PLEDGES BY MR. YU RENRONG AND SHAOXING WEIHAO MANAGEMENT

Each of Mr. YU Renrong and Shaoxing Weihao Management has from time to time pledged the A Shares they owned to certain PRC financial institutions as collateral in order to obtain financing.

SUBSTANTIAL SHAREHOLDERS

As of the Latest Practicable Date, each of Mr. YU Renrong and Shaoxing Weihao Management has pledged 173,708,400 Shares, representing approximately 14.27% of the total issued share capital of our Company, and 56,896,000 A Shares, representing approximately 4.67% of the total issued share capital of our Company, respectively. Mr. YU Renrong is the ultimate beneficial owner of the general partner of Shaoxing Weihao Management.

To the best knowledge of our Directors having made all reasonable enquiries, there has not been any adverse credit records against Mr. YU Renrong or Shaoxing Weihao Management in respect of any breach of repayment obligations under their indebtedness. Mr. YU Renrong (also on behalf of Shaoxing Weihao Management) has confirmed that, if any circumstances arise which results in a margin call or top-up mechanism being triggered under any of the share pledges, Mr. YU Renrong and Shaoxing Weihao Management shall take all necessary actions, such as provision of additional collateral/and repayment of the relevant indebtedness, to ensure no enforcement of the pledged A Shares will occur.

FINANCIAL INFORMATION

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

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in “Risk Factors” and “Forward-Looking Statements” and elsewhere in this document.

OVERVIEW

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

BASIS OF PREPARATION

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

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

FINANCIAL INFORMATION

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

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

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

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

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

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

FINANCIAL INFORMATION

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

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

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

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

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

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

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

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

We strive to work closely with current and prospective customers to anticipate their requirements and product roadmaps. This better enables us to develop innovative semiconductor solutions designed for their needs and achieve design wins, which are decisions by manufacturers and their end-customers to incorporate our solutions into their systems. Although design wins are not binding commitments by customers to purchase our products and solutions, we believe that achieving design wins is an important performance indicator. Our customers typically devote substantial time and resources to designing their products as well as qualifying their component suppliers and their products. Once our products have been designed into a system, the customers are typically reluctant to alter their designs due to the significant costs and time associated with qualifying a new supplier or a

FINANCIAL INFORMATION

replacement component, and we endeavor to maintain our incumbent position with our customers by continually improving our products and solutions to meet their evolving needs. Our long-term sales expectations are based on forecasts from customers and internal estimates of demand factoring in the expected time-to-market of the final products incorporating our solutions and their respective sales potential.

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

Our ability to maintain a stable supply chain

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

Our ability to continually enhance our technology capabilities

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

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

FINANCIAL INFORMATION

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

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

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

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

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

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

MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Revenue Recognition

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

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

FINANCIAL INFORMATION

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

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

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

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

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

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

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

Further details of our revenue recognition policies are as follows:

Sales of goods

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

FINANCIAL INFORMATION

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

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

Provision of services

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

Financing components

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

Inventory Valuation

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

Impairment of Goodwill

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

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

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

Impairment of Other Non-financial Assets

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they

FINANCIAL INFORMATION

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

Impairment of Financial Assets

We recognize a loss allowance for expected credit loss (“ECL”) on financial assets which are subject to impairment under IFRS 9 “Financial Instruments”. The amount of ECL is updated at the end of each year during the Track Record Period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on our historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment for both the current conditions at the reporting date as well as the forecast of future conditions.

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

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

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

Valuation of certain Financial Assets

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

Valuation of Share-based Payments

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

FINANCIAL INFORMATION

Share options

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

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

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

Restricted shares

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

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

Accounting for Income Taxes

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

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

FINANCIAL INFORMATION

New and Amended Standards

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

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

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

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

Revenue

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

FINANCIAL INFORMATION

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

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

Note:

(1) Primarily including income from technical service.

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

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

Note:

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

Cost of Sales

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

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

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

FINANCIAL INFORMATION

Note:

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

Gross Profit and Gross Margin

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

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

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

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

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

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

FINANCIAL INFORMATION

Other Income

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

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

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

Selling and Marketing Expenses

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

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

Notes:

(1) Primarily including office expenses and lease expenses.

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

General and Administrative Expenses

Our general and administrative expenses consist primarily of (i) employee benefits expenses related to general and administrative personnel, (ii) impairment of goodwill, (iii) depreciation and amortization of office equipment and intangible assets, such as trademarks transferred to us pursuant to our strategic acquisitions, (iv) professional services fees primarily in relation to legal, audit, tax and other professional service, (v) taxes and surcharges, (vi) licenses fee, (vii) bank charges, (viii) share-

FINANCIAL INFORMATION

based payments related to general and administrative personnel, (ix) office expenses and (x) others. The following table sets forth a breakdown of our general and administrative expenses, in amounts and as percentages of total general and administrative expenses, for the years indicated:

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

Note:

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

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

Research and Development Expenses

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

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

Notes:

(1) Primarily including lease expenses and utilities.

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

FINANCIAL INFORMATION

Net Impairment Losses on Financial Assets

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

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

Other Gains, Net

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

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

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

FINANCIAL INFORMATION

Finance Costs, Net

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

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

Share of Post-Tax Losses of Equity Accounted Associates

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

Income Tax Expenses / Benefit

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

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

Profit For The Year

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

FINANCIAL INFORMATION

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

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

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

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

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

Cost of sales

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

Gross profit

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

Other income

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

FINANCIAL INFORMATION

Selling and marketing expenses

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

General and administrative expenses

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

Research and development expenses

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

Net impairment losses on financial assets

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

Other gains, net

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

Finance costs, net

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

FINANCIAL INFORMATION

Share of post-tax losses of equity accounted associates

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

Income tax expenses /benefit

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

Profit for the year

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

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

Revenue

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

Cost of sales

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

Gross profit

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

Other income

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

Selling and marketing expenses

Our selling and marketing expenses decreased by 9.5% from RMB516.2 million in 2022 to RMB467.3 million in 2023, primarily due to (i) a reversal of share-based payments of RMB8.9 million

FINANCIAL INFORMATION

in 2023 as the business performance conditions of our Company in the share incentive plans were not met, and (ii) a decrease in employee benefits expenses from RMB351.7 million in 2022 to RMB349.3 million in 2023, because we optimized our sales team from 746 employees in 2022 to 684 employees in 2023.

General and administrative expenses

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

Research and development expenses

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

Net impairment losses on financial assets

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

Other gains, net

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

Finance costs, net

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

Share of post-tax losses of equity accounted associates

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

FINANCIAL INFORMATION

Income tax expenses / benefit

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

Profit for the year

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

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Current Assets and Current Liabilities

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

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

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

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

FINANCIAL INFORMATION

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

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

Non-Current Assets and Non-Current Liabilities

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

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

FINANCIAL INFORMATION

Inventories

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

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

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

The following is an aging analysis of our inventories:

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

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

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

Notes:

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

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

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

FINANCIAL INFORMATION

Trade and Other Receivables

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

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

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

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

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

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

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

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

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

Notes:

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

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

FINANCIAL INFORMATION

Prepayments

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

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

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

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

Financial Assets at Fair Value Through Other Comprehensive Income

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

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

FINANCIAL INFORMATION

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

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

Financial Assets at Fair Value Through Profit or Loss

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

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

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

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

FINANCIAL INFORMATION

Other Current Assets

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

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

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

Property, Plant and Equipment

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

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

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

FINANCIAL INFORMATION

Assets under Construction

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

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

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

Right-of-use Assets

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

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

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

Investment Properties

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

FINANCIAL INFORMATION

Intangible Assets

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

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

Notes:

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

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

Development Expenditure

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

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

FINANCIAL INFORMATION

Goodwill

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

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

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

Investments accounted by equity method

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

Other Non-current Assets

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

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

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

FINANCIAL INFORMATION

Trade and Other Payables

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

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

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

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

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

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

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

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

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

Notes:

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

FINANCIAL INFORMATION

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

Contract Liabilities

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

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

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

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

Current Tax Liabilities

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

Employee Benefit Obligations

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

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

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

FINANCIAL INFORMATION

Other Current Liabilities

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

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

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

Provision

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

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

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

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

Financial Liabilities at Fair Value Through Profit or Loss

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

FINANCIAL INFORMATION

Other Non-current Liabilities

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

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

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

KEY FINANCIAL RATIOS

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

Notes:

- (1) ROE is calculated by dividing profit for the year attributable to the owners of our Company by the average balance of equity attributable to owners of our Company.
- (2) Inventory turnover days is calculated as the average of beginning and ending balance of inventories for the year divided by cost of sales for that year and multiplied by 365 days.
- (3) Trade receivables turnover days is calculated as the average of beginning and ending balance of trade receivables for the year divided by revenue for that year and multiplied by 365 days.
- (4) Gearing ratio is calculated by dividing net debt by equity attributable to owners of our Company. Net debt equals the sum of borrowings, Convertible Bonds and lease liabilities, deducted by the amount of cash and cash equivalents. As of December 31, 2024, there was no net debt balance.

LIQUIDITY AND CAPITAL RESOURCES

Overview

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

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

FINANCIAL INFORMATION

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

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

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

Net cash used in/generated from operating activities

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

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

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

Net cash used in investing activities

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

FINANCIAL INFORMATION

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

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

Net cash generated from/used in financing activities

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

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

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

INDEBTEDNESS

Borrowings

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

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

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

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

FINANCIAL INFORMATION

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

Borrowings, Non-current

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

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

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

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

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

Borrowings, Current

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

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

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

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

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

FINANCIAL INFORMATION

Convertible Bonds

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

Lease Liabilities

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

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

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

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

Contingent Liabilities

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

FINANCIAL INFORMATION

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

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

CAPITAL COMMITMENTS

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

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

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

CAPITAL EXPENDITURES

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

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

FINANCIAL INFORMATION

RELATED PARTY TRANSACTIONS

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

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

OFF-BALANCE SHEET ARRANGEMENTS

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

QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

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

Credit Risk

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

Risk management

Credit risk is managed on a group basis. All cash and cash equivalents were placed with state-owned banks and financial institutions in the PRC and reputable international banks and financial institutions in United States. For the other financial assets, we have policies in place to ensure that the credit period granted to the customers and the credit quality of these customers are assessed, which takes into account their financial position, past experience and available forward-looking information. In addition, we have policies in place to ensure that settlement of trade receivables is followed up on a

FINANCIAL INFORMATION

timely basis. At the end of the Track Record Period, we review the recoverable amount of each material individual debt to ensure that adequate expected credit losses are made for irrecoverable amounts. We have no significant concentrations of credit risk.

Impairment of financial assets

Trade receivables

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

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

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

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

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

Other financial assets at amortized cost

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

FINANCIAL INFORMATION

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

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

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

Liquidity Risk

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

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

FINANCIAL INFORMATION

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

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

Market Risk

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

Foreign exchange risk

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

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

FINANCIAL INFORMATION

Cash flow and fair value interest rate risk

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

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

Price risk

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

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

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

DIVIDEND POLICY

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

FINANCIAL INFORMATION

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

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

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

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

DISTRIBUTABLE RESERVES

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

[REDACTED]

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

FINANCIAL INFORMATION

UNAUDITED [REDACTED] ADJUSTED NET TANGIBLE ASSETS

[REDACTED]

FINANCIAL INFORMATION

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

No Material Adverse Change

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

DISCLOSURE REQUIRED UNDER THE HONG KONG LISTING RULES

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

FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

See “Business—Our Strategies” in this document for a detailed description of our future plans.

USE OF [REDACTED]

The net [REDACTED] from the [REDACTED] that we will receive, after deducting the [REDACTED] and other estimated expenses paid and payable by us in connection with the [REDACTED] will be:

[REDACTED]

Assuming an [REDACTED] of HK\$[REDACTED] per H Share (being the mid-point of the [REDACTED] range of between HK\$[REDACTED] and HK\$[REDACTED] per H Share) and that the [REDACTED] is not exercised, in line with our strategies, we intend to use our [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

- Approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], will be used over the next five to ten years to invest in the research and development of key technologies, ensuring our continued leadership in advanced sensing technology, advanced display technology and analog solutions. We plan to further enhance our R&D by investing in fundamental research to strengthen our intellectual property and technological advantages while expanding our product portfolio to drive market penetration. In particular:
- approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], will be used to recruit and retain R&D talents, including experienced semiconductor industry professionals and outstanding graduates in fields such as electronic engineering, microelectronics, materials engineering, algorithms, and software development, from across countries including China, Japan and South Korea. In addition, we will attract and retain top talent through comprehensive talent development programs and competitive incentive measures. We believe that our experienced R&D team is the foundation of our ability to continuously drive innovation in developing new technology solutions.

The key research areas of the relevant R&D personnel include fundamental research in advanced sensing technologies, advanced display technologies, and analog technologies, as well as product development in areas such as automotive and smartphones. For example, as part of our strategic focus on automotive, we will continue to develop high-performance image sensors for full-scenario applications in autonomous driving and smart cockpits, while continuously expanding our portfolio of automotive analog and display driver products.

FUTURE PLANS AND USE OF [REDACTED]

- approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], will be primarily used for the continued construction of our R&D headquarters building in Lingang, Shanghai, China. This construction plan involves infrastructure development and facility renovation. Once completed, the project will be able to accommodate a larger number of R&D personnel and advanced facilities, enhancing our capabilities in core product development. It will provide strong support for maintaining leadership in our proprietary core technologies and transforming these technologies into product portfolios that meet broad market demand.
- approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], will be used to cover wafer fabrication (tape-out) costs, purchase R&D materials and cover non-recurring engineering costs to support our product development.
- approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], will be used to purchase R&D software tools, to support our IC design capabilities.
- Approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], will be used over the next five to ten years to strengthen global market penetration and business expansion. We plan to deepen our presence in target markets, grow our customer base, and increase our market share across all of our participating verticals. We plan to recruit and retain sales, marketing, and FAEs worldwide. We plan to hire experienced professionals with a global perspective and overseas experience to broaden our sales network coverage, improve sales and marketing efficiency, and strengthen our relationships with key customers. Additionally, we plan to recruit experienced FAEs to provide enhanced pre- and post-sales support to customers, helping them reduce R&D costs and improving overall customer satisfaction and loyalty. We will also carry out promotional activities in the regions where we are expanding. These initiatives will include overseas advertising campaigns and participation in influential industry exhibitions aimed at increasing our visibility and brand recognition in global markets. We believe these activities will help us establish broader connections with customers, showcase the competitive advantages of our products, and ultimately enhance our market penetration.
- Approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], will be used for strategic investments and/or acquisitions, with a focus on investment and acquisition opportunities that offer synergies with our existing product portfolio and support horizontal expansion into emerging areas. Through strategic investments and/or acquisitions, we aim to create strong synergies across technology, intellectual property, products and solutions, supply chain, customer base, and long-term growth opportunities.
- Approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], will be used for working capital and general corporate uses.

In the event that the [REDACTED] is set at the maximum [REDACTED] or the minimum [REDACTED] of the indicative [REDACTED] range, the net [REDACTED] of the [REDACTED] will increase or decrease by approximately HK\$[REDACTED], respectively. If we make an upward or downward [REDACTED] adjustment to set the final [REDACTED] to be above or below the mid-point of the [REDACTED] range, we will increase or decrease the allocation of the net [REDACTED] to the above purposes on a pro rata basis.

The additional net [REDACTED] that we would receive if the [REDACTED] were exercised in full would be (i) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per H Share, being

FUTURE PLANS AND USE OF [REDACTED]

the maximum [REDACTED]), (ii) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per H Share, being the mid-point of the [REDACTED] range) and (iii) HK\$ [REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per H Share, being the minimum [REDACTED]).

To the extent that the net [REDACTED] from the [REDACTED] (including the net [REDACTED] from the exercise of the [REDACTED]) are either more or less than expected, we may adjust our allocation of the net [REDACTED] for the above purposes on a pro rata basis.

We will only place the net [REDACTED] of the [REDACTED] that are not immediately required for the above purposes in short-term interest-bearing accounts at licensed commercial banks and/or authorized financial institutions as defined under the SFO or applicable laws and regulations in other jurisdictions so long as it is deemed to be in the best interests of our Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

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STRUCTURE OF THE [REDACTED]

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STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

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[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

APPENDIX I

ACCOUNTANTS’ REPORT

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

[DRAFT]

[Letterhead of BDO]

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

Introduction

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

Directors’ responsibility for the Historical Financial Information

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

Reporting accountants’ responsibility

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

APPENDIX I

ACCOUNTANTS’ REPORT

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

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

Opinion

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

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

Adjustments

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

Dividends

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

BDO Limited

Certified Public Accountants

[]

Practising Certificate no. P[]

Hong Kong

[Date]

APPENDIX I

ACCOUNTANTS’ REPORT

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION—continued

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

APPENDIX I

ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

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

APPENDIX I

ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY—continued

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

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Attributable to owners of the Company										
	Note	Share capital	Capital reserves	Other equity instrument	Treasury shares	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2022		875,724	8,427,025	233,117	(741,689)	(651,917)	8,056,673	16,198,933	106,062	16,304,995
Comprehensive income										
Profit for the year		—	—	—	—	—	982,730	982,730	(31,734)	950,996
Other comprehensive income		—	—	—	—	807,379	—	807,379	702	808,081
Total comprehensive income for the year		—	—	—	—	807,379	982,730	1,790,109	(31,032)	1,759,077
Transaction with owners in their capacity as owners:										
Exercise of share option	45	2,662	263,682	—	—	—	—	266,344	—	266,344
Conversion of convertible bonds	30	3	624	(59)	—	—	—	568	—	568
Vesting of restricted shares	45	—	—	—	74,561	—	—	74,561	—	74,561
Share-based payments	45	—	269,415	—	—	—	—	269,415	1,902	271,317
Non-controlling interests arising from disposal of subsidiaries	50	—	—	—	—	—	—	—	14,283	14,283
Transactions with non-controlling interests	12a	—	(23,326)	—	—	—	—	(23,326)	(7,805)	(31,131)
Conversion of capital reserve into share capital	38	306,993	(306,993)	—	—	—	—	—	—	—
Repurchase of shares	41	—	—	—	(104,959)	—	—	(104,959)	—	(104,959)
Dividends provided for or paid	44	—	—	—	2,975	—	(456,104)	(453,129)	(1,542)	(454,671)
Appropriation to reserves	42	—	—	—	—	11,232	(11,232)	—	—	—
Tax impact of share-based payments	13	—	709	—	—	—	—	709	—	709
As of December 31, 2022		309,658	204,111	(59)	(27,423)	11,232	(467,336)	30,183	6,838	37,021
As of January 1, 2023		1,185,382	8,631,136	233,058	(769,112)	166,694	8,572,067	18,019,225	81,868	18,101,093
Comprehensive income										
Profit for the year		—	—	—	—	—	555,751	555,751	(11,801)	543,950
Other comprehensive income		—	—	—	—	182,136	—	182,136	111	182,247
Total comprehensive income for the year		—	—	—	—	182,136	555,751	737,887	(11,690)	726,197
Transaction with owners in their capacity as owners:										
Issuance under Global Depositary Receipt ("GDR"), net of transaction costs	38	31,000	3,076,606	—	—	—	—	3,107,606	—	3,107,606
Exercise of share option	45	3,694	251,434	—	—	—	—	255,128	—	255,128
Conversion of convertible bonds	30	2	306	(27)	—	—	—	281	—	281
Repurchase of restricted shares	45	(4,303)	(491,800)	—	496,103	—	—	—	—	—
Employee stock ownership plan	39	—	(20,038)	—	398,729	—	—	—	—	—
Repurchase of shares	41	—	—	—	(830,437)	—	—	—	—	—
Share-based payments	45	—	(31,278)	—	—	—	—	(830,437)	—	(830,437)
Transactions with non-controlling interests	12a	—	(66,385)	—	—	—	—	(31,278)	(254)	(31,532)
Dividends provided for or paid	44	—	—	—	—	—	(99,130)	(99,130)	(19,435)	(85,820)
Appropriation to reserves	42	—	—	—	—	—	(21,106)	(21,106)	(6,628)	(105,758)
Tax impact of share-based payments	13	—	(20,762)	—	—	21,106	—	(20,762)	—	(20,762)
As of December 31, 2023		30,393	2,698,083	(27)	64,395	21,106	(120,236)	2,693,714	(26,317)	2,667,397
		1,215,775	11,329,219	233,031	(704,717)	369,936	9,007,582	21,450,826	43,861	21,494,687

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued

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

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information

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

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

2 Material accounting policies

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

2.1 Basis of preparation

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

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has consistently adopted all applicable new and revised IFRSs that are effective during the Track Record Period, except for any new standards or interpretations that are not yet effective for the Track Record Period. The revised and new accounting standards and interpretations issued but not yet effective for the Track Record Period are set out in note 2.1 (ii).

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

(i) Historical cost convention

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Material accounting policies—continued

2.1 Basis of preparation—continued

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

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

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

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

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

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

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

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

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

2.2 Principles of consolidation and equity accounting

(i) Subsidiaries

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Material accounting policies—continued

2.2 Principles of consolidation and equity accounting—continued

(i) Subsidiaries—continued

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

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

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

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

(ii) Associates

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

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

(iii) Equity method

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

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

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

APPENDIX I**ACCOUNTANTS’ REPORT**

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

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

(iv) Changes in ownership interests

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

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

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

2.3 Business combinations

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

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

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

APPENDIX I**ACCOUNTANTS’ REPORT**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Material accounting policies—continued****2.3 Business combinations—continued**

Acquisition-related costs are expensed as incurred.

The excess of the:

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

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

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

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

2.4 Separate financial statements

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

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

2.5 Segment reporting

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Material accounting policies—continued

2.6 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

(iii) Group companies

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Material accounting policies—continued

2.6 Foreign currency translation—continued

(iii) Group companies—continued

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

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

(iv) Disposal of foreign operation and partial disposal

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

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

2.7 Property, plant and equipment

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

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

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

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

APPENDIX I**ACCOUNTANTS’ REPORT**

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

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

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

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

2.8 Investment properties

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

2.9 Goodwill

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

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

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

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

(ii) Internally generated technology

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Material accounting policies—continued

2.10 Intangible assets—continued

(ii) Internally generated technology—continued

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

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

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

(iii) Research and development

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

(iv) Amortization methods and periods

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

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

2.11 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Material accounting policies—continued

2.11 Impairment of non-financial assets—continued

assets or Groups of assets (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.12 Investments and other financial assets

(i) Classification

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

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

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

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Material accounting policies—continued

2.12 Investments and other financial assets—continued

(iii) Measurement—continued

Debt instruments

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

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

Equity instruments

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Material accounting policies—continued

2.12 Investments and other financial assets—continued

(iv) Impairment loss on financial assets

The Group recognizes a loss allowance for expected credit loss (“**ECL**”) (as defined on note 3.1 (ii)) on financial assets which are subject to impairment under IFRS 9 “Financial Instruments”. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“**12m ECL**”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment for both the current conditions at the reporting date as well as the forecast of future conditions.

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

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

Significant increase in credit risk

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

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

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

APPENDIX I**ACCOUNTANTS’ REPORT**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2 Material accounting policies—continued****2.12 Investments and other financial assets—continued****(iv) Impairment loss on financial assets—continued****Significant increase in credit risk—continued**

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

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

Definition of default

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

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

Write-off policy

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

Measurement and recognition of ECL

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

APPENDIX I**ACCOUNTANTS’ REPORT**

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

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

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

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

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

2.13 Offsetting financial instruments

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

2.14 Inventories

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Material accounting policies—continued

2.15 Trade receivables

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

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

2.16 Cash and cash equivalents

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

2.17 Share capital and shares held by the Company

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

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

2.18 Trade and other payables

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

2.19 Borrowings

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Material accounting policies—continued

2.19 Borrowings—continued

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

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

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

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

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

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

2.20 Current and deferred income tax

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

Current income tax

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

Deferred income tax

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Material accounting policies—continued

2.20 Current and deferred income tax—continued

Deferred income tax—(Continued)

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

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

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

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

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

2.21 Employee benefits

(i) Short-term obligations

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

(ii) Post-employment obligations

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Material accounting policies—continued

2.21 Employee benefits—continued

(ii) Post-employment obligations—continued

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

(a) Subsidiaries in Mainland China

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

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

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

(c) Subsidiaries in Singapore and other countries

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

(iii) Profit-sharing and bonus plans

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

(iv) Termination benefits

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

APPENDIX I**ACCOUNTANTS’ REPORT**

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

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

2.22 Share-based payments

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

Share options

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

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

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Restricted shares

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Material accounting policies—continued

2.23 Provisions

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

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

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

2.24 Revenue recognition

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

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

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

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

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Material accounting policies—continued

2.24 Revenue recognition—continued

contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

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

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

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

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

(i) Sales of goods

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

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

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

(ii) Provision of services

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Material accounting policies—continued

2.24 Revenue recognition—continued

(iii) Financing components

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

2.25 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

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

2.26 Dividend income

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

2.27 Leases

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Material accounting policies—continued

2.27 Leases—continued

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

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

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

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

2.28 Dividend distribution

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

2.29 Government grants

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

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

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

2.30 Interest income

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Material accounting policies—continued

2.30 Interest income—continued

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

3 Financial risk management

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

3.1 Financial risk factors

(i) *Market risk*

(a) *Foreign exchange risk*

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

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

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

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

The Group’s exposure to changes in interest rates is more attributable to its borrowings, details of which have been disclosed in note 29. Borrowings carried at floating rates expose the Group to cash flow interest-rate risk whereas those carried at fixed rates expose the Group to fair value interest-rate risk. As of December 31, 2022, 2023 and 2024, if the interest rates had been 50 basis point higher/lower and all other variables were held constant, the Group’s pre-tax profit for the years ended December 31, 2022, 2023 and 2024 would have been approximately RMB10.22 million, RMB0.59 million and RMB4.80 million lower/higher, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.1 Financial risk factors—continued

(c) Price risk

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

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the board.

The table below summarizes the impact of increases/decreases of the equity instruments held by the Group on the equity and post-tax profit for the period. The analysis is based on the assumption that the price of the equity instruments held by the Group had increased or decreased by 20% with all other variables held constant, and that all of the Group’s equity instruments moved in line with the change.

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

The table shows what would be the impact on post-tax profit relating to equity securities at FVPL and the impact on other components of equity relating to equity securities at FVOCI.

(ii) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, trade receivables and financial assets included in other receivables. The carrying amount of each class of the above financial assets represents the Group’s maximum exposure to credit risk in relation to the corresponding class of financial assets.

Risk management

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.1 Financial risk factors—continued

(ii) Credit risk—continued

Impairment of financial assets

Trade receivables

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

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

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

	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	More than 3 years	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
December 31, 2022					
—Expected loss rate	5.00%	73.83%	80.34%	99.76%	8.18%
—Gross carrying amount	2,629,659	1,983	15,590	77,537	2,724,769
—Loss allowance	131,521	1,464	12,525	77,353	222,863
December 31, 2023					
—Expected loss rate	5.02%	21.92%	79.71%	96.74%	7.26%
—Gross carrying amount	4,191,503	60,328	1,799	93,355	4,346,985
—Loss allowance	210,547	13,226	1,434	90,307	315,514
December 31, 2024					
—Expected loss rate	5.00%	20.43%	50.44%	97.06%	7.42%
—Gross carrying amount	4,115,628	36,404	45,718	84,021	4,281,771
—Loss allowance	205,796	7,436	23,058	81,549	317,839

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.1 Financial risk factors—continued

(ii) Credit risk—continued

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 1 year past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets at amortized cost

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

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

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

As of December 31, 2022, 2023 and 2024, except for other receivables of RMB3,000,000, RMB3,000,000 and nil are classified as Stage 3, other financial assets at amortized cost are classified as Stage 1. There is no change in stage during the Track Record Period.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.1 Financial risk factors—continued

(ii) Credit risk—continued

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

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

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

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

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

(iii) Liquidity risk

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.1 Financial risk factors—continued

(iii) Liquidity risk—continued

addition, the Group’s liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring statements of financial position liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
As of December 31, 2022						
Borrowings	7,685,241	2,712,986	85,324	—	10,483,551	10,217,382
Convertible bonds	14,600	36,499	2,769,049	—	2,820,148	2,346,778
Trade and other payables	2,157,429	168,051	—	—	2,325,480	2,325,480
Lease liabilities	71,372	54,556	80,904	22,216	229,048	211,468
Total	<u>9,928,642</u>	<u>2,972,092</u>	<u>2,935,277</u>	<u>22,216</u>	<u>15,858,227</u>	<u>15,101,108</u>
As of December 31, 2023						
Borrowings	5,541,608	2,269,509	732,971	77,100	8,621,188	8,351,385
Convertible bonds	36,495	43,794	2,724,934	—	2,805,223	2,443,920
Trade and other payables	2,875,089	—	—	—	2,875,089	2,875,089
Financial liabilities at FVPL	100,000	190,000	—	—	290,000	271,520
Lease liabilities	69,225	55,359	62,027	11,665	198,276	185,857
Total	<u>8,622,417</u>	<u>2,558,662</u>	<u>3,519,932</u>	<u>88,765</u>	<u>14,789,776</u>	<u>14,127,771</u>
As of December 31, 2024						
Borrowings	3,702,738	2,892,434	624,611	25,125	7,244,908	7,041,081
Convertible bonds	43,791	2,724,760	—	—	2,768,551	2,523,927
Trade and other payables	3,120,852	—	—	—	3,120,852	3,120,852
Financial liabilities at FVPL	100,000	95,000	—	—	195,000	187,790
Lease liabilities	72,474	46,387	54,321	5,267	178,449	163,101
Total	<u>7,039,855</u>	<u>5,758,581</u>	<u>678,932</u>	<u>30,392</u>	<u>13,507,760</u>	<u>13,036,751</u>

3.2 Capital risk management

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.2 Capital risk management—continued

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

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

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

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

3.3 Fair value estimation

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.3 Fair value estimation—continued

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Financial risk management—continued

3.3 Fair value estimation—continued

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

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

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

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

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

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4 Critical accounting estimates and judgments

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

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that might have a financial impact on the entity and that are believed to be reasonable under the circumstances.

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

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

(ii) Estimation of goodwill impairment

The Group tests goodwill for impairment on an annual basis. For the reporting periods, the recoverable amount of CGUs was determined based on value in use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated in note 21. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

Details of impairment charge, key assumptions and impact of possible changes in key assumptions are disclosed in note 21.

(iii) Income tax and deferred tax asset

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4 Critical accounting estimates and judgments—continued

(iv) Valuation of inventories – estimation of obsolescence provision

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

(v) Revenue recognition – estimation of variable consideration

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

5 Segment information

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

5 Segment information—continued

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

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

6 Revenues

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

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

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

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

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

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

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

- (iii) Liabilities related to contracts with customers

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

6 Revenues—continued

- (iv) Revenue recognized in relation to contract liabilities

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

7 Other income

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

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

8 Expenses by nature

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

8 Expenses by nature—continued

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

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

9 Employee benefits expenses

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

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

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

(i) Five highest paid individuals

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

9 Employee benefits expenses—continued

(i) Five highest paid individuals—continued

The emoluments fell within the following bands:

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

(ii) Benefits and interests of directors

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

9 Employee benefits expenses—continued

(ii) Benefits and interests of directors—continued

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

9 Employee benefits expenses—continued

(iii) Directors’ retirement benefits and termination benefits

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

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

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

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

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

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

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

10 Other gains, net

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

11 Finance income and costs

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

12a Subsidiaries

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

12a Subsidiaries—continued

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

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

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

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

(ii) *Transaction with NCI*

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

12b Investments accounted by equity method

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

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

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

12c Investments accounted by cost method

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

13 Income tax expense/(benefit)

(i) PRC corporate income tax (“CIT”)

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

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

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

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

(ii) Hong Kong

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

(iii) USA

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

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

(iv) Singapore

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

13 Income tax expense/(benefit)—continued

(v) CIT in other jurisdictions

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

(a) Income tax expense

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

(b) Reconciliation of income tax expense

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

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

1) Accounting for research and development tax credit

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

13 Income tax expense/(benefit)—continued

(v) CIT in other jurisdictions—continued

(b) Reconciliation of income tax expense—continued

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

(c) Amounts recognized directly in equity

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

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

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

(d) Unrecognized deferred tax assets

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

1) Unused tax losses

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

14 Earnings per share

(i) Earnings per share

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

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

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

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

14 Earnings per share—continued

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

Share options and restricted shares

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

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

Convertible bonds

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

15 Property, plant and equipment

The Group

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

15 Property, plant and equipment—continued

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

15 Property, plant and equipment—continued

The Company

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

16 Assets under construction

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

17 Leases

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

The Group

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

17 Leases—continued

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

The Company

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

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

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

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

18 Investment properties

The Group

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

Amounts recognized in profit or loss for investment properties

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

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

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

The Company

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

19 Intangible assets

The Group

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

19 Intangible assets—continued

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

19 Intangible assets—continued

The Company

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

20 Development expenditure

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

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

21 Goodwill

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

21 Goodwill—continued

Key assumptions

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

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

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

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

Impairment charge

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

Sensitivity to changes in assumptions

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

22 Financial assets at fair value through other comprehensive income

The Group

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

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

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

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

The Company

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

23 Financial assets at fair value through profit or loss

The Group

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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

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

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

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

The Company

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

24 Inventories

The Group

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

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

The Company

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

25 Trade and other receivables

The Group

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

(i) Notes receivable

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

(ii) Trade receivables

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

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

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

25 Trade and other receivables—continued

(iii) Other receivables

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

Other receivables by nature is as follows:

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

The Company

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

(i) Trade receivables

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

25 Trade and other receivables—continued

(ii) Other receivables

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

26 Prepayment

The Group

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

The Company

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

27 Other assets

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

28 Cash and cash equivalents and restricted cash

The Group

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

The Company

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

29 Borrowings

The Group

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

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

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

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

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

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

The Company

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

30 Convertible bonds

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

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

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

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

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

31 Deferred income tax

(i) Deferred tax assets

The Group

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

The Company

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

31 Deferred income tax—continued

(ii) Deferred tax liabilities

The Group

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

The Company

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

(iii) Movements

Deferred tax assets

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

31 Deferred income tax—continued

(iii) Movements—continued

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

Deferred tax liabilities

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

32 Provision

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

Uncertain taxes

The Company and its subsidiaries claimed certain tax benefits related to US federal and California research and development credits and entered into some transfer pricing arrangements, such as intercompany loans and allocation of general and administrative expenses, foreign permanent establishments, the transfer of interest in certain intellectual properties, etc. However, the US federal, California and foreign tax authorities may challenge the reasonableness of these arrangements and positions and require performing certain tax adjustments. As of December 31, 2022, 2023, and 2024, the Company has made the best estimates of the tax risks that may arise and the provisions for uncertain tax positions were recognized as income tax expense.

Onerous contracts

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

33 Financial liabilities at fair value through profit or loss

The Group

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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

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

The Company

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

34 Trade and other payables

The Group

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

(i) Trade payables

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34 Trade and other payables—continued

The aging analysis of the trade payables are as follows:

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

(ii) Other payables

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

Other payables by nature is as follows:

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

The Company

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34 Trade and other payables—continued

(i) Trade payables

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

(ii) Other payables

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

35 Current tax liabilities

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

36 Employee benefit obligations

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

37 Other liabilities

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

38 Share capital

	Note	2022		2023		2024	
		Number of shares	Share capital	Number of shares	Share capital	Number of shares	Share capital
			RMB’000		RMB’000		RMB’000
As of January 1		875,724,555	875,724	1,185,382,449	1,185,382	1,215,775,357	1,215,775
Exercise of share option	(i)	2,661,684	2,662	3,693,759	3,694	1,695,945	1,696
Conversion of convertible bonds	30	2,832	3	1,714	2	950	1
Conversion of capital reserve into share capital	(ii)	306,993,378	306,993	—	—	—	—
Issuance under GDR	(iii)	—	—	31,000,000	31,000	—	—
Repurchase of restricted shares	(iv)	—	—	(4,302,565)	(4,303)	(1,348,717)	(1,349)
As of December 31		1,185,382,449	1,185,382	1,215,775,357	1,215,775	1,216,123,535	1,216,123

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

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

39 Capital reserves

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

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

40 Other equity instrument

The balance represents equity portion of convertible bonds.

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

41 Treasury shares

		2022		2023		2024	
	Note	Number of shares	Amount RMB’000	Number of shares	Amount RMB’000	Number of shares	Amount RMB’000
As of January 1,		6,561,234	741,689	6,994,457	769,112	7,394,828	704,717
Vesting of restricted shares	i	(909,952)	(74,561)	—	—	—	—
Repurchase of restricted shares	38(iv)	—	—	(4,302,565)	(496,103)	(1,348,717)	(168,050)
Repurchase of shares	ii	1,343,175	104,959	9,230,536	830,437	11,213,200	999,946
Dividend of restricted shares		—	(2,975)	—	—	—	—
Exercise of share option	38(i)	—	—	—	—	(1,089,625)	(96,715)
Employee stock ownership plan	39(i)	—	—	(4,527,600)	(398,729)	—	—
As of December 31,		<u>6,994,457</u>	<u>769,112</u>	<u>7,394,828</u>	<u>704,717</u>	<u>16,169,686</u>	<u>1,439,898</u>

- (i) Upon the vesting of the restrict shares, the obligation for repurchase of restricted shares is released. Information relating to the Company’s share-based incentive plan is set out in note 45.
- (ii) During the years ended 2022, 2023 and 2024, the Company repurchased an aggregate number of 1,343,175, 9,230,536 and 11,213,200 of its own A shares from the market at the consideration of RMB104,959,000, RMB830,437,000 and RMB999,946,000 (including transaction costs), respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

42 Other reserves

The Group

	Note	Surplus reserves RMB’000	Financial assets at FVOCI RMB’000	Currency translation differences RMB’000	Investments accounted by equity method RMB’000	Total RMB’000
As of January 1, 2022		115,701	87,597	(855,210)	(5)	(651,917)
Appropriation to reserves	i	11,232	—	—	—	11,232
Net fair value losses on financial assets at FVOCI	22	—	(491,908)	—	—	(491,908)
Currency translation differences		—	—	1,224,735	(409)	1,224,326
NCI share in translation differences		—	—	(701)	—	(701)
Transfer to retained earnings		—	—	(14)	—	(14)
Tax impact		—	75,676	—	—	75,676
As of December 31, 2022		126,933	(328,635)	368,810	(414)	166,694
Appropriation to reserves	i	21,106	—	—	—	21,106
Net fair value losses on financial assets at FVOCI	22	—	(138,736)	—	—	(138,736)
Currency translation differences		—	—	299,751	(377)	299,374
NCI share in translation differences		—	—	(111)	—	(111)
Tax impact		—	21,609	—	—	21,609
As of December 31, 2023		148,039	(445,762)	668,450	(791)	369,936
Appropriation to reserves	i	55,654	—	—	—	55,654
Net fair value gains on financial assets at FVOCI	22	—	84,183	—	—	84,183
Currency translation differences		—	—	282,966	(749)	282,217
NCI share in translation differences		—	—	(155)	—	(155)
Tax impact		—	(13,249)	—	—	(13,249)
As of December 31, 2024		203,693	(374,828)	951,261	(1,540)	778,586

- (i) In accordance with the PRC Company Law and the Company’s Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital.

The Company

	Surplus reserves RMB’000	Currency translation differences RMB’000	Investments accounted by equity method RMB’000	Total RMB’000
As of January 1, 2022	115,701	7,293	(5)	122,989
Appropriation to reserves	11,232	—	—	11,232
Currency translation differences	—	—	(409)	(409)
As of December 31, 2022	126,933	7,293	(414)	133,812
Appropriation to reserves	21,106	—	—	21,106
Currency translation differences	—	—	(377)	(377)
As of December 31, 2023	148,039	7,293	(791)	154,541
Appropriation to reserves	55,654	—	—	55,654
Currency translation differences	—	—	(748)	(748)
As of December 31, 2024	203,693	7,293	(1,539)	209,447

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

43 Retained earnings

	Note	2022 RMB’000	2023 RMB’000	2024 RMB’000
As of January 1, ...		8,056,673	8,572,067	9,007,582
Profit for the year		982,730	555,751	3,317,582
Appropriation to reserves	42(i)	(11,232)	(21,106)	(55,654)
Dividends		(456,104)	(99,130)	(407,582)
As of December 31, ...		<u>8,572,067</u>	<u>9,007,582</u>	<u>11,861,928</u>

44 Dividend

	Year ended December 31,		
	2022 RMB’000	2023 RMB’000	2024 RMB’000
Final dividend per fully paid share	456,104	99,130	167,604
Interim dividend per fully paid share	—	—	239,978
Total dividends provided for or paid	<u>456,104</u>	<u>99,130</u>	<u>407,582</u>

During the Track Record Period, the Company provided and paid final cash dividend of RMB5.20, RMB0.84 and RMB1.40 per 10 shares (including tax) to the shareholders of the Company for the years ended December 31, 2021, 2022, 2023, respectively, and interim cash dividend of RMB2.00 per 10 shares (including tax) to the shareholders of the Company for the year ended December 31, 2024.

In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of RMB2.20 per 10 shares (including tax). The aggregate amount of the proposed dividend expected to be paid in the middle of 2025 out of retained earnings at December 31, 2024, but not recognized as a liability at year end, is approximately RMB239.98 million.

45 Share-based payments

The Company adopted the share-based incentive plan on annual basis. The share-based incentive plan is designed to provide an incentive for all employees to deliver long-term shareholder returns. Under the plan, participants are granted share options or restricted shares which only vest if certain performance conditions are met. Participation in the plan is at the board’s discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

In October 2019, the Company adopted 2019 incentive plan that granted 9,430,998 share options at the initial exercise price of RMB94.20 per share to 926 employees and the share option would be exercisable in three tranches within 36 months.

In April 2020, the Company adopted 2019 reserved incentive plan that granted 2,353,374 share options at the initial exercise price of RMB164.65 per share to 153 employees and the share option would be exercisable in three tranches within 36 months.

In October 2020, the Company adopted 2020 incentive plan that granted 7,668,150 share options at the initial exercise price of RMB185.76 per share to 1,078 employees and the share option

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

45 Share-based payments—continued

would be exercisable in three tranches within 36 months. In addition, in November 2021, the Company issued 2,291,800 restricted shares for the consideration of RMB111.46 per shares to 134 employees and the restricted shares would be attributable to employees in three tranches within 36 months.

In September 2021, the Company adopted 2021 incentive plan that granted 7,950,000 share options at the initial exercise price of RMB281.40 per share to 1,962 employees and the share option would be exercisable in three tranches within 36 months. In addition, in November 2021, the Company issued 3,485,093 restricted shares for the consideration of RMB101.06 per shares to 117 employees and the restricted shares would be attributable to employees in three tranches within 36 months.

In May 2022, the Company adopted 2022 incentive plan that granted 14,974,900 share options at the initial exercise price of RMB166.85 per share to 2,305 employees and the share option would be exercisable in three tranches within 36 months.

In October 2023, the Company adopted 2023 incentive plan that granted 19,987,450 share options at the initial exercise price of RMB78.97 per share to 2,856 employees and the share option would be exercisable in three tranches within 36 months.

The above-mentioned share-based incentive plan, in addition to meeting the granting conditions, must also meet the requirements of 1) the Company’s performance condition; 2) the incentive recipients’ performance condition on the individual basis, so that the incentive recipients’ share options or restricted shares could be exercisable or attributable. The corresponding number of share options or the restricted shares as well as the exercise price will be adjusted in case of transfer from capital reserves to share capital, distribution of dividends, share split, allotment of shares, share consolidation, etc. The share options are not entitled to dividends and voting right while the restricted shares are entitled to dividends and voting rights.

Share options

Set out below are summaries of share options granted under the plans:

	Number of share options						
	2019 plan	2019 reserved plan	2020 plan	2021 plan	2022 plan	2023 plan	Total
As of January 1, 2022	4,759,570	1,645,634	6,012,051	7,950,000	—	—	20,367,255
Granted during the year	—	—	—	—	14,974,900	—	14,974,900
Stock dividend during the year	1,365,072	523,981	1,945,347	2,640,125	5,241,215	—	11,715,740
Exercised during the year	(2,118,270)	(83,782)	(459,631)	(1)	—	—	(2,661,684)
Forfeited during the year	(126,085)	(64,831)	(320,844)	(406,788)	—	—	(918,548)
As of December 31, 2022	3,880,287	2,021,002	7,176,923	10,183,336	20,216,115	—	43,477,663
Granted during the year	—	—	—	—	—	19,987,450	19,987,450
Exercised during the year	(3,693,336)	(322)	(1)	(100)	—	—	(3,693,759)
Forfeited during the year	—	(218,005)	(2,901,220)	(3,054,992)	(8,086,459)	—	(14,260,676)
As of December 31, 2023	186,951	1,802,675	4,275,702	7,128,244	12,129,656	19,987,450	45,510,678
Exercised during the year	—	—	—	—	—	(2,785,570)	(2,785,570)
Forfeited during the year	(186,951)	(1,802,675)	(4,275,702)	(7,128,244)	(6,064,828)	(662,915)	(20,121,315)
As of December 31, 2024	—	—	—	—	6,064,828	16,538,965	22,603,793
Vested and exercisable at December 31	—	—	—	—	—	2,998,077	2,998,077

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

45 Share-based payments—continued

Share options—continued

In July 2022, the Company adopted stock dividend and issued 3.5 share per 10 shares to all shareholders of the Company. The number of share options and the exercise price for each share option were adjusted accordingly.

Share options outstanding at December 31, 2024 have the following expiry date and exercise prices:

Plan	Grant date	Expiry date	Exercise price	Number of share options
2022 plan	May 16, 2022	May 15, 2026	RMB 122.79	6,064,828
2023 plan	October 10, 2023	October 9, 2025	RMB 78.63	2,998,077
2023 plan	October 10, 2023	October 9, 2026	RMB 78.63	6,770,444
2023 plan	October 10, 2023	October 9, 2027	RMB 78.63	6,770,444
			Total	<u>22,603,793</u>

Fair value of share options granted

The Company used the Black-Scholes Model to determine the fair value of the options as of the respective grant dates, which was to be expensed over the relevant vesting period. The assessed weighted average fair value at grant date of share options granted was listed in the following table.

Other than the exercise price mentioned above, significant judgments on parameters, such as risk-free rate, dividend yield and expected volatility, were required to be made by the directors in applying the Black-Scholes Model, which are summarized as below:

	2019 plan	2019 reserved plan	2020 plan	2021 plan	2022 plan	2023 plan
Fair value of the option at the grant date	RMB24.43	RMB29.25	RMB26.09	RMB15.75	RMB13.99	RMB26.18
Exercise price at the grant date	RMB94.20	RMB164.65	RMB185.76	RMB281.40	RMB166.85	RMB78.97
Share price at the grant date	RMB106.18	RMB169.88	RMB178.72	RMB227.00	RMB147.99	RMB98.50
Risk-free rate	2.10%-2.75%	1.94%-2.30%	2.68%-2.97%	2.55%-2.67%	2.28%-2.48%	2.23%-2.50%
Dividend yield	0.19%	0.19%	0.04%	0.11%	0.28%	0.08%
Expected volatility (Note)	16.02%-21.00%	17.01%-19.78%	17.32%-19.96%	17.65%-18.91%	17.19%-18.77%	13.26%-15.23%

Note: The expected volatility, measured as the standard deviation of expected share price returns, is determined based on the volatility of SSE composite index.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

45 Share-based payments—continued

Restricted shares

Set out below are summaries of restricted shares granted under the plans:

	Number of restricted shares		
	2020 plan	2021 plan	Total
As of January 1, 2022	1,375,080	3,485,093	4,860,173
Stock dividend during the year	481,274	1,219,787	1,701,061
Vested during the year	(909,952)	—	(909,952)
As of December 31, 2022	946,402	4,704,880	5,651,282
Forfeited during the year	(946,402)	(3,356,163)	(4,302,565)
As of December 31, 2023	—	1,348,717	1,348,717
Forfeited during the year	—	(1,348,717)	(1,348,717)
As of December 31, 2024	—	—	—

Fair value of restricted shares granted

The fair value of restricted shares is determined by the difference of the share price at grant day and the consideration. The fair value of restricted shares granted for 2020 plan and 2021 plan at grant date was RMB86.56 and RMB101.06, respectively.

46 Note to consolidated statements of cash flows

(i) Cash used in operations

	Note	Year ended December 31,		
		2022	2023	2024
		RMB’000	RMB’000	RMB’000
Profit before income tax		1,293,744	691,573	3,272,807
Adjustments for:				
Depreciation and amortization	8	1,034,255	1,154,283	1,282,694
Impairment	8	1,396,765	459,965	659,013
Share based payments	9	271,316	(31,532)	245,555
Net gain on sale of long-term assets	10	(6,786)	(1,582)	(7,166)
Net loss/(gain) on financial assets	10	91,896	(359,160)	(239,905)
Net gain on subsidiaries and associates	10	(956,735)	(128)	(44,431)
Net loss on financial liabilities	10	—	15,520	16,270
Share of losses of equity-method investees	12b	46,286	38,830	33,277
Finance costs, net	11	466,570	438,098	(3,560)
Changes in working capital:				
Receivables		(347,926)	(76,091)	56,554
Inventories		(4,276,675)	5,901,909	(873,487)
Payables		(663,136)	(634,211)	306,085
Net cash (outflow)/inflow from operations		(1,650,426)	7,597,474	4,703,706

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

46 Note to consolidated statements of cash flows—continued

(ii) Non-cash investing and financing activities

	Year ended December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Acquisition of right-of-use assets	50,086	58,099	54,409
Stock dividend	306,993	—	—

(iii) Net debt reconciliation

	As of December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Cash and cash equivalents	3,995,146	9,055,098	10,152,782
Borrowings	(10,217,382)	(8,351,386)	(7,041,081)
Convertible bonds	(2,346,778)	(2,443,920)	(2,523,927)
Lease liabilities	(211,468)	(185,857)	(163,101)
Net debt	(8,780,482)	(1,926,065)	424,673

	Liabilities from financing activities			
	Borrowings	Convertible bonds	Lease liabilities	Total
	RMB’000	RMB’000	RMB’000	RMB’000
As of January 1, 2022	(7,098,265)	(2,249,716)	(240,746)	(9,588,727)
Financing cash flows	(3,242,087)	—	79,480	(3,162,607)
Business combination	(2,697)	—	—	(2,697)
New leases	—	—	(50,086)	(50,086)
Interest expense	(377,850)	(107,375)	(8,663)	(493,888)
Interest payments (presented as operating cash flows)	347,607	9,733	8,663	366,003
Other changes	155,910	580	117	156,607
As of December 31, 2022	(10,217,382)	(2,346,778)	(211,235)	(12,775,395)
Financing cash flows	2,008,560	—	80,364	2,088,924
Business combination	(142,117)	—	—	(142,117)
New leases	—	—	(58,099)	(58,099)
Interest expense	(413,951)	(112,022)	(8,029)	(534,002)
Interest payments (presented as operating cash flows)	446,552	14,599	8,029	469,180
Other changes	(33,048)	281	3,113	(29,654)
As of December 31, 2023	(8,351,386)	(2,443,920)	(185,857)	(10,981,163)
Financing cash flows	1,297,311	—	83,284	1,380,595
New leases	—	—	(54,409)	(54,409)
Interest expense	(201,977)	(116,662)	(8,062)	(326,701)
Interest payments (presented as operating cash flows)	204,752	36,494	8,062	249,308
Other changes	10,219	161	6,120	16,500
As of December 31, 2024	(7,041,081)	(2,523,927)	(150,862)	(9,715,870)

Other changes are non-cash transactions including exchange difference, conversion of convertible bonds etc.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

47 Commitments

Significant capital expenditure contracted but not recognized as liabilities as of December 31, 2022, 2023, and 2024 was as follows:

	As of December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Property, plant and equipment	78,279	66,476	1,063,766
Intangible assets	164,289	113,283	60,000
	<u>242,568</u>	<u>179,759</u>	<u>1,123,766</u>

48 Assets pledged as security

The carrying amounts of assets pledged as security for deposit, guarantee and borrowings are:

	As of December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Current			
—Restricted cash	32,566	30,776	31,000
Non-Current			
—Property, plant and equipment	—	353,606	—
—Right-of-use assets	—	17,670	—
	<u>—</u>	<u>371,276</u>	<u>—</u>
Total assets pledged as security	<u>32,566</u>	<u>402,052</u>	<u>31,000</u>

49 Business combinations

(i) Summary of acquisition

In August 2022, the Company acquired 100% of equity interests of CerebrEX (Zhuhai) Co., Ltd. (“**CRX**”), focusing on designing display products for notebook, at cash consideration of RMB232.69 million. The acquisition could increase the Group’s market share in this area and it complements the Group’s existing display solution division.

In March 2023, the Company acquired 100% of equity interests of SIT, specializing in mixed-signal ICs designs, at a maximum cash consideration of RMB1.20 billion. The acquisition could increase the Group’s market share in this area and it complements the Group’s existing analog solution division.

In July 2023, the Company acquired 100% of equity interests of Zhejiang Xince Semiconductor Co., Ltd. (“**Xince**”), a testing factory, at cash consideration of RMB551.50 million. As the factory of Xince was under construction before the acquisition, this acquisition was an asset acquisition in substance.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

49 Business combinations—continued

(i) Summary of acquisition—continued

Details of the purchase consideration on acquisition date are as follows:

	CRX RMB’000	SIT RMB’000	Xince RMB’000
Purchase consideration:			
—Cash paid	232,692	900,000	551,498
—Contingent consideration	—	256,000	—
Total purchase consideration	<u>232,692</u>	<u>1,156,000</u>	<u>551,498</u>

The assets and liabilities recognized as a result of the acquisition are as follows:

	CRX RMB’000	SIT RMB’000	Xince RMB’000
Cash and cash equivalent	3,828	70,092	91,595
Financial assets at FVPL	—	25,130	—
Trade and other receivables	7,145	19,836	661
Prepayments	—	—	219,553
Inventories	17,028	48,107	—
Deferred tax assets	9,913	—	—
Property, plant and equipment	1,190	1,723	396
Assets under construction	—	—	338,555
Right-of-use assets	—	—	17,861
Intangible assets	64,790	370,196	—
Other assets	1,249	1,527	25,642
Borrowings	(2,697)	—	(142,117)
Trade and other payables	(16,993)	(6,439)	(451)
Contract liabilities	(607)	—	—
Employee benefit obligations	(1,375)	—	(197)
Deferred tax liabilities	(13,151)	(55,407)	—
Net identifiable assets acquired	<u>70,320</u>	<u>474,765</u>	<u>551,498</u>
Add: goodwill	<u>162,372</u>	<u>681,235</u>	<u>—</u>
Net assets acquired	<u>232,692</u>	<u>1,156,000</u>	<u>551,498</u>

The goodwill is attributable to the workforce and an increase in market share. It will not be deductible for tax purposes.

There were no acquisitions during the year ended December 31, 2024.

Revenue and profit contribution

The business acquisition of CRX contributed revenues of RMB242,000 and net loss of RMB1,641,000 to the Group for the period from August 1 to December 31, 2022.

The business acquisition of SIT contributed revenues of RMB152,022,000 and net profit of RMB12,711,000 to the Group for the period from March 1 to December 31, 2023.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

49 Business combinations—continued

(ii) Purchase consideration—cash outflow

	Year ended December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Cash outflow, net of cash acquired			
Cash consideration	260,423	1,423,767	122,000
Less: cash acquired	(3,827)	(161,687)	—
Net outflow of cash—investing activities	256,596	1,262,080	122,000

50 Disposal of subsidiaries

(i) Summary of disposal

In June 2022 the Group disposed certain subsidiaries related to business of radio frequency (“RF”) by selling its partial equity interests to new investors and introducing new investors. After the disposal, the Group held 48.44% equity interests of Xinghao Communication Technology (Zhejiang) Co., Ltd. (“Xinghao”), a new company set up for the RF business, and it was accounted as equity-accounted investment based on fair value of remaining equity interest on disposal date.

In June 2022 due to capital injection by other shareholders of Ningbo Xijiu Microelectronics Co., Ltd. (“Xijiu”), the equity interests held by the Group decreased from 51.00% to 42.50%. The Group lost control over Xijiu and it was accounted as equity-accounted investment based on fair value of remaining equity interest on disposal date.

In September and November 2022, the Group disposed two subsidiaries, which were Shanghai Shugu Electronic Technology Co., Ltd., and SWP (Hongkong) Electronics Co., Limited (collectively “SWP”), relating to business of screen distribution by selling all equity interests to third parties.

Details of proceeds from disposal and net assets disposed of are as follows:

	Xinghao	Xijiu	SWP
	RMB’000	RMB’000	RMB’000
Net assets disposed of			
Cash and cash equivalent	5,960	2,238	20,234
Other current assets	44,967	10,130	77,428
Goodwill	32,725	—	—
Other non-current assets	41,119	14,836	1,172
Current liabilities	(35,564)	(42,308)	(86,856)
Non-current liabilities	—	—	(244)
Net assets	89,207	(15,104)	11,734
Less: NCI	12,153	7,401	(5,270)
Net assets attributable to the Group	101,360	(7,703)	6,464
Fair value of remaining equity interest	(387,500)	(102,000)	—
Gain on disposal of subsidiaries	62,121	—	9,999
Deemed gain on disposal of subsidiaries	304,019	109,703	—
Total consideration	80,000	—	16,463
Satisfied by			
Cash	80,000	—	16,463

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

50 Disposal of subsidiaries—continued

(i) Summary of disposal—continued

In addition, the Group deregistered certain subsidiaries which had no operation during the Track Record Period.

(ii) Disposal consideration—cash inflow

	Year ended December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Cash inflow, net of cash disposed			
Cash consideration	180,463	3,200	50,000
Less: cash disposed	(28,432)	—	—
Net inflow of cash—investing activities	152,031	3,200	50,000

51 Related party transactions

(i) Parent

The ultimate beneficial owner of the Company is Mr. Yu Renrong. As of December 31, 2024, Mr. Yu Renrong directly held 333,472,250 A shares of the Company and owned 74,132,662 A shares of the Company through Shaoxing Weihao Equity Investment Funds Management Partnership (Limited Partnership), which is controlled by Mr. Yu Renrong. In addition, Mr. Yu Xiaorong, a close relative of Mr. Yu Renrong, held 972,000 A shares of the Company. In total, Mr. Yu Renrong held 408,576,912 A shares of the Company, accounting for 33.60% of the Company’s total shareholding and voting rights as of December 31, 2024.

(ii) Subsidiaries

Interests in subsidiaries are set out in note 12a.

(iii) Key management personnel compensation

	Year ended December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Short-term employee benefits	13,163	8,839	12,408
Share-based payments	14,717	(2,188)	4,121
	27,880	6,651	16,529

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

51 Related party transactions—continued

(iv) Transactions with related parties

	Year ended December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
<i>Sales and purchases of goods and services</i>			
Sale of goods to associates	172,000	335	269
Provision of service to associates	3,454	6,757	1,670
Purchase of goods from associates	2,695	2,529	3,647
<i>Other transactions</i>			
Leases to associates	6,239	9,963	9,146
Sales of equipment to associates	12,300	—	—

(v) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	As of December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Trade receivables from associates	153,389	87,744	89,470
Less: allowance for impairment	(7,669)	(12,876)	(28,768)
	145,720	74,868	60,702
Trade payables to associates	196	441	297

(vi) Terms and conditions

Goods were sold to associates based on the price lists in force and terms that would be available to third parties. All other transactions were made on normal commercial terms and conditions and market rates. Outstanding balances are unsecured and are settled in cash.

52 Contingencies

On May 10, 2023, the US patent licensing company Greenthread, LLC sued a subsidiary of the Company for violating six US patents in the lawsuit filed in the United States Eastern District Court of Texas (case no: 2:23-cv-00212). The Group is and, from time to time, may in the future become, involved in other legal proceedings in the ordinary course of business. The management currently believes that the outcome of any of these existing legal proceedings, including the aforementioned cases, either individually or in the aggregate, will not have a material impact on the operating results, financial condition or cash flows of the Group. With respect to existing legal proceedings, the management has either determined that the existence of a material loss is not reasonably possible or that it is unable to estimate a reasonably possible loss or range of loss.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

53 Subsequent events

Dividend distribution for year ended December 31, 2024 is set out in note 44.

On March 31, 2025, the Company adopted 2025 incentive plan that granted 19,983,400 share options at the initial exercise price of RMB139.29 per share to 3,361 employees.

On June 10, 2025, the shareholders’ meeting approved to cancel the 11,213,200 A shares held by the Company.

APPENDIX II

UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II

UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II

UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II

UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II

UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

I. TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are residents or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective laws and practices, and no predictions are made about changes or adjustments to relevant laws or policies, and no comments or suggestions will be made accordingly. The discussion has no intention to cover all possible tax consequences resulting from the investment in H Shares, nor does it take the specific circumstances of any particular investor into account. Accordingly, you should consult your own tax advisor regarding the tax consequences of an investment in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this document, which is subject to change or adjustment and may have retrospective effect. No issues on PRC or Hong Kong taxation other than income tax, capital appreciation and profit tax, business tax/appreciation tax, stamp duty and estate duty were referred in the discussion. [REDACTED] are urged to consult their financial advisors regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Share.

II. TAXATION IN THE PRC

1. Taxation on Dividends

(i) Individual Investor

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) (the “IIT Law”), which was latest amended on August 31, 2018 and its implementation rules, for individual income including interest, dividend and bonus, individual income tax with applicable proportional tax rate of 20% shall be paid. Unless otherwise provided by the competent financial and taxation authorities under the State Council, all the interest, dividend and bonus are deemed as derived from the PRC whether the payment place is in the PRC. Pursuant to the Circular on Certain Issues Concerning the Notice of the MOF and the STA on Policies of Individual Income Tax (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》) promulgated on 13 May 1994, overseas individuals are exempted from the individual income tax for dividends or bonuses received from foreign-invested enterprises.

(ii) Enterprise Investors

In accordance with the EIT Law and its implementation rules, a uniform enterprise income tax rate of 25% is imposed on all resident enterprises in China, including foreign-invested enterprises; a non-resident enterprise is generally subject to enterprise income tax at a rate of 20% on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises is deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due.

The Circular on Issues relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》), which was issued by the SAT on November 6, 2008, further clarifies that a PRC-resident enterprise must withhold enterprise income tax at a rate of 10% on the dividends distributed to overseas non-resident enterprise

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

shareholders of H Shares in 2008 and any subsequent year. In addition, the Response of the STA to Questions on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B Shares (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批復》), which was issued by the SAT on July 24, 2009, further provides that any PRC-resident enterprise whose shares are listed on overseas stock exchanges must withhold and remit enterprise income tax at a rate of 10% on dividends distributed to overseas non-resident enterprise shareholders of H Shares in 2008 and any subsequent year. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has entered into with a relevant country or area, where applicable.

Pursuant to the Double Tax Avoidance Arrangement, which was signed on August 21, 2006, the Chinese Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol of the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》第五議定書), which came in to effect on December 6, 2019, adds a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, after taking into account all relevant facts and conditions, are reasonably deemed to be obtaining such benefits, except when the grant of such benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the statutory requirements of PRC tax law documents, such as the Notice of the STA on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》).

(iii) Tax Treaties

Non-PRC resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC or residing in Hong Kong or Macau are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties/Arrangements with a number of countries and regions including Hong Kong, Macau, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant income tax treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the withholding tax in excess of the agreed tax rate, and the refund payment is subject to approval by the Chinese tax authorities.

2. Taxation on Share Transfer

(i) Individual Investor

According to the IIT Law and its implementation rules, gains realized on the sale of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%.

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

Pursuant to the Circular of the MOF and the STA on Continuing to Temporarily Exempt Individual Income Tax on Income from the Transfer of Shares by Individuals (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF and the SAT in March 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises shall continue to be exempted from individual income tax. On December 31, 2009, the MOF, the SAT and CSRC jointly issued the Circular on Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Restricted Shares of Listed Company (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》), this circular provides that any individual's income from the transfer of listed shares on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in the Supplementary Notice of the MOF, the STA and the CSRC on Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Restricted Shares of Listed Company (《財政部、國家稅務總局、證監會關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) jointly issued by the abovementioned three departments on November 10, 2010).

As of the Latest Practicable Date, no aforesaid provisions had expressly provided that whether individual income tax shall be levied from non-PRC resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges.

(ii) Enterprise Investors

In accordance with the EIT Law and its implementation rules, a non-resident enterprise is generally subject to enterprise income tax at the rate of a 20% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises is deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

3. Stamp Duty

Pursuant to the Stamp Duty Law of the PRC (《中華人民共和國印花稅法》) issued by the SCNPC on June 10, 2021 and implemented on July 1, 2022, the PRC stamp duty applies to entities and individuals that conclude taxable documents and conduct securities transactions within the PRC and the entities and individuals that conclude taxable documents outside the PRC which are used within the PRC. Therefore, the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies does not apply to the acquisition and disposal of H shares outside the PRC by non-PRC investors.

4. Estate Duty

The PRC currently does not impose any estate duty.

III. MAJOR TAXES ON OUR COMPANY IN THE PRC

Please refer to the section headed “Regulatory Overview” in this document.

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

IV. PRC LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

According to the Regulations on Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》) promulgated on January 29, 1996 and amended from time to time, the RMB is generally freely convertible for current account items, including the distribution of dividends, trade and service related foreign exchange transactions, but not for capital account items, such as direct investment, loan, repatriation of investment and investment in securities outside the PRC, unless the prior approval of the SAFE or its designated banks is obtained.

According to the Notice of the State Administration of Foreign Exchange on Policies for Reforming and Regulating the Control over Foreign Exchange Settlement under the Capital Account(《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), which was promulgated and came into effective on June 9, 2016, the settlement of foreign exchange receipts under the capital account (including but not limited to foreign currency capital and foreign debts) may convert from foreign currency into RMB on self-discretionary basis. The ratio of the discretionary exchange rate of foreign exchange receipts under domestic capital account is tentatively set at 100%. The SAFE may adjust the above ratio in due course according to the balance of payment status.

According to the Circular of the SAFE on Further Promoting the Facilitation of Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) which was promulgated on October 23, 2019, It lifted the restrictions on non-investment foreign-invested enterprises using their capital for domestic equity investment. These enterprises can now use their capital for domestic equity investment as long as it complies with the Negative List and the projects are genuine and compliant.

On December 26, 2014, the SAFE issued the Circular of the SAFE on Relevant Issues Concerning the Administration of Foreign Exchange for Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》). Pursuant to the notice, a domestic company shall, within 15 business days of the date of the end of its overseas listing issuance, register the overseas listing with the Administration of Foreign Exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the document and other disclosure documents. A domestic company (except for bank financial institutions) shall present its certificate of overseas listing to open a “special account for overseas listing of domestic company” at a local bank for its initial public offering (or follow-on offering) and repurchase business to handle the exchange, remittance, and transfer of funds for the business concerned.

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

This Appendix contains a summary of laws and regulations on companies and securities in the PRC. The principal objective of this summary is to provide potential [REDACTED] with an overview of the principal laws and regulations applicable to us. This summary is with no intention to include all the information which may be important to the potential [REDACTED]. For discussion of laws and regulations specifically governing the business of the Company, see “Regulatory Overview”.

I. PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (《中華人民共和國憲法》) (the “Constitution”) and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomous regulations, rules and regulations of departments, rules and regulations of local governments, international treaties of which the PRC government is a signatory, and other regulatory documents. Court verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance. According to the Constitution and the Legislation Law of the PRC (《中華人民共和國立法法》) (the “Legislation Law”), the National People’s Congress (NPC) and the Standing Committee of the National People’s Congress (SCNPC) are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The SCNPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people’s congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations.

The ministries and commissions of the State Council, (PBOC), the State Audit Administration, organs endowed with administrative functions directly under the State Council and the organizations prescribed by laws may, in accordance with the laws as well as the administrative regulations, decisions and orders of the State Council and within the limits of their power, formulate rules. The people’s congresses of cities divided into districts and their respective standing committees may formulate local regulations in terms of urban and rural development and management, ecological civilization development, grassroots governance, and historical and cultural protection based on the specific circumstances and actual requirements of such cities, which will become enforceable after being reported to and approved by the standing committees of the people’s congresses of the relevant provinces or autonomous regions but such local regulations shall conform with the Constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. People’s congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned.

The people’s governments of the provinces, autonomous regions, and municipalities directly under the central government and the cities divided into districts or autonomous prefectures may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people’s governments of the provinces or autonomous regions is greater than that of the rules enacted by the people’s governments of the city divided into districts or autonomous prefecture within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The SCNPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people’s congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people’s congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people’s governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people’s governments at a lower level. According to the Constitution and the Legislation Law, the power to interpret laws is vested in the SCNPC.

According to the Decision of the SCNPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, the Supreme People’s Court of the PRC (the “Supreme People’s Court”) has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

II. PRC JUDICIAL SYSTEM

Under the Constitution and the Law on the Organization of the People’s Courts of the PRC (《中華人民共和國人民法院組織法》), the PRC judicial system is made up of the Supreme People’s Court, the local people’s courts and special people’s courts.

The local people’s courts are comprised of the primary people’s courts, the intermediate people’s courts and the higher people’s courts. The higher level people’s courts supervise the primary and intermediate people’s courts. The people’s procuratorates also have the right to exercise legal supervision over the civil proceedings of people’s courts of the same level and lower levels. The Supreme People’s Court is the highest judicial body in the PRC. It supervises the judicial administration of the people’s courts at all levels.

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (the “Civil Procedure Law”) was adopted in 1991 and amended in 2007, 2012, 2017, 2021 and 2023, and its latest version has come into effect on January 1, 2024. The Civil Procedure Law sets forth the criteria for instituting a civil action, the jurisdiction of the people’s courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a judicial court where civil actions may be brought, provided that the judicial court is either the plaintiff’s or the defendant’s domicile, the place of execution or implementation of the contract or the place of the object of the action, provided that the provisions of this law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country’s judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC.

If any party to a civil action refuses to comply with a judgment or ruling made by a people’s court or an award made by an arbitration panel in the PRC, the other party may apply to the people’s court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, enforce the judgment in accordance with the law.

A party seeking to enforce a judgment or ruling of a people’s court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people’s court according to PRC enforcement procedures if the PRC has entered into or acceded to an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court’s examination according to the principle of reciprocity. However, if the people’s court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security or against social and public interest, or if other circumstances specified in Article 300 of the Civil Procedure Law occur, the people’s court shall, upon examination, not to recognize or enforce such judgment or ruling.

III. THE PRC COMPANY LAW, OVERSEAS LISTING TRIAL MEASURES AND GUIDANCE FOR ARTICLES OF ASSOCIATION

A joint stock limited company which was incorporated in the PRC and seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following laws and regulations in the PRC:

The PRC Company Law (《中華人民共和國公司法》) which was promulgated by the SCNPC on December 29, 1993, came into effect on July 1, 1994, was latest amended on December 29, 2023 respectively and implemented on July 1, 2024.

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and its seven guidelines which were promulgated by the CSRC on February 17, 2023 and came into effect on March 31, 2023, applicable to the overseas offering and listing of joint stock limited companies; and

The Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》) (the “Guidance for Articles of Association”) which was latest amended and came into effect on March 28, 2025 by the CSRC. The related Guidance for Articles of Association are set out in the articles of association of the company, the summary of which is set out in the section entitled “Appendix V — Summary of Articles of Association” in this document.

Set out below is a summary of the major provisions of the PRC Company Law, Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and Guidance for Articles of Association.

1. General

A joint stock limited company refers to an enterprise legal person incorporated under the PRC Company Law with its registered capital divided into shares. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its creditors for an amount equal to the total value of its assets.

A joint stock limited company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies.

2. Incorporation

A joint stock limited company may be incorporated by promotion or stock floatation.

To incorporate a joint stock limited company by promotion, there must be more than one but not more than 200 promoters, with at least half residing within the PRC.

For a joint stock limited company incorporated by promotion, the timing and voting procedures for the inaugural meeting are determined by the company’s articles of association or the promoters’ agreement. For a joint stock limited company incorporated by stock floatation, the promoters must convene the inaugural meeting within thirty days from the date when the full subscription payment for the shares is received. The promoters are required to notify all subscribers or make a public announcement of the meeting date at least fifteen days in advance. The inaugural meeting can only be held if more than half of the shareholders with voting rights are present. The meeting will discuss and adopt the company’s articles of association and elect directors. Any resolutions made at the inaugural meeting must be approved by a majority of the voting rights held by the shareholders present.

Within 30 days following the conclusion of the inaugural meeting, an authorized representative of the board of directors must apply for the registration of the joint stock limited company’s incorporation with the company registration authority.

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

If a promoter fails to pay for the shares they have subscribed to, or if the actual value of non-monetary assets contributed as capital is significantly less than the value of the subscribed shares, the other promoters shall bear joint responsibility for the deficiency.

3. Share Capital

The promoters of a company can make capital contributions in cash or in kind, which can be valued in currency and transferable according to law such as intellectual property rights or land use rights based on their appraised value.

If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into shares.

A company shall issue registered share.

Under Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, if a domestic enterprise issues shares overseas, it may raise funds and make dividend distributions in foreign currency or RMB.

According to the PRC Company Law, a company must decide between issuing par value shares or no-par value shares as specified in its articles of association.

The transfer of shares by shareholders should be conducted via the legally established stock exchange or in accordance with other methods as stipulated by the State Council.

A joint stock limited company must maintain a register of shareholders at the company, detailing the following: (i) the name and domicile of each shareholder; (ii) amount of capital contributions subscribed for and actually paid by shareholders, the form and date of capital contributions; (iii) the serial numbers of printed share certificates; and (iv) the date on which each shareholder obtaining or losing the shares.

4. Allotment and Issue of Shares

All issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. The offering price of par value shares can be equal to or greater than the nominal value, but it must not be less than the nominal value.

5. Increase of Share Capital

According to the PRC Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders' meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issuance and the class and amount of new shares to be issued to existing shareholders. For companies issuing no-par value shares, the proceeds from the new share issuance will be credited to the registered capital. When the company launches a public issuance of new shares with the approval of the securities regulatory authorities of the State Council, it shall publish a document and financial and

APPENDIX IV**SUMMARY OF PRINCIPAL LEGAL
AND REGULATORY PROVISIONS**

accounting reports, and prepare the share subscription form. After the new share issuance has been paid up, the change shall be registered with the company registration authorities and an announcement shall be made.

6. Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

it shall prepare a balance sheet and a property list;

the reduction of registered capital shall be approved by a shareholders’ meeting;

it shall inform its creditors of the capital reduction within 10 days and publish an announcement of the reduction in the newspaper or the national enterprise credit information public disclosure system within 30 days after the resolution approving the reduction has been passed;

creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts; and

it shall apply to the relevant administration of registration for the registration of the reduction in registered capital.

7. Repurchase of Shares

According to the PRC Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes: (i) to reduce its registered capital; (ii) to merge with another company that holds its shares; (iii) to grant its shares for carrying out an employee stock ownership plan or equity incentive plan; (iv) to purchase its shares from shareholders who are against the resolution regarding the merger or division with other companies at a shareholders’ meeting; (v) use of shares for conversion of corporate bonds issued by the company that can be converted into stock; and (vi) the share buyback is necessary for a listed company to maintain its company value and protect its shareholders’ interest.

The purchase of shares on the grounds set out in (i) and (ii) above shall require approval by way of a resolution passed by the shareholders’ meeting. For a company’s share buyback under any of the circumstances stipulated in (iii), (v) or (vi) above, a resolution of the company’s board of directors shall be made by a two-third majority of directors attending the meeting according to the provisions of the company’s articles of association or as authorized by the shareholders’ meeting.

Following the purchase of shares in accordance with (i), such shares shall be canceled within 10 days from the date of purchase. The shares shall be assigned or deregistered within six months if the share buyback is made under the circumstances stipulated in either (ii) or (iv). The shares held in total by a company after a share buyback under any of the circumstances stipulated in (iii), (v) or (vi) shall not exceed 10% of the company’s total issued shares, and shall be assigned or deregistered within three years.

APPENDIX IV**SUMMARY OF PRINCIPAL LEGAL
AND REGULATORY PROVISIONS**

Listed companies making a share buyback shall perform their obligation of information disclosure according to the provisions of the Securities Law. If the share buyback is made under any of the circumstances stipulated in (iii), (v) or (vi) hereof, centralized trading shall be adopted publicly.

8. Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the PRC Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. The register of shareholders shall not be modified within 20 days before any shareholders’ meeting is held, or within 5 days prior to the benchmark date decided by the company for the distribution of dividends. Where it is otherwise provided for in any law, administrative regulation or by the securities regulatory authority of the State Council for the modification of the register of shareholders of a listed company, such provisions shall prevail.

Under the PRC Company Law, the shares issued before a company makes a public offering of shares shall not be transferred within 1 year as of the day when the stocks of the company are listed and traded on the stock exchange. Where it is otherwise provided for in any law, administrative regulation or by the securities regulatory authority of the State Council for the transfer of shares held by the shareholders or actual controllers of a listed company, such provisions shall prevail. Shares transferred each year by the directors and senior management of a joint stock limited company during their respective term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot neither be transferred within one year from the listing date of the shares nor within half a year after such person has left office. The articles of association may set other restrictive requirements on the transfer of the company’s shares held by its directors and senior management.

9. Shareholders

Under the PRC Company Law and the Guidance for Articles of Association, the rights of holders of ordinary shares of a joint stock limited company include:

the right to require, convene, preside over, participate in or send proxies of shareholders to attend shareholders’ meeting and to exercise the corresponding voting rights according to the law;

the right to transfer, donate or pledge their shares in accordance with laws, administrative regulations and provisions of the articles of association;

the right to supervise, make suggestions on or question the Company’s operations;

the right to inspect the company’s articles of association, share register, minutes of shareholders’ meetings, resolutions of meetings of the board of directors and financial and accounting reports;

any shareholder who has a different view on a resolution on the merger or division of the Company made by a shareholders’ meeting has the right to require the company to buy back his/its shares;

APPENDIX IV

**SUMMARY OF PRINCIPAL LEGAL
AND REGULATORY PROVISIONS**

the right to receive dividends and other types of interest distributed in proportion to the number of shares held;

in the event of the termination or liquidation of the company, the right to participate in the distribution of residual properties of the company in proportion to the number of shares held; and

other rights granted by laws, administrative regulations, departmental rules and the company’s articles of association.

The obligations of a shareholder include the obligation to abide by the Company’s articles of association, to pay the subscription moneys in respect of the shares subscribed for and in accordance with the form of making capital contributions, to be liable for the company’s debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders’ obligation specified in the company’s articles of association.

10. shareholders’ meeting

The shareholders’ meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law.

Under the PRC Company Law, the shareholders’ meeting exercises the following principal powers:

to elect or replace the directors (other than the representative of the employees of the company) and to decide on matters relating to the remuneration of directors ;

to examine and approve reports of the board of directors;

to examine and approve the company’s proposals for profit distribution plans and loss recovery plans;

to decide on any increase or reduction of the company’s registered capital;

to decide on the issue of bonds by the company;

to decide on issues such as merger, division, dissolution, liquidation or change of company form and other matters;

to amend the company’s articles of association; and

other powers as provided for in the articles of association.

Shareholders’ meetings are required to be held once every year. Under the PRC Company Law, an extraordinary shareholders’ meeting is required to be held within two months after the occurrence of any of the following:

the number of directors is fewer than the number required by law or less than two-thirds of the number specified in the articles of association;

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

the aggregate losses of the company which are not recovered reach one-third of the company’s total paid-in share capital;

when shareholders alone or in aggregate holding 10% or more of the company’s shares request the convening of an extraordinary meeting;

whenever the board of directors deems necessary; or

other circumstances as provided for in the articles of associations.

Under the PRC Company Law, shareholders’ meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or not performing its duties of convening the shareholders’ meeting, the audit committee shall convene and preside over such meeting in a timely manner. In case the audit committee fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company’s shares for 90 days consecutively may unilaterally convene and preside over such meeting.

Under the PRC Company Law, notice of shareholders’ meeting shall state the time, venue and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of extraordinary shareholders’ meetings shall be given to all shareholders 15 days prior to the meeting. Under the Guidance for Articles of Association, after the notice of the meeting of shareholders is issued, the meeting of shareholders shall not be postponed or canceled without justifiable reasons, and the proposals listed in the notice of meeting of shareholders shall not be canceled. In the event of postponement or cancelation, the convener shall make an announcement and explain the reasons at least two working days before the original meeting date.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders’ meeting. Pursuant to the Guidance for Articles of Association, the board of directors and the Secretary of the board of directors will cooperate with the meeting of shareholders convened by the audit committee or shareholders. The board of directors will provide the register of shareholders on the date of equity registration. Moreover, when the meeting of shareholders is held, if the shareholders’ meeting requests the directors and senior managers to attend the meeting, the directors and senior managers shall attend the meeting and accept the shareholders’ questions. Pursuant to the Guidance for Articles of Association, shareholders who individually or jointly hold more than 1% of the company’s shares may put forward interim proposals and submit them to the convener in writing 10 days before the meeting of shareholders. The convener shall issue a supplementary notice of the meeting of shareholders within two days after receiving the proposal and announce the contents of the interim proposal.

Under the PRC Company Law, shareholders attending the meeting have one vote per share they hold, except for shares with different voting rights issued by the company. However, shares held by the company are not entitled to any voting rights.

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Pursuant to the provisions of the articles of association or a resolution of the shareholders’ meeting, the accumulative voting system may be adopted for the election of directors at the shareholders’ meeting. Under the accumulative voting system, each share shall be entitled to vote equivalent to the number of directors to be elected at the shareholders’ meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the PRC Company Law and the Guidance for Articles of Association, resolutions of the shareholders’ meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders’ meeting regarding the following matters shall be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) the merger, division, dissolution, liquidation or change in the form of the company; (iv) any purchase or sale of major assets or any provision of guarantee within one year in an amount in excess of 30% of the Company’s latest audited total assets; (v) any equity incentive scheme; and (vi) any other matters specified by laws, administrative regulations or the articles of association and other matters considered by the shareholders’ meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the PRC Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders’ meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders’ attendance register and the proxy forms.

11. Board

Under the PRC Company Law, a joint stock limited company shall have a board of directors comprising more than three members. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company’s staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, but no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors mainly exercises the following powers:

to convene the shareholders’ meetings and report on its work to the shareholders’ meetings;

to implement the resolutions passed in shareholders’ meetings;

to decide on the company’s business plans and investment proposals;

to formulate the company’s profit distribution proposals and loss recovery proposals;

to formulate proposals for the increase or reduction of the company’s registered capital and the issuance of corporate bonds;

APPENDIX IV**SUMMARY OF PRINCIPAL LEGAL
AND REGULATORY PROVISIONS**

to prepare plans for the merger, division, dissolution and change in the form of the company;

to formulate the company’s basic management system; and

to exercise any other powers under the articles of association or as granted by the shareholders’ meeting.

12. Board Meetings

Under the PRC Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice of meeting shall be given to all directors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors. The chairman shall convene and preside over such meeting within 10 days after receiving such proposal. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution by the board of directors violates the laws, administrative regulations, the articles of association, or resolutions of the shareholders’ meetings, resulting in serious losses for the company, the directors involved in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be released from that liability.

13. Chairman of the Board

Under the PRC Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall perform his duties.

14. Qualification of Directors

The PRC Company Law provides that the following persons may not serve as a director:

a person who is unable or has limited ability to undertake any civil liabilities;

a person who has been convicted of bribery, corruption, embezzlement, misappropriation of property, or destruction of the socialist market economy order; or who has been deprived of political rights due to crimes, in cases where less than five years have passed since completing the sentence; or who has been deprived of political rights due to crimes, in cases where less than two years have passed since completing the probation period.

APPENDIX IV**SUMMARY OF PRINCIPAL LEGAL
AND REGULATORY PROVISIONS**

a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; or

a person who is liable for a relatively large amount of debts that are overdue or is designated by the people’s court as an untrustworthy debtor.

15. Audit Committee

A joint stock limited company may, under the articles of association, set up an audit committee composed of directors in the board of directors, which shall exercise the functions and powers of the supervisory committee as provided for in the Company Law. It may not have a supervisory committee or supervisors. The Audit Committee shall be composed of at least 3 members, and more than half of the members shall not assume any position other than the director in the company and shall not have any relationship with the company that may affect their independent and objective judgments.

A resolution made by the audit committee shall be adopted by more than half of the members thereof. For voting on a resolution of the audit committee, each member shall have one vote. The discussion methods and voting procedures of the audit committee shall be prescribed in the articles of association, unless it is otherwise provided for by the company law.

Where a public listed company has an audit committee under the board of directors, the following matters shall be approved by more than half of all audit committee members before being approved by the board of directors:

the accounting firm that hires and dismisses the company that audits the company;

appoint and dismiss the person responsible for finance.

disclosure of financial accounting reports.

other matters stipulated by the securities regulatory authority of the State Council.

16. Manager and Senior Management

According to the PRC Company Law and the Guidance for Articles of Association, a manager shall be appointed by the company, with their hiring or dismissal determined by the board of directors. The manager is accountable to the board and exercises authority in accordance with the articles of association or as authorized by the board. The manager attends board meetings.

APPENDIX IV

**SUMMARY OF PRINCIPAL LEGAL
AND REGULATORY PROVISIONS**

According to the PRC Company Law, senior management shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

17. Duties of Directors and Senior Management

Directors and senior management of the company are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and they assume the obligation of loyalty to the company and the duty of diligence to the company. Directors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating of the company’s properties. When performing their duties, they shall, for the best interests of the company, exercise the reasonable care that shall be generally possessed by a manager. Compliance with the foregoing requirements is also required for the Company’s controlling shareholders or de facto controllers who do not serve as the Company’s directors but actually carry out the Company’s affairs. Directors and senior management are prohibited from:

embezzling the property or misappropriating the funds of the company;

depositing the funds of the company into an account opened in his/her own name or in the name of any other individual;

giving bribes or accepting any other illegal proceeds by taking advantage of his/her power;

taking commissions from the transactions between the company and any other person into his/her own pocket;

unlawfully disclosing the confidential information of the company; or

other acts in violation of the obligation of loyalty to the company.

Directors and senior management who directly or indirectly enter into a contract or conduct a transaction with the company, shall report to the board of directors or the shareholders’ meeting on matters related to the conclusion of the contract or the transaction, and shall be subject to the resolution of the board of directors or the shareholders’ meeting in accordance with the provisions of this articles of association. The preceding provisions shall apply to contracts or transactions entered into by the company with any of the following: close family members of the directors or senior management; enterprises directly or indirectly controlled by the directors, senior management, or their close family members; and Associates who have other connections with the directors or senior management.

Company’s directors and senior management shall not use their positions to seek business opportunities for themselves or others that belong to the company, except in one of the following circumstances: (i) report to the board of directors or the shareholders’ meeting and be approved by a resolution of the board of directors or the shareholders’ meeting in accordance with the provisions of the company’s articles of association. (ii) The company cannot take advantage of the business opportunity in accordance with the provisions of the law, administrative regulations, or the articles of association.

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

The company’s directors and senior management may not operate, for themselves or for others, any business that is the same as that of the company they work for, without reporting to the board of directors or the shareholders’ meeting and obtaining a resolution passed by the board of directors or the shareholders’ meeting in accordance with the provisions of the articles of association.

Income generated by the directors or senior management in violation of the aforementioned shall be returned to the company.

A director or senior management who contravenes laws and administrative regulations or the articles of association in the performance of his/her roles resulting in any damage to the company shall be liable to indemnify the company for compensation.

18. Finance and Accounting

Under the PRC Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The company’s financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the PRC Company Law, the company shall deliver its financial and accounting reports to all shareholders within the time limit stipulated in the articles of association and make its financial and accounting reports available at the company for inspection by the shareholders at least 20 days before the convening of an annual meeting of shareholders. It must also publish its financial and accounting reports.

When distributing each year’s after-tax profits, it shall set aside 10% of its after-tax profits into the legal accumulation fund (except where the fund has reached 50% of its registered capital). If its legal accumulation fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the legal accumulation fund pursuant to the above provisions.

After allocation of the legal accumulation fund from after-tax profits, it may, upon a resolution passed at the shareholders’ meeting, allocate the optional accumulation fund from after-tax profits.

The remaining after-tax profits after making up losses and allocation of the accumulation fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association.

Shares held by the company shall not be entitled to any distribution of profit.

The premium from issuing par value shares above their nominal value, or funds from issuing no-par value shares not included in the registered capital, along with other items specified by the Ministry of Finance under the State Council for inclusion in the capital accumulation fund, should be classified as the company’s capital accumulation fund.

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

The company’s accumulation fund is utilized to cover losses, expand business operations, or convert into registered capital. When using the capital accumulation fund to cover losses, the optional accumulation fund and the legal accumulation fund should be used first; if these are insufficient, the capital accumulation fund can be used according to regulations. When the legal accumulation fund is converted into the registered capital, the remaining legal accumulation fund must be no less than 25% of the previously registered capital.

The Company shall have no other accounting books except the statutory accounting books. Company funds should not be kept in accounts registered under any individual’s name.

19. Appointment and Retirement of Accounting Firms

Pursuant to the PRC Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders’ meeting or board of directors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders’ meeting or board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it employs without any refusal, withholding and misrepresentation.

The Guidance for Articles of Association provide that the company guarantees to provide true and complete accounting vouchers, accounting books, financial accounting reports and other accounting materials to the employed accounting firm, and shall not refuse, conceal or falsely report. And the audit fee of the accounting firm shall be decided by the shareholders’ meeting.

20. Distribution of Profits

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the legal accumulation fund is drawn.

21. Amendments to Articles of Association

Any amendments to the company’s articles of association must be made in accordance with the procedures set out in the company’s articles of association. In relation to matters involving the company’s registration, its registration with the authority must also be changed. Pursuant to the Company Law, the resolution of the shareholders’ meeting regarding any amendment to the articles of association requires affirmative votes by at least two-thirds of the votes held by the shareholders attending the meeting.

22. Dissolution and Liquidation

According to the PRC Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association have occurred; (ii) the shareholders’ meeting have resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked; the company is ordered to close down or be revoked; or (v) the company is dissolved by the people’s court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the

APPENDIX IV**SUMMARY OF PRINCIPAL LEGAL
AND REGULATORY PROVISIONS**

company suffers significant hardship in its operation and management that cannot be resolved through other means, and the ongoing existence of the company would bring significant losses for shareholders.

If (i) or (ii) occurs and the company’s residual assets have not yet been allocated to shareholders, it may continue its existence by amending its articles of association or through a resolution at the shareholders’ meeting. Such amendments or resolutions must be approved by more than two-thirds of the voting rights held by the shareholders present at the meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidating group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

The company’s liquidating group consists of directors unless the articles of association or a shareholders’ meeting resolution specifies otherwise. If a liquidating group is not formed within the stipulated time or is formed but does not conduct liquidation, interested parties may apply to the people’s court to appoint relevant personnel to form a alternative liquidating group and proceed with liquidation. The people’s court should accept the application and promptly organize a alternative liquidating group to carry out the liquidation.

The liquidating group shall exercise the following powers during the liquidation period:

to handle the company’s assets and to prepare a balance sheet and an inventory of the assets;

to notify creditors through notice or public announcement;

to deal with the company’s outstanding businesses related to liquidation;

to pay any tax overdue as well as tax amounts arising from the process of liquidation;

to liquidation of claims and debts ;

to allocate the company’s remaining assets after settling its debts; and

to represent the company in civil lawsuits.

The liquidating group shall notify the company’s creditors within 10 days after its establishment and issue public notices in newspapers or the national enterprise credit information public disclosure system within 60 days. A creditor shall lodge his claim with the liquidating group within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidating group shall register such creditor rights. The liquidating group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidating group shall draw up a liquidation plan to be submitted to the shareholders’ meeting or people’s court for confirmation.

APPENDIX IV**SUMMARY OF PRINCIPAL LEGAL
AND REGULATORY PROVISIONS**

The company’s remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debts shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company’s properties shall not be distributed to the shareholders before repayments are made in accordance to the foregoing provisions.

Upon liquidation of the company’s properties and the preparation of the balance sheet and inventory of assets, if the liquidating group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people’s court for a bankruptcy liquidation.

Once the people’s court accepts the application, the liquidating group must hand over the liquidation affairs to the bankruptcy administrator appointed by the court.

After the liquidation process is completed, the liquidating group must prepare a liquidation report, submit it to the shareholders’ meeting or the court for confirmation, and then report to the company registration authority to apply for the cancelation of the company’s registration.

Members of the liquidating group must fulfill the duties of loyalty and diligence. If they neglect their responsibilities, causing losses to the company, they are liable for compensation. Additionally, they are responsible for compensation if they intentionally or through gross negligence cause losses to creditors.

23. Overseas Listing

Subject to specific circumstances, Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and its guidelines require that, among other things, (i) initial public offerings or listings on overseas markets of domestic companies shall be filed with the CSRC within three working days after the relevant application is submitted overseas, (ii) subsequent securities offerings of an issuer on the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three working days after the offering is completed, (iii) subsequent securities offerings or listings of an issuer on other overseas markets other than where it has offered and listed securities shall be filed with the CSRC within three working days after the relevant application is submitted overseas. In addition, for filing materials that are complete and compliant, the CSRC shall complete the filing within 20 working days from the date of receiving the filing materials, and publicize the filing information through the website. If the filing materials are incomplete or do not meet the requirements, the CSRC shall notify the issuer of the supplementary materials required within 5 working days after receiving the filing materials. The issuer shall supplement the materials within 30 working days.

24. Merger and Demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

APPENDIX IV**SUMMARY OF PRINCIPAL LEGAL
AND REGULATORY PROVISIONS**

IV. SECURITIES LAW AND REGULATIONS

CSRC, a ministerial-level public institution directly under the State Council, performs a unified regulatory function, according to the relevant laws and regulations, and with the authority by the State Council, over the securities and futures market of China, maintains an orderly securities and futures market order, and ensure a legal operation of the capital market.

The Securities Law of the PRC (《中華人民共和國證券法》) took effect on July 1, 1999 and was revised on August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. This is the first national securities law in the PRC, which is divided into 14 chapters and 226 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council’s securities regulatory authorities. The PRC Securities Law comprehensively regulates activities in the PRC securities market. Article 224 of The Securities Law stipulates that domestic companies, when directly or indirectly issuing securities overseas or listing their securities for trading overseas, shall comply with the relevant provisions of the State Council. Currently, the issue and trading of foreign issued shares (including H shares) are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

Termination of Listing

The PRC Securities Law stipulates that the trading of shares of a company of a stock exchange may be terminated if so decided by the stock exchange.

Where the stock exchange decides on delisting of securities, it shall promptly announce and file records with the securities regulatory authority of the State Council.

Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies requires that, upon the occurrence of voluntary or mandatory delisting after an issuer has offered and listed securities on an overseas market, the issuer shall submit a report to CSRC within three working days after the occurrence and public announcement of such event.

V. JUDICIAL JUDGMENT AND ITS ENFORCEMENT

According to the Arrangements of the Supreme People’s Court for Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Cases between Courts of the Mainland and Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區法院相互認可和執行民事案件判決的安排》), effective on January 29, 2024, and promulgated by the Supreme People’s Court, a party with an enforceable final court judgment rendered by any designated people’s court of China or any designated Hong Kong court regarding civil and commercial cases, excluding certain types, may apply for recognition and enforcement of the judgment in the relevant people’s court of China or Hong Kong court.

China has not entered into a treaty for the reciprocal recognition and enforcement of court judgments with the United States, the United Kingdom, Japan, and many other countries. Additionally, Hong Kong has no arrangement with the United States for reciprocal enforcement of judgments. In accordance with the Civil Procedure Law of the PRC and other applicable laws, regulations, and interpretations, a court judgment obtained in the United States or any of the other jurisdictions

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

mentioned above may be recognized and enforced in China or Hong Kong, considering the treaties providing for the reciprocal enforcement of judgments between China and the country where the judgment was made.

VI. ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the “Arbitration Law”) was passed by the SCNPC on August 31, 1994, became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people’s court will refuse to handle the case except when the arbitration agreement is declared invalid.

Under the Arbitration Law and the Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people’s court for enforcement. A people’s court may refuse to enforce an arbitral award made by an arbitration commission if there is any irregularity on the procedures or composition of arbitrators specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, shall apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the “New York Convention”) adopted on June 10, 1958 pursuant to a resolution of the SCNPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the SCNPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

An arrangement was reached between Hong Kong and the Supreme People’s Court for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People’s Court adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland China and Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的安排》) (the “Arrangement”), which became effective on February 1, 2000. In accordance with this arrangement, and its supplemental arrangements, upon satisfying certain requirements, awards made by PRC arbitral authorities under the Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

APPENDIX IV**SUMMARY OF PRINCIPAL LEGAL
AND REGULATORY PROVISIONS**

On January 25, 2024, the Supreme People’s Court promulgate the Arrangement of the Supreme People’s Court on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “New Arrangement”), which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between Hong Kong and the PRC. The New Arrangement was formally implemented on January 29, 2024. The New Arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement. Concurrently, the Government of the Hong Kong Special Administrative Region enacted the “Mainland Judgments in Civil and Commercial Matters (Reciprocal Enforcement) Ordinance” (Chapter 645), aimed at enforcing this new arrangement within the Hong Kong Special Administrative Region through local legislative measures, also coming into force on the same date. From January 29, 2024, this New Arrangement superseded the previous Arrangement.

VII. LOSS OF SHARE CERTIFICATES

If a registered share certificate is lost, stolen or destroyed, the relevant shareholder may apply, in accordance with the relevant provisions set out in the Civil Procedure Law, to a people’s court to declare such certificate invalid. After the people’s court declares the invalidity of such certificate, the shareholder may apply to the company for a replacement share certificate.

APPENDIX V

SUMMARY OF THE ARTICLES OF ASSOCIATION

This Appendix mainly provides [REDACTED] with a summary of the Articles of Association.

The following information is only a summary and may not include all the materials that may be important to potential [REDACTED].

GENERAL PROVISIONS

The term of operation of the Company is from 15 May 2007 to 14 May 2057.

The shareholders are liable for the Company to the extent of their subscribed shares, while the Company is liable for its debts to the extent of its entire assets.

The Articles of Association shall, from its effective date, constitute a legally binding document regulating the Company’s organization and conduct as well as the rights and obligations between the Company and each shareholder and among the shareholders inter se, and shall be legally binding on the Company, its shareholders, directors and senior management personnel. Pursuant to the Articles of Association, shareholders may institute legal proceedings against shareholders, against directors and senior management personnel of the Company, and against the Company, while the Company may institute legal proceedings against shareholders, directors and senior management personnel.

PURPOSE AND SCOPE OF BUSINESS

The Company’s business purpose is: to grab the market share with high-quality products and a market demand oriented approach, expand business channels, strive to improve the Company’s economic benefits, and create investment returns for shareholders to the extent permitted by PRC laws and regulations.

The Company’s business scope, as registered by law, is: the design, development and sales of Integrated Circuits, computer hardware and software, business information consulting, import and export of goods and technologies, and leasing of self-owned properties.

SHARES

Issuance of Shares

The shares of the Company are in the form of share certificates.

The Company shall issue shares under the principles of openness, fairness and equality and shares of the same class shall carry the equal rights. Shares of the same class issued at the same time shall be issued under the same condition and at the same price; the same price shall be paid for each share subscribed for by any subscriber.

Increase, Reduction and Repurchase of Shares

Based on the needs of operation and development, the Company may increase capital by the following means in accordance with the provisions of the laws, regulations and regulatory rules of the place where the Company’s shares are listed upon resolution of the Shareholders’ General Meeting:

(I) offering shares to unspecific objects;

APPENDIX V

SUMMARY OF THE ARTICLES OF ASSOCIATION

(II) offering shares to specific objects;

(III) allotting bonus shares to existing shareholders;

(IV) converting provident fund into share capital;

(V) other methods specified by the laws and administrative regulations and approved by the securities regulatory authorities at the place where the Company’s shares are listed.

The Company’s issuance of convertible corporate bonds as approved by the CSRC shall be in strict compliance with the relevant provisions of the CSRC on the issuance and management of convertible corporate bonds and the relevant provisions of issuance terms of the Company’s convertible corporate bonds prospectus. After the convertible corporate bonds enter the conversion period, the Company shall inquire about the changes in shares from the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on a monthly basis, handle the procedures such as changes in shares as required and fulfill the obligation of information disclosure.

The Company’s increase in capital by issuing new shares shall be handled in accordance with the procedures provided for in relevant laws, administrative regulations, departmental rules and regulatory documents of the place where the Company’s shares are listed and the listing rules of the Stock Exchanges after having been approved in accordance with the Articles of Association.

The Company may reduce its registered capital. The Company shall reduce its registered capital in accordance with the Company Law and other relevant regulations as well as the procedures stipulated in the Articles of Association.

The Company shall not repurchase its own shares. Except in any of the following circumstances:

(I) to reduce the registered capital of the Company;

(II) to merge with another company that holds the shares of the Company;

(III) to grant shares to employees pursuant to employee share ownership plans or share incentive plans;

(IV) to acquire the shares from shareholders who voted against a resolution passed at a Shareholders’ General Meeting on the merger or division of the Company and request the Company to buy back their shares;

(V) to use shares for the purposes of converting convertible corporate bonds issued by the Company;

(VI) to safeguard the Company’s value and the shareholders’ rights and interests as the Company deems necessary;

(VII) other circumstances permitted by laws, administrative regulations, departmental rules, or regulatory rules of the place where the Company’s shares are listed.

If the Company intends to repurchase its shares under the circumstances set out in items (III), (V) and (VI), the repurchase shall be conducted through public and centralized trading and in

APPENDIX V

SUMMARY OF THE ARTICLES OF ASSOCIATION

accordance with the relevant provisions of laws, administrative regulations, departmental rules and securities regulatory authorities at the place where the Company’s shares are listed. If the Company intends to repurchase its shares under the circumstances set out in items (I) and (II), such repurchase shall be resolved at the Shareholders’ General Meeting. If the Company intends to repurchase its shares under the circumstances set out in items (III), (V) and (VI), a resolution of the Board meeting attended by not less than two-thirds of the directors may be made in accordance with the provisions of the Articles of Association or as authorized by the Shareholders’ General Meeting, and subject to compliance with the securities regulatory rules of the place where the Company’s shares are listed.

The shares repurchased by the Company in accordance with the provisions above shall be processed in the following ways: for the circumstance in item (I), such shares shall be canceled in ten days after the date of repurchase; for the circumstance in item (II) or (IV), such shares shall be transferred or canceled in six months; for the circumstance in item (III), (V) or (VI), the total number of shares held by the Company shall not exceed 10% of the total issued shares of the Company, and such shares shall be transferred or canceled in three years.

Transfer of Shares

The directors and senior management personnel of the Company shall declare to the Company the number of shares (including preferred shares) held by them and the relevant changes. The number of shares transferred each year during their term of office shall not exceed 25% of the total number of the same class of shares of the Company held by them. The shares of the Company held by them shall not be transferred within one year as of the listing date of the shares of the Company. The shares of the Company held by them shall not be transferred within six months after their resignation.

Where it is otherwise provided in the listing rules of the place where the Company’s shares are listed in respect of restrictions on the transfer of the Company’s shares, such provisions shall prevail.

For directors, senior management personnel and shareholders holding not less than 5% of the Company’s shares, if they have sold the shares of the Company or other securities of equity nature of the Company held by them within six months after purchasing such shares, or they have purchased the shares within six months after selling their shares, the gains obtained therefrom shall be attributed to the Company and be forfeited by the Board, except in cases where a securities company holds not less than 5% of the shares after purchasing the remaining shares upon public offering due to underwriting, and as otherwise specified by the CSRC.

The shares or other securities of equity nature held by directors, senior management personnel and natural person shareholders referred to in the preceding paragraph include the shares or other securities of equity nature held by their spouses, parents and children and held through others’ accounts.

If the Board of the Company does not comply with the provisions of paragraph 1 of this Article, the shareholders shall have the right to request the Board to do so within 30 days. If the Board of the Company fails to follow the above-mentioned deadline, the shareholders shall have the right to file a lawsuit directly to the People’s Court in their own names for the interest of the Company.

If the Board of the Company does not comply with the provisions of paragraph 1 of this Article, the responsible directors shall be jointly and severally liable in accordance with the law.

APPENDIX V

SUMMARY OF THE ARTICLES OF ASSOCIATION

SHAREHOLDERS AND SHAREHOLDERS’ GENERAL MEETING

General Provisions of Shareholders

The Company shall establish a register of shareholders in accordance with the certificates issued by the securities registration and clearing institution. The register of shareholders shall be the sufficient evidence of the shareholders’ shareholding in the Company.

The shareholders shall enjoy the rights and assume the obligations according to the class of the shares they hold. The shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

The Company shall maintain at its domicile a copy of the register of shareholders of H Shares. The entrusted overseas agent shall always ensure that the original and copies of the register of shareholders of H Shares are consistent. The register of shareholders of H shares kept in Hong Kong shall be made available for shareholders’ inspection, but the Company is permitted to temporarily suspend the registration procedures for shareholders in accordance with the provisions equivalent to Section 632 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the securities regulatory rules of the place where the Company’s shares are listed.

Shareholders of the Company shall enjoy the following rights:

(I) to receive dividend and other forms of distribution of interest in proportion to their respective shareholdings;

(II) to legally request, convene, preside over, attend or dispatch shareholder’s agent to attend the Shareholders’ General Meeting and exercise the corresponding voting rights (except where a shareholder is required, by the Hong Kong Listing Rules, to abstain from voting to approve the matter under consideration);

(III) to supervise, make recommendations and inquiries on the operation of the Company;

(IV) to transfer, gift or pledge the shares they hold according to the laws, administrative regulations and the Articles of Association;

(V) to inspect and copy the Articles of Association, register of shareholders, minutes of Shareholders’ General Meetings, resolutions of Board meetings, and financial and accounting reports, and the qualifying shareholders may inspect the Company’s accounting books and accounting vouchers;

(VI) to participate in the distribution of the remaining assets of the Company according to the proportion of shares they hold upon the dissolution or liquidation of the Company;

(VII) upon satisfying the procedural requirements for share repurchase by the Company under the Articles of Association and relevant laws and regulations, to require the Company to buy back their share if they vote against resolutions passed at Shareholders’ General Meetings concerning the merger or division of the Company;

(VIII) other rights stipulated by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company’s shares are listed or the Articles of Association.

APPENDIX V

SUMMARY OF THE ARTICLES OF ASSOCIATION

Shareholders requesting to inspect or copy the Company’s relevant materials shall comply with the provisions of the Company Law, Securities Law and other laws and administrative regulations.

The shareholders are entitled to request the People’s Court to invalidate the resolutions of the Shareholders’ General Meeting and the Board meeting which violate the laws and administrative regulations.

The shareholders shall be entitled to request the People’s Court to cancel the relevant resolution within 60 days after the resolution is adopted if the convening procedure or voting method of the Shareholders’ General Meeting or Board meeting violates the laws, administrative regulations or the Articles of Association, or the resolution content breaches the Articles of Association. However, this does not apply if the convening procedure or voting method of the Shareholders’ General Meeting or Board meeting has only minor defects that do not have a substantial impact on the resolution.

Resolutions of a Shareholders’ General Meeting or a Board meeting of the Company shall be invalid in any of the following circumstances:

- (I) the resolution was not made by a Shareholders’ General Meeting or a Board meeting;
- (II) the resolution was not voted on at a Shareholders’ General Meeting or a Board meeting;
- (III) the number of attendees of the meeting or their voting rights do not meet the quorum or the number of voting rights as required by the Company Law or the Articles of Association;
- (IV) the number of attendees voting in favor of the resolution or their voting rights do not meet the quorum or the number of voting rights as required by the Company Law or the Articles of Association.

Shareholders of the Company shall assume the following obligations:

- (I) to comply with the laws, administrative regulations and the Articles of Association;
- (II) to pay subscription monies for the shares subscribed in accordance with the agreed manner of payment;
- (III) not to make divestment unless in the circumstances stipulated by laws, regulations and regulatory rules of the place where the Company’s shares are listed;
- (IV) not to abuse shareholder’s rights to damage the interests of the Company or other shareholders; not to abuse the independent legal person status of the Company and the limited liability of shareholders to damage the interests of the creditors of the Company;
- (V) to assume other obligations stipulated by laws, administrative regulations and the Articles of Association.

If any shareholder of the Company abuses the shareholder’s rights and causes loss to the Company or other shareholders, he/she/it shall be liable for the compensation according to law. If any shareholder of the Company abuses the independent legal person status of the Company and the limited liability of shareholders to evade debts and severely damage the interests of the creditors of the Company, he/she/it shall bear joint and several liability for the debts of the Company.

APPENDIX V

SUMMARY OF THE ARTICLES OF ASSOCIATION

Controlling Shareholders and Actual Controllers

The controlling shareholders and actual controllers of the Company shall exercise their rights, perform their obligations in accordance with laws, administrative regulations, provisions of the CSRC and the Stock Exchanges to safeguard the interests of the Company.

The controlling shareholders and actual controllers of the Company shall comply with the following provisions:

(I) They shall exercise shareholders’ rights in accordance with the law and shall not abuse their controlling rights or take advantage of their related relationship to undermine the lawful rights and interests of the Company or other shareholders;

(II) They shall stringently fulfill the public declarations and undertakings they made and shall not alter or waive such declarations or undertakings in a unilateral manner;

(III) They shall perform the obligation of information disclosure in strict accordance with pertinent provisions, actively cooperate with the Company to procure proper information disclosure and notify the Company in a timely manner of material matters that have occurred or will likely incur;

(IV) They shall not appropriate the funds of the Company in any manner;

(V) They shall not order by coercion, instruct or demand the Company and relevant staff to provide guarantee in violation of laws or regulations;

(VI) They shall not take advantage of the possession of unannounced material information of the Company for their gain, or divulge unannounced material information relating to the Company in any manner, or be engaged in illegal or illicit acts such as inside dealing, short-term dealing or market manipulation;

(VII) They shall not compromise the lawful rights and interests of the Company and other shareholders through any means, such as unfair related party transaction, profit allocation, asset reorganization, and investment in third parties;

(VIII) They shall guarantee the integrity of the Company’s assets and the Company’s independence in terms of staffing, finance, organization and business, and shall not affect the independence of the Company in any manner;

(IX) They shall observe other provisions under the laws, administrative regulations, the provisions of the CSRC, business rules of the Stock Exchanges and the Articles of Association.

If any controlling shareholder or actual controller of the Company does not act as a director of the Company but actually executes the affairs of the Company, the provisions of the Articles of Association on the duties of loyalty and diligence of directors shall apply.

A controlling shareholder or actual controller of the Company who instructs directors and senior management personnel to engage in acts detrimental to the interests of the Company or its shareholders shall be jointly and severally liable with such directors and senior management personnel.

APPENDIX V

SUMMARY OF THE ARTICLES OF ASSOCIATION

General Provisions of Shareholders’ General Meeting

The Shareholders’ General Meeting of the Company shall comprise all the shareholders. The Shareholders’ General Meeting acts as the organ of authority of the Company which, according to laws, exercises the following functions and powers:

(I) to elect and replace directors who are not employee representatives, and to decide on matters relating to their remuneration;

(II) to consider and approve reports of the Board;

(III) to consider and approve profit distribution plans and loss recovery plans of the Company;

(IV) to pass resolutions concerning the increase or reduction of the Company’s registered capital;

(V) to pass resolutions on the issuance of corporate bonds;

(VI) to pass resolutions on matters such as the merger, division, dissolution, liquidation or change in corporate form of the Company;

(VII) to amend the Articles of Association;

(VIII) to pass resolutions on the appointment or dismissal of accounting firms responsible for audit matters of the Company;

(IX) to consider and approve the guarantees set out in Article 47 of the Articles of Association;

(X) to consider and approve the Company’s purchase or disposal of major assets within one year of an aggregate value exceeding 30% of the latest audited total assets of the Company;

(XI) to consider and approve matters concerning changes in the use of proceeds from fundraising activities;

(XII) to consider share incentive schemes and employee share ownership plans;

(XIII) to consider other matters that shall be decided by the Shareholders’ General Meeting according to laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company’s shares are listed or the Articles of Association.

The Shareholders’ General Meeting may authorize the Board to resolve on the issuance of corporate bonds.

The following guarantees made to outsiders by the Company shall be considered and approved by the Shareholders’ General Meeting:

(I) any guarantee provided after the total amount of the external guarantees provided by the Company and its majority owned subsidiaries exceeds 50% of the latest audited net assets of the Company;

APPENDIX V**SUMMARY OF THE ARTICLES OF ASSOCIATION**

(II) any guarantee provided after the total amount of the external guarantees provided by the Company and its majority owned subsidiaries exceeds 30% of the latest audited total assets of the Company;

(III) any guarantee provided by the Company within one year with an amount exceeds 30% of the latest audited total assets of the Company;

(IV) any guarantee provided to the guaranteed object with a debt-to-asset ratio of more than 70%;

(V) any single guarantee whose amount exceeds 10% of the latest audited net assets;

(VI) any guarantee provided for the benefit of the Company’s shareholders, actual controllers and their related parties.

If any director, senior management personnel and other relevant personnel of the Company do not fulfill the approval procedures in accordance with the provisions, or exceed their authority to enter into external guarantee contracts without authorization, or fail to perform their duties, causing damage to the Company, they shall be held responsible.

Shareholders’ General Meetings shall be classified into annual general meetings (AGMs) and extraordinary general meetings (EGMs).

The AGMs shall be convened once a year, and shall be held within six months after the prior accounting year ends.

The Company shall convene an EGM within two months of the occurrence of any of the following circumstances:

(I) when the number of directors is less than the number specified in the Company Law or two-thirds of the number (i.e. six persons) required by the Articles of Association;

(II) when the uncovered loss of the Company reaches one-third of the total share capital of the Company;

(III) upon request(s) by shareholder(s) individually or collectively holding not less than 10% of the Company’s shares (on a one-share, one-vote basis, excluding treasury shares);

(IV) when the Board considers it necessary;

(V) when the Audit Committee proposes such a meeting be held;

(VI) any other circumstances required by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company’s shares are listed or the Articles of Association.

If the EGM is convened in response to the securities regulatory rules of the place where the Company’s shares are listed, the actual date of the EGM may be adjusted based on the approval progress of the Stock Exchanges where the Company’s shares are listed.

APPENDIX V**SUMMARY OF THE ARTICLES OF ASSOCIATION**

Convening of Shareholders’ General Meetings

The Board shall convene the Shareholders’ General Meetings within the specified period.

Upon approval by more than half of the independent directors, the independent directors have the right to propose to the Board to convene an EGM. For the proposal of independent directors of convening an EGM, the Board shall, in accordance with the provisions of laws, administrative regulations and the Articles of Association, submit written feedback on whether to agree or disagree with convening the meeting within 10 days upon receipt of the proposal.

When the Board agrees to convene an EGM, the Board shall, within five days after the Board resolution is made, issue a notice calling for the meeting. If the Board does not agree to convene such meeting, the reasons shall be stated and announced.

The Audit Committee has the right to propose to the Board to convene an EGM. The Audit Committee shall propose to the Board to convene such meeting in writing. The Board shall, pursuant to the laws, administrative regulations and the Articles of Association, give a written reply on whether to convene the EGM or not within 10 days after receipt of the proposal.

When the Board agrees to convene an EGM, the Board shall, within five days after the Board resolution is made, issue a notice calling for the meeting. Changes in the original proposal in the notice shall be subject to the approval of the Audit Committee.

When the Board does not agree to convene an EGM, or does not provide written feedback within 10 days upon receipt of the proposal, the Board shall be considered to be unable or fail to perform the duty of convening a Shareholders’ General Meeting. The Audit Committee may convene and preside over the meeting on its own.

The shareholders who individually or jointly hold not less than 10% of the shares of the Company (on a one-share, one-vote basis, excluding treasury shares) shall have the right to request the Board to convene an EGM, and shall make such request to the Board in writing. The Board shall, pursuant to relevant laws, administrative regulations, and the Articles of Association, give a written reply on whether to convene the EGM or not within 10 days after receipt of the proposal.

If the Board agrees to convene the EGM, it shall serve a notice of such meeting within five days after the resolution is made by the Board. In the event of any changes to the original proposal in the notice, the consent of relevant shareholders shall be obtained.

If the Board does not agree to hold the EGM or fails to give a reply within 10 days after receipt of the request, shareholders severally or jointly holding not less than 10% shares of the Company (on a one-share, one-vote basis, excluding treasury shares) shall be entitled to request in writing the Audit Committee to convene an EGM.

If the Audit Committee agrees to convene the EGM, it shall serve a notice of such meeting within five days after receipt of the request. In the event of any changes to the original proposal in the notice, the consent of relevant shareholders shall be obtained.

If the Audit Committee fails to give the notice of such a meeting within the specified time limit, it shall be deemed to have failed to convene or preside over the Shareholders’ General Meeting, in

APPENDIX V**SUMMARY OF THE ARTICLES OF ASSOCIATION**

which case, the shareholders who either individually or jointly hold not less than 10% of the Company’s shares (on a one-share, one-vote basis, excluding treasury shares) for not less than 90 consecutive days may convene and preside over the meeting by themselves.

If the Audit Committee or shareholders decide to convene a Shareholders’ General Meeting on their own, they must notify the Board of Directors in writing and file a record with the SSE at the same time.

When issuing the notice of the Shareholders’ General Meeting and the announcement of the resolutions of the Shareholders’ General Meeting, the Audit Committee or the convening shareholders shall submit relevant supporting materials to the SSE.

The shares held by the convening shareholders prior to the announcement of the resolutions of the Shareholders’ General Meeting shall not be below 10%.

For the Shareholders’ General Meeting convened by the Audit Committee or shareholders on their own, the Board of Directors and the Secretary to the Board shall provide cooperation. The Board of Directors shall provide the register of shareholders as of the Record Date.

For the Shareholders’ General Meetings convened by the Audit Committee or shareholders on their own, the Company shall bear the necessary expenses for the meeting.

Proposals and Notices of Shareholders’ General Meetings

The proposal shall fall into the functions and power of the Shareholders’ General Meeting. There shall be definite topics and specific matters for resolution. The proposal shall comply with the relevant provisions of the laws, administrative regulations, the securities regulatory rules of the place where the Company’s shares are listed and the Articles of Association.

The shareholders individually or jointly holding more than 1% of the shares of the Company may raise temporary proposal and submit it to the convener in writing 10 days before the Shareholders’ General Meeting is held. The convener shall, within 2 days after receipt of the proposal, issue a supplementary notice to announce the content of the temporary proposal, and submit the temporary proposal to the Shareholders’ General Meeting for consideration, except where the temporary proposal violates laws, administrative regulations or the Articles of Association, or falls outside the scope of the powers of the Shareholders’ General Meeting.

Save as specified above, the convener shall not change the proposal set out in the notice of Shareholders’ General Meeting or add any new proposals after the said notice is served.

The Shareholders’ General Meeting shall not vote resolutions on proposals not listed in the notice of the Shareholders’ General Meeting or resolutions not in conformity with the Articles of Association.

The convener will notify all shareholders of an AGM in writing (including by way of announcement) 21 days prior to the convening thereof, and notify all shareholders of an EGM in writing (including by way of announcement) 15 days prior to the convening thereof.

APPENDIX V**SUMMARY OF THE ARTICLES OF ASSOCIATION**

The notice of the Shareholders' General Meeting shall include:

(I) date, place, and duration of the meeting;

(II) matters and proposals to be considered at the meeting;

(III) textual explanation: all shareholders are entitled to participate the meeting and they may appoint a proxy to attend and vote at such meeting on their behalf and that such proxies need not be shareholders of the Company;

(IV) the Record Date of the shareholders entitled to attend the Shareholders' General Meeting;

(V) the name and telephone number of the regular contact person for the meeting;

(VI) the voting time and voting procedures of the meeting for the online voting or other means of voting;

other contents as required by laws, administrative regulations, departmental rules, the rules of the Stock Exchanges where the Company's shares are listed, and other matters stipulated in the Articles of Association.

After the notice of the Shareholders' General Meeting is given, without good reason, the Shareholders' General Meeting shall not be postponed or canceled, and the proposals set out in the notice shall not be canceled. In the event of a delay or cancelation, the convener shall give an announcement and explanations at least 2 working days before the scheduled date of convening. If the securities regulatory rules of the place where the Company's shares are listed have special provisions on the procedures for postponing or canceling a Shareholders' General Meeting, such provisions shall prevail provided that they do not violate the regulatory requirements of the place where the Company is incorporated.

Convening of Shareholders' General Meetings

All shareholders recorded in the register as at the Record Date or their proxies shall have the right to attend the Shareholders' General Meeting and to speak and exercise the voting rights at the meeting in accordance with the provisions of laws, regulations, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

Any shareholder entitled to attend and vote at the Shareholders' General Meeting may appoint a proxy (who need not be a shareholder) to attend and vote at the meeting on his/her behalf.

The proxy may, as authorized by the shareholder, exercise the following rights:

(I) speaking right of the shareholder at the Shareholders' General Meeting;

(II) requesting to vote by ballot separately or together with others;

(III) exercising the voting right by raising hand or ballot, unless otherwise provided by relevant laws, administrative regulations, the listing rules of the Stock Exchanges where the Company's shares are listed, or other securities laws and regulations.

If the shareholder is an approved clearing house (or its agent), the shareholder may authorize one or more persons it deems appropriate to act as its representative(s) at any Shareholders' General

APPENDIX V**SUMMARY OF THE ARTICLES OF ASSOCIATION**

Meeting. However, if more than one person is so authorized, the power of attorney shall state the number and class of shares in respect of which each such person is so authorized, and the power of attorney shall be signed by an authorized officer of the approved clearing house. A person so authorized may attend the meeting on behalf of the approved clearing house (or its agent) (without the production of share certificates, a notarized authorization and/or further evidence proving that he/she has been duly authorized), speak at the meeting and exercise rights as if he/she were an individual shareholder of the Company. These authorized persons shall enjoy the same statutory rights as other shareholders, including the rights to speak and vote.

An individual shareholder who attends the meeting in person shall produce his/her own identity card or other valid certificate or proof evidencing his/her identity. If a proxy is appointed to attend the meeting on his/her behalf, such proxy shall present his/her own valid proof of identity and the power of attorney from the shareholder.

Corporate shareholders shall attend the meeting by legal representatives or proxies appointed by legal representatives. The legal representative attending the meeting shall present his/her identity card and valid certificate evidencing his/her capacity as a legal representative; if a proxy is appointed to attend the meeting, such proxy shall present his/her identity card and a written power of attorney (except where the shareholder is an approved clearing house) duly issued by the legal representative of the corporate shareholder.

The power of attorney issued by a shareholder to appoint a proxy to attend a Shareholders' General Meeting shall contain the following information:

(I) name of the principal and the class and number of the Company's shares held by the principal;

(II) whether the proxy has the right to speak and vote;

(III) name of the proxy;

(IV) specific instructions from the shareholder, including instructions as to whether to cast affirmative, negative or abstention votes on each proposal listed on the agenda of the Shareholders' General Meeting;

(V) the date of issuance and effective period of the power of attorney;

(VI) signature (or seal) of the principal. If the principal is a legal person, the power of attorney shall be stamped with the seal of the legal person.

If the power of attorney for proxy voting is signed by another person authorized by the principal, the power of attorney or other authorization documents shall be notarized. The notarized letter of authority or other authorization documents and the power of attorney for voting by proxies shall be deposited at the domicile of the Company or such other places as designated in the notice of the meeting.

If the Shareholders' General Meeting requires directors and senior management personnel to attend the meeting, they shall attend as non-voting delegates and accept inquiries from shareholders.

APPENDIX V**SUMMARY OF THE ARTICLES OF ASSOCIATION**

Subject to the securities regulatory rules of the place where the Company’s shares are listed, the aforementioned persons may attend the meeting via the Internet, video, telephone or other means with the same effect.

The Shareholders’ General Meeting shall be chaired by the chairman of the Board. If the chairman is unable or fails to perform his/her duties, the vice-chairman shall chair the meeting. If the vice-chairman is unable or fails to perform his/her duties, a director elected jointly by more than half of the directors shall chair the meeting.

For a Shareholders’ General Meeting convened by the Audit Committee on its own initiative, it shall be chaired by the convener of the Audit Committee. If the convener of the Audit Committee is unable or fails to perform his/her duties, a member of the Audit Committee elected jointly by more than half of the members of the Audit Committee shall chair the meeting.

For a Shareholders’ General Meeting convened by shareholders on their own initiative, it shall be chaired by the convener or a representative elected by the convener.

During the course of a Shareholders’ General Meeting, if the chairman of the meeting violates the procedural rules such that the meeting cannot be continued, the shareholders may elect one person to act as the chairman of the meeting to continue the meeting so long as the proposed chairman has the consent of more than half of the shareholders with voting rights who are present at the meeting.

Voting and Resolutions of Shareholders’ General Meetings

The resolutions of a Shareholders’ General Meeting are classified into ordinary resolutions and special resolutions. Ordinary resolutions of a Shareholders’ General Meeting shall be adopted by not less than half of the voting rights held by the shareholders present at the meeting. Special resolutions of a Shareholders’ General Meeting shall be adopted by not less than two-thirds of the voting rights held by the shareholders present at the meeting.

The following matters shall be resolved by way of ordinary resolution of the Shareholders’ General Meeting:

- (I) reports of the Board of Directors;
- (II) profit distribution proposals and loss recovery proposals formulated by the Board of Directors;
- (III) appointment and dismissal of the members of the Board and their remuneration and the payment methods thereof;
- (IV) matters other than those which are required by the laws, administrative regulations, the securities regulatory rules of the place where the Company’s shares are listed or the Articles of Association to be resolved by way of special resolutions.

The following matters shall be resolved by way of special resolution of the Shareholders’ General Meeting:

- (I) increase or reduction of the Company’s registered capital;

APPENDIX V**SUMMARY OF THE ARTICLES OF ASSOCIATION**

(II) separation, division, merger, dissolution and liquidation of the Company;

(III) amendment of the Articles of Association;

(IV) purchase and disposal of material assets or giving of material guarantee, in each case in an aggregate amount within a year exceeding 30% of the latest audited total assets of the Company;

(V) the share incentive scheme;

(VI) other matters which are required by the laws, administrative regulations, the securities regulatory rules of the place where the Company’s shares are listed or the Articles of Association, and matters which, according to an ordinary resolution of the Shareholders’ General Meeting, may have a material impact on the Company requiring approval by way of a special resolution.

Shareholders shall exercise their voting rights by the number of voting Shares they represent, and each Share shall have one vote, except for holders of class shares.

When material issues affecting the interests of minority Shareholders are deliberated at the Shareholders’ General Meeting, the votes of minority Shareholders shall be counted separately and the results of such separate vote counting shall be disclosed promptly.

The Company’s shares held by the Company have no voting right, and those shares are not included in the total number of voting shares present at the Shareholders’ General Meeting.

Where a shareholder’s purchase of the Company’s voting shares violates the provisions of the first and second paragraphs of Article 63 of the Securities Law, the voting rights of the shares exceeding the prescribed proportion shall not be exercised within 36 months after the purchase, and such shares shall not be included in the total number of voting shares of the shareholders attending the Shareholders’ General Meeting.

In accordance with the applicable laws, regulations and the Hong Kong Listing Rules, if any shareholder is required to abstain from exercising voting rights on a certain resolution matter, or any shareholder is restricted to only vote in favor of (or against) a certain resolution matter, the votes cast by such shareholder or their representative in violation of the relevant provisions or restrictions shall not be included in the total number of voting shares.

The Board, independent directors, and shareholders holding not less than 1% of the voting shares or the investor protection agency established in accordance with laws, administrative regulations or provisions of the CSRC can publicly solicit the voting rights from the shareholders. When soliciting voting rights from the shareholders, the specific voting intention and other information shall be fully disclosed to the solicitation targets. Solicitation of shareholder voting rights in a paid or disguised paid way shall be prohibited. Except for the statutory conditions, the Company shall not impose restrictions on the minimum shareholding proportion against the solicitation of shareholder voting rights.

When related party transactions are deliberated at the Shareholders’ General Meeting, the interested Shareholders shall not participate in voting, and the number of voting shares represented by them shall not be counted into the total number of valid votes. The voting particulars of the uninterested Shareholders shall be disclosed in the announcement on the resolutions of the Shareholders’ General Meeting.

APPENDIX V

SUMMARY OF THE ARTICLES OF ASSOCIATION

THE BOARD OF DIRECTORS

General Provisions of Directors

Directors may include executive directors, non-executive directors and independent directors (the meaning of “independent director” is consistent with that of “independent non-executive director” in the Hong Kong Listing Rules). Non-executive directors refer to directors who do not hold management positions in the Company. Independent directors refer to individuals who meet the requirements of the regulatory rules of the stock exchange where the Company’s shares are listed. The Company’s directors are natural persons. Directors shall meet the qualification requirements set by laws, administrative regulations and rules. None of the following persons may serve as a director of the Company:

(I) persons without capacity or with limited capacity for civil acts;

(II) persons who were sentenced for crimes of corruption, bribery, encroachment or embezzlement of property or disruption of the socialist market economy order, or persons who were deprived of their political rights for committing a crime, where five years have not lapsed following the serving of the sentence; or persons who have been declared on probation, and less than two years have lapsed since the expiration of the probation period;

(III) persons who acted as directors, or factory managers or managers of companies or enterprises which were bankrupt or liquidated and who shall bear personal liability for the bankruptcy or liquidation of such companies or enterprises, where three years have not lapsed following the date of completion of such bankruptcy or liquidation;

(IV) persons who were legal representatives of a company or enterprise which had its business license revoked, and had been ordered to shut down due to violation of the laws and who were personally liable, where less than three years have elapsed since the date of the revocation or shut-down;

(V) a person who has a relatively large amount of overdue debts and has been listed as a dishonest person subject to enforcement by the people’s court;

(VI) a person who has been prohibited from entering the securities market by the CSRC and the period of such prohibition has not expired;

(VII) a person who has been publicly determined by the Stock Exchanges as unfit to serve as a director, senior management personnel, etc. of a listed company and the period of such determination has not expired;

(VIII) other content specified by laws, administrative regulations, departmental rules or securities regulatory rules of the place where the Company’s shares are listed;

Any election, appointment or engagement of directors in violation of this Article shall be invalid. In the event that the circumstances as stipulated in this Article arise during the term of office of directors, the Company shall dismiss their duties and stop them from performing their duties.

APPENDIX V**SUMMARY OF THE ARTICLES OF ASSOCIATION**

The Board of Directors

The Company shall set up a Board composed of nine directors, which include one chairman and may include vice chairmen. The chairman and vice chairmen shall be elected by a majority of the Board of Directors.

The Board shall exercise the following functions and powers:

(I) to convene a Shareholders’ General Meeting and report to the meeting on the work of the Board;

(II) to implement the resolutions of Shareholders’ General Meetings;

(III) to decide on the Company’s business plans and investment plans;

(IV) to formulate the profit distribution plan and loss recovery plan of the Company;

(V) to formulate plans of the Company regarding increase or reduction of the registered capital, issuance of bonds or other securities and listing;

(VI) to formulate plans for material acquisition, shares buy-backs, or merger, division, dissolution or change in corporate form of the Company;

(VII) to determine matters such as external investments, acquisition and disposal of assets, asset mortgage, external guarantee, consigned financial management, related party transactions, external donations and gifts of the Company within the authority granted by the Shareholders’ General Meeting;

(VIII) to determinate the establishment of the Company’s internal management structure;

(IX) to appoint or dismiss the general manager, secretary to the Board and other senior management personnel of the Company, and decide on matters of remuneration, rewards and penalties; to appoint or dismiss deputy general manager and chief financial officer and other senior management personnel according to the nomination of the general manager, and decide on matters of remuneration, rewards and penalties;

(X) to set up the basic management regime of the Company;

(XI) to formulate the proposals for any amendment to the Articles of Association;

(XII) to manage the information disclosure of the Company;

(XIII) to propose to the Shareholders’ General Meeting the appointment or replacement of the accounting firms which provide auditing services to the Company;

(XIV) to receive the reports of the general manager of the Company and review his/her work;

(XV) to exercise other functions and powers granted by the relevant laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company’s shares are listed or the Articles of Association.

APPENDIX V**SUMMARY OF THE ARTICLES OF ASSOCIATION**

The Board may resolve on the issues specified in the above paragraphs by approval of more than half of the directors save for the issues specified in items (V), (VI) and (XI) in which the approval of more than two thirds of the directors is required.

Matters in which the Board exercises its powers beyond the scope authorized by the Shareholders' General Meeting shall be submitted to the Shareholders' General Meeting for deliberation.

The Chairman of the Board shall exercise the following functions and powers:

(I) to preside over Shareholders' General Meetings and to convene and preside over Board Meetings;

(II) to procure and examine the implementation of resolutions of the Board;

(III) other functions and powers granted by the Board.

The Board shall hold at least four regular meetings each year, which shall be convened by the Chairman and notified to all the directors 14 days prior to the meeting in writing.

Shareholders representing not less than one-tenth of the voting rights, and not less than one-third of the directors or the Audit Committee may propose an extraordinary Board Meeting. The chairman of the Board shall convene and preside over a Board Meeting within ten days after receiving the proposal.

Notice of an extraordinary Board Meeting may be delivered by email, express mail, hand, electronic communication, or other means. Notice of an extraordinary Board Meeting shall be given five days in advance. In case of emergency, the notice may be sent by telephone or other oral means at any time, and shall be explained in the minutes of the Board Meeting.

A Board Meeting shall not be held unless more than half of the directors are present. A resolution made by the Board shall be approved by more than half of all the directors.

When voting on Board resolutions, each director shall have one vote.

Where a director is affiliated with the enterprise or individual involved in resolutions of the Board Meeting, he/she shall timely report to the Board in writing. The interested director shall not exercise the right to vote on the resolutions, nor shall he/she exercise the right to vote on behalf of another director. The Board Meeting may be held by more than half of the uninterested directors. The resolutions of the Board Meeting shall be adopted by more than half of the uninterested directors. If the number of uninterested directors present at the Board Meeting is less than three, the matter shall be submitted to the Shareholders' General Meeting for deliberation. If laws, regulations, or the securities regulatory rules of the place where the Company's shares are listed provide any additional restrictions on directors' attendance or voting at Board Meetings, such provisions shall prevail.

The directors shall attend the Board Meeting in person. If a director is unable to attend the meeting for some reason, he/she may entrust another director in writing to attend the meeting on his/her behalf. The power of attorney shall specify the name, matters entrusted to, scope of authorization

APPENDIX V

SUMMARY OF THE ARTICLES OF ASSOCIATION

and term of validity, and shall be signed or sealed by the principal. The proxy shall exercise the rights of a director within the scope of the authorization. A director failing to attend the Board Meeting in person or by proxy shall be deemed as having waived his/her voting rights at such meeting.

Independent Directors

Independent directors shall, in accordance with relevant laws, administrative regulations, and the provisions of CSRC and the Stock Exchanges and the Articles of Association, earnestly perform their duties, play the role of participating in decision-making, supervision and balancing, and professional consultation in the Board, safeguard the overall interests of the Company, and protect the legitimate rights and interests of the minority shareholders.

Independent directors shall maintain their independence. The following persons shall not serve as independent directors:

(I) The persons holding posts in the Company or its subsidiaries and their spouses, parents, children and key social relationship;

(II) The persons holding, directly or indirectly, 1% or more of the issued shares of the Company or ranking among the top ten shareholders of the Company and their spouses, parents and children;

(III) The persons holding posts in entities that directly or indirectly hold 5% or more of the issued shares of the Company or ranking among the top five shareholders of the Company and their spouses, parents and children;

(IV) The persons employed in the affiliated enterprises of the Company’s controlling shareholders or actual controllers, and their spouses, parents and children;

(V) The persons who have significant business transactions with the Company and its controlling shareholders, actual controllers or their respective affiliated enterprises, or who hold positions in entities with significant business transactions and their controlling shareholder or actual controller;

(VI) The persons providing financial, legal, consulting, sponsorship and other services to the Company and its controlling shareholders, actual controllers or their respective affiliated enterprises, including but not limited to all members of the project team of the intermediary institutions providing services, review personnel at all levels, personnel affixing signatures to the reports, partners, directors, senior management personnel and main responsible persons;

(VII) The persons having the circumstances as mentioned in the items (I) to (VI) during the recent 12 months;

(VIII) Other personnel who do not have independence as stipulated by laws, administrative regulations, the provisions of CSRC, the business rules of the Stock Exchanges and the Articles of Association.

The affiliated enterprises of the Company’s controlling shareholders or actual controllers as mentioned in items (IV) to (VI) of the preceding paragraph do not include enterprises that are controlled by the same state-owned asset management institution as the Company and have not formed a related relationship with the Company in accordance with the relevant regulations.

APPENDIX V**SUMMARY OF THE ARTICLES OF ASSOCIATION**

Independent directors shall conduct self-examination of their independence every year and submit the self-examination results to the Board. The Board shall assess the independence of incumbent independent directors every year and issue special opinions, which shall be disclosed concurrently with the annual report.

The following matters shall be submitted to the Board for deliberation after being approved by more than half of all independent directors of the Company:

(I) related party transactions that shall be disclosed;

(II) plans for the Company and related parties to change or waive their commitments;

(III) decisions made and measures adopted by the Board of the acquired listed company regarding the acquisition;

(IV) other matters as stipulated by laws, administrative regulations, the provisions of CSRC and the Articles of Association.

The Company shall establish a special meeting mechanism attended entirely by independent directors. When the Board deliberates matters such as related party transactions, they shall be approved in advance by a special meeting of independent directors.

The Company shall hold special meetings of independent directors on a regular or irregular basis. The matters listed in items (I) to (III) of paragraph 1 of Article 130 and Article 131 of the Articles of Association shall be deliberated by a special meeting of independent directors.

A special meeting of independent directors shall be convened and presided over by an independent director jointly elected by more than half of independent directors. When the convener fails to or is unable to perform his/her duties, two or more independent directors may convene a meeting and elect one representative to preside over the meeting on their own initiative.

Special Committees under the Board of Directors

The Board of the Company shall have an Audit Committee, which shall exercise the functions and powers of the Supervisory Committee as provided by the Company Law.

The Audit Committee shall consist of three directors, who do not serve as senior management personnel in the Company, and of whom the majority shall be independent directors. The accounting professional among the independent directors shall serve as the convener.

The Audit Committee shall be responsible for reviewing the Company’s financial information and its disclosure, and supervising and evaluating internal and external audit work and internal control. The following matters shall be submitted to the Board for deliberation after being approved by more than half of all members of the Audit Committee:

(I) disclosure of financial information in financial accounting reports and periodical reports, as well as internal control evaluation reports;

(II) engagement or dismissal of accounting firms that undertake the auditing business of the Company;

APPENDIX V**SUMMARY OF THE ARTICLES OF ASSOCIATION**

(III) appointment or dismissal of the chief financial officer of the Company;

(IV) changes in accounting policies or accounting estimates, or corrections of major accounting errors for reasons other than changes in accounting standards;

(V) other matters as stipulated by laws, administrative regulations, the provisions of CSRC and the Articles of Association.

The Audit Committee shall hold at least one meeting every quarter. An interim meeting may be convened upon proposal by two or more members or when the convener deems it necessary. The meeting of the Audit Committee shall be held only when more than two-thirds of the members are present.

A resolution of the Audit Committee shall be adopted by more than half of the members of the Audit Committee.

In voting on a resolution of the Audit Committee, each member shall have one vote.

The resolutions of the Audit Committee shall be recorded in meeting minutes as required, and the members of the Audit Committee attending the meeting shall affix signatures to the meeting minutes.

The working procedures of the Audit Committee shall be formulated by the Board.

The Company’s Board shall establish other special committees, including the Strategy and ESG Committee, the Nomination Committee, and the Remuneration and Appraisal Committee, which shall perform duties in accordance with the Articles of Association and the authorization of the Board. Proposals from the special committees shall be submitted to the Board for deliberation and decision. The working procedures of the special committees shall be formulated by the Board.

SENIOR MANAGEMENT PERSONNEL

The Company shall have one general manager, who shall be appointed or dismissed by the Board of Directors.

The Company shall have one deputy general manager, who shall be appointed or dismissed by the Board of Directors.

The general manager, deputy general manager, chief financial officer, and Secretary to the Board shall be the senior management personnel of the Company.

The provisions of the Articles of Association regarding circumstances under which a person shall not serve as a director, as well as the resignation management system, shall apply mutatis mutandis to senior management personnel.

The provisions of the Articles of Association regarding the fiduciary duties and diligence obligations of directors shall apply mutatis mutandis to senior management personnel.

APPENDIX V**SUMMARY OF THE ARTICLES OF ASSOCIATION**

The general manager shall be accountable to the Board of Directors and shall exercise the following powers:

(I) to preside over the Company’s production and operational management, to organize the implementation of resolutions of the Board of Directors, and to report to the Board of Directors on his or her work;

(II) to organize the implementation of the Company’s annual business plans and investment proposals;

(III) to draft the plan for the establishment of the Company’s internal management departments;

(IV) to draft the basic management systems of the Company;

(V) to formulate specific rules and regulations of the Company;

(VI) to propose to the Board of Directors the appointment or dismissal of the deputy general manager and the chief financial officer of the Company;

(VII) to decide on the appointment or dismissal of management personnel other than those whose appointment or dismissal must be decided by the Board of Directors;

(VIII) other powers conferred by the Articles of Association or the Board of Directors.

The general manager shall attend meetings of the Board of Directors. If the general manager is not a director, he or she shall not have voting rights at Board meetings.

FINANCIAL AND ACCOUNTING SYSTEMS AND DISTRIBUTION OF PROFITS AND AUDIT

Financial and Accounting Systems

The Company shall establish its financial and accounting system in accordance with laws, administrative regulations, and relevant provisions of national authorities. The Company’s accounting year shall adopt the Gregorian calendar year, commencing on January 1, and ending on December 31, of each year.

The Company shall submit and disclose its annual report to the regional office of the CSRC and the Stock Exchanges within four months from the end of each accounting year; submit and disclose its semi-annual report to the CSRC and the Stock Exchanges within two months from the end of the first six months of each accounting year; and submit and disclose its quarterly reports to the CSRC and the Stock Exchanges within one month from the end of the first three months and the first nine months of each accounting year.

The Company shall not establish any accounting books other than statutory accounting books. The Company’s funds shall not be deposited in accounts opened under any individual’s name.

When distributing the annual after-tax profits, the Company shall allocate 10% of the profits to the statutory reserve fund. When the accumulated amount of the statutory reserve fund reaches 50% or more of the Company’s registered capital, further allocation may cease.

APPENDIX V**SUMMARY OF THE ARTICLES OF ASSOCIATION**

If the statutory reserve fund is insufficient to cover losses from previous years, the current year’s profits shall first be used to offset such losses before allocating to the statutory reserve fund as stipulated above.

After allocating to the statutory reserve fund from the after-tax profits, the Company may, upon resolution of the Shareholders’ General Meeting, allocate discretionary reserve funds from the after-tax profits.

The remaining after-tax profits after covering losses and allocating to reserve funds shall be distributed to shareholders in proportion to their shareholdings, except as otherwise provided in the Articles of Association.

If the Shareholders’ General Meeting distributes profits to shareholders in violation of the Company Law, such shareholders shall return the profits distributed in violation to the Company; if losses are caused to the Company, the shareholders and responsible directors and senior management personnel shall bear compensation liability.

Shares held by the Company itself shall not participate in profit distribution.

The Company shall appoint one or more receiving agents in Hong Kong for holders of H Shares. Such receiving agents shall receive and hold on behalf of the relevant H shareholders any dividends or other amounts payable by the Company in respect of the H Shares for payment to such H shareholders. The receiving agents appointed by the Company shall comply with the requirements of laws, regulations, and the securities regulatory rules of the place where the Company’s shares are listed.

The Company’s reserve funds shall be used to cover the Company’s losses, expand the Company’s production and operations, or convert into the Company’s registered capital.

When using reserve funds to cover losses, discretionary reserve funds and statutory reserve funds shall be used first; if still insufficient, capital reserve funds may be used in accordance with regulations.

When the statutory reserve fund is converted into registered capital, the remaining amount of such reserve fund shall not be less than 25% of the Company’s registered capital before the conversion.

Internal Audit

The Company shall implement an internal audit system, under which the leadership structure, responsibilities and authorities, staffing, funding assurance, utilization of audit results, and accountability mechanisms of internal audit work shall be clearly defined.

The internal audit system of the Company shall be implemented upon approval by the Board of Directors and shall be disclosed externally.

Engagement of Accounting Firms

The Company shall engage an accounting firm that meets the requirements of the Securities Law to provide services including the audit of financial statements, verification of net assets, and other related consulting services. The term of engagement shall be one year and may be renewed.

APPENDIX V**SUMMARY OF THE ARTICLES OF ASSOCIATION**

The engagement or dismissal of an accounting firm shall be determined by an ordinary resolution of the Shareholders’ General Meeting. The Board of Directors shall not appoint an accounting firm prior to a resolution by the Shareholders’ General Meeting.

The Company shall ensure that the engaged accounting firm is provided with true and complete accounting vouchers, accounting books, financial and accounting reports, and other accounting materials, and shall not refuse, conceal, or provide false information.

The remuneration of the accounting firm or the method for determining such remuneration shall be decided by the Board of Directors as authorized by the Shareholders’ General Meeting.

When the Company dismisses or decides not to renew the engagement of an accounting firm, it shall notify the accounting firm 30 days in advance. When the Shareholders’ General Meeting votes on the dismissal of the accounting firm, the accounting firm shall be permitted to make a statement of its opinion.

If the accounting firm resigns, it shall explain to the Shareholders’ General Meeting whether there is any impropriety on the part of the Company.

MERGER, DIVISION, CAPITAL INCREASE AND REDUCTION, DISSOLUTION AND LIQUIDATION

Merger, Division, Capital Increase and Reduction

The Company may carry out merger or division in accordance with the law. Merger of the Company may take two forms: merger by absorption and merger by new establishment. A company absorbs other companies as an absorption merger, and the absorbed company is dissolved. The merger of two or more companies to create a new company is a new merger, and the merging parties are dissolved.

In the case of a merger, the parties to the merger shall enter into a merger agreement and prepare a balance sheet and property list. The Company shall notify its creditors within 10 days from the date on which the resolution for the merger is made, and shall make a public announcement within 30 days in the Designated Media or through the National Enterprise Credit Information Publicity System.

Creditors may, within 30 days from the date of receiving the notice, or within 45 days from the date of the announcement if the notice is not received, require the Company to settle the debts or provide corresponding guarantees.

Upon merger, the surviving company or the newly established company shall succeed to the claims and debts of the parties to the merger.

In the case of a division of the Company, its assets shall be correspondingly divided.

Where the Company is to be divided, the parties to the division shall enter into a division agreement and prepare a balance sheet and property list. The Company shall notify its creditors within 10 days from the date on which the resolution for the division is made, and shall make a public announcement within 30 days in the Designated Media or through the National Enterprise Credit Information Publicity System.

APPENDIX V**SUMMARY OF THE ARTICLES OF ASSOCIATION**

Debts incurred by the Company prior to the division shall be assumed jointly and severally by the companies resulting from the division, unless otherwise provided in a written agreement on debt repayment entered into between the Company and the creditors prior to the division.

Where the Company reduces its registered capital, it shall prepare a balance sheet and property list.

The Company shall notify its creditors within 10 days from the date on which the resolution of the Shareholders’ General Meeting on capital reduction is made, and shall make a public announcement within 30 days in the Designated Media or through the National Enterprise Credit Information Publicity System. Creditors may, within 30 days from the date of receiving the notice, or within 45 days from the date of the announcement if the notice is not received, require the Company to settle the debts or provide corresponding guarantees.

Where the Company increases its registered capital through the issuance of new shares, the shareholders shall not have any preemptive subscription right, unless otherwise provided in the Articles of Association or resolved by the Shareholders’ General Meeting.

Where the Company undergoes a merger or division and any registration particulars change as a result, it shall duly complete the procedures for change registration with the company registration authority in accordance with the law. Where the Company is dissolved, it shall go through deregistration procedures in accordance with the law. Where a new company is established, the procedures for company establishment registration shall be completed in accordance with the law.

Where the Company increases or reduces its registered capital, it shall complete the procedures for change registration with the company registration authority in accordance with the law.

Dissolution and Liquidation

The Company shall be dissolved if:

(I) business term specified in the Articles of Association expires or other dissolution reasons as stipulated in the Articles of Association arise;

(II) the Shareholders’ General Meeting resolves to dissolve the Company;

(III) a dissolution is required due to merger or division of the Company;

(IV) the Company’s business license is revoked and it is ordered to close down or dissolve in accordance with the law;

(V) there is severe difficulty in the operation and management of the Company, and the continued existence of the Company will have material prejudice to the interests of the shareholders and there is no other way to resolve, shareholders holding more than 10% of the voting rights of the Company can make a petition to the People’s Court to dissolve the Company.

Where any of the above circumstances for dissolution arises, the Company shall disclose the cause of dissolution via the National Enterprise Credit Information Publicity System within 10 days.

APPENDIX V

SUMMARY OF THE ARTICLES OF ASSOCIATION

If the Company falls under item (I) or item (II) of Article 191 of the Articles of Association and has not yet distributed its assets to shareholders, it may continue to exist by amending the Articles of Association or by a resolution of the Shareholders’ General Meeting.

Any amendment to the Articles of Association or resolution of the Shareholders’ General Meeting in accordance with the preceding paragraph must be adopted by shareholders representing more than two-thirds of the voting rights present at the Shareholders’ General Meeting.

If the Company is dissolved in accordance with item (I), item (II), item (IV), or item (V) of Article 191 of the Articles of Association, it shall be liquidated. The directors shall be the liquidation obligors of the Company and shall establish a liquidation committee within 15 days from the date on which the cause for dissolution arises.

The liquidation committee shall be composed of the directors, unless otherwise provided in the Articles of Association or resolved by the Shareholders’ General Meeting to appoint others.

Where the liquidation obligors fail to perform their liquidation obligations in a timely manner and cause losses to the Company or its creditors, they shall bear liability for compensation.

The liquidation committee shall exercise the following functions and power during liquidation:

- (I) to examine the assets of the Company and prepare a balance sheet and property list;
- (II) to notify creditors by a notice or announcement;
- (III) to handle the outstanding business of the Company in connection with liquidation;
- (IV) to settle the outstanding taxes and taxes incurred during the liquidation process;
- (V) to clear up claims and debts;
- (VI) to distribute the remaining assets of the Company after the discharge of debts;
- (VII) to participate in civil litigation on behalf of the Company.

The liquidation committee shall, within 10 days from its establishment, notify the creditors and shall make a public announcement within 60 days via the Designated Media or the National Enterprise Credit Information Publicity System. Creditors shall declare their claims to the liquidation committee within 30 days from the date of receipt of the notice, or, if no such notice is received, within 45 days from the date of the public announcement.

When declaring a claim, the creditor shall explain relevant details of the claim and provide supporting documents. The liquidation committee shall register the claims accordingly.

During the claims declaration period, the liquidation committee shall not make any repayment to creditors.

After examining the Company’s assets and preparing the balance sheet and property list, the liquidation committee shall formulate a liquidation plan and submit it to the Shareholders’ General Meeting or the People’s Court for confirmation.

APPENDIX V**SUMMARY OF THE ARTICLES OF ASSOCIATION**

The remaining assets of the Company, after payment of liquidation expenses, employees’ salaries, social insurance premiums, and statutory compensations, as well as settlement of outstanding taxes and debts, shall be distributed to shareholders in proportion to their shareholdings.

During the liquidation period, the Company shall continue to exist but shall not conduct any business activities unrelated to the liquidation.

The Company’s assets shall not be distributed to shareholders before the debts have been settled in accordance with the preceding paragraph.

Where, during liquidation due to dissolution of the Company, the liquidation committee finds, after examining the Company’s assets and preparing the balance sheet and property list, that the Company’s assets are insufficient to repay its debts, it shall apply to the People’s Court for bankruptcy liquidation.

Upon acceptance of the bankruptcy application by the People’s Court, the liquidation committee shall hand over the liquidation affairs to the bankruptcy administrator designated by the People’s Court.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report, which shall be submitted to the Shareholders’ General Meeting or the People’s Court for confirmation, and filed with the company registration authority for the purpose of applying for cancelation of the Company’s registration.

Where the Company is declared bankrupt according to law, bankruptcy liquidation shall be carried out in accordance with the relevant laws on enterprise bankruptcy.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Company shall amend the Articles of Association under any of the following circumstances:

(I) Where, following amendments to the Company Law or relevant laws, administrative regulations, or securities regulatory rules of the place where the Company’s shares are listed, any provision herein conflicts with such amended laws, administrative regulations, or securities regulatory rules of the place where the Company’s shares are listed;

(II) there has been a change to the Company, resulting in inconsistency with the content in the Articles of Association;

(III) the Shareholders’ General Meeting decides to amend the Articles of Association.

Where any amendment to the Articles of Association resolved by the Shareholders’ General Meeting is subject to approval by a competent authority, such amendment shall be submitted to the competent authority for approval; where the amendment involves changes in the Company’s registration particulars, the procedures for change of registration shall be completed in accordance with the law.

APPENDIX V

SUMMARY OF THE ARTICLES OF ASSOCIATION

The Board of Directors shall amend the Articles of Association in accordance with the resolutions of the Shareholders’ General Meeting and the approval opinions of the relevant competent authorities.

Where any amendment to the Articles of Association involves information required by law or regulations to be disclosed, such information shall be publicly announced in accordance with provisions.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

1. FURTHER INFORMATION ABOUT OUR GROUP

A. Incorporation

Our Company was incorporated as a joint stock company in 2007 in Shanghai. In May 2017, we went public with our A Shares (Stock Code: 603501) listed on the main board of the Shanghai Stock Exchange. In November 2023, we successfully listed our GDRs on the SIX Swiss Exchange. Our GDRs are traded under the symbol “WILL.” On June 11, 2025, we changed our corporate name to Omnivision Integrated Circuits Group Inc. (豪威集成電路（集團）股份有限公司). For further details of the A-Shares Listing and GDRs Listing, see “History and Corporate Structure—Major Shareholding Changes of Our Company—Listing on the Shanghai Stock Exchange” and “History and Corporate Structure—Major Shareholding Changes of Our Company—Listing on the SIX Swiss Exchange” in this document, respectively.

Our registered office is located at 7/F, Building C, Block 1, No. 3000 Longdong Avenue, Pilot Free Trade Zone, Shanghai, PRC. We were registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on [], and our principal place of business in Hong Kong is at Room 1912, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong. Ms. LAU Yee Wa has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process on our Company in Hong Kong is the same as our principal place of business in Hong Kong as set out above.

As our Company was established in PRC, its operations are subject to the relevant laws and regulations of Mainland China. A summary of the relevant aspects of laws and regulations of Mainland China and the Articles of Association is set out in Appendices IV and V to this document, respectively.

B. Changes in Share Capital of Our Company

Save as disclosed below, there has been no alteration in our share capital within two years immediately preceding the date of this document.

The GDRs issued by our Company were listed on the SIX Swiss Exchange on November 10, 2023, with a total of 31,000,000 GDRs issued, each representing interest in one A share of our Company, corresponding to an increase of 31,000,000 A Shares. As a result, the total share capital of our Company increased by 31,000,000 A Shares.

In 2023, due to the exercise of the stock options under the 2019 Stock Option Incentive Plan, the 2020 Stock Option and Restricted Stock Incentive Plan and the 2021 Stock Option and Restricted Stock Incentive Plan and completion of share transfer registration, the total share capital of our Company increased by 3,693,759 A Shares.

In 2023, our Company repurchased and canceled a total of 4,302,565 granted but not yet unlocked restricted shares under the 2020 Stock Option and Restricted Stock Incentive Plan and the 2021 Stock Option and Restricted Stock Incentive Plan, and as a result, the total share capital of our Company decreased by 4,302,565 A Shares.

In 2023, the number of A Shares issued as a result of the conversion of the Convertible Bonds was 1,714, and the total share capital of our Company increased accordingly by 1,714 A Shares.

After the above changes in share capital, as of December 31, 2023, our Company’s total share capital changed to 1,215,775,357 shares.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

In 2024, due to the exercise of the 2023 Second Phase Stock Option Incentive Plan and completion of share transfer registration, the total share capital of our Company increased accordingly by 1,695,945 A Shares.

In 2024, our Company repurchased and canceled a total of 1,348,717 granted but not yet unlocked restricted shares under the third phase of the 2021 Stock Option and Restricted Stock Incentive Plan, and the total share capital of our Company decreased accordingly by 1,348,717 A Shares.

In 2024, the number of A Shares issued as a result of the conversion of the Convertible Bonds was 950, and the total share capital of our Company increased accordingly by 950 A Shares.

After the above changes in share capital, as of December 31, 2024, our Company’s total share capital changed to 1,216,123,535 A Shares.

Due to the exercise of the 2023 Second Phase Stock Option Incentive Plan from January 2025 to the Latest Practicable Date, the total share capital of our Company increased accordingly by 1,035,348 A Shares.

From January 2025 to the Latest Practicable Date, the number of A Shares issued as a result of the conversion of the Convertible Bonds was 2,207, and the total share capital of our Company increased accordingly by 2,207 A Shares.

After the above changes in share capital, as of the Latest Practicable Date, our Company’s total share capital is 1,217,161,090 A Shares.

C. Further Information about Our Major Subsidiaries

We have applied to the Stock Exchange for, and the Stock Exchange [has granted] us a waiver from strict compliance with the requirements of paragraph 26 of Appendix D1A to the Listing Rules in relation to the disclosure of information relating to the changes in the share capital of any member of our Group within the two years immediately preceding the date of this document. For details, see “Waivers and Exemptions—Waiver in respect of alteration in share capital” in this document.

There has been no alteration in the registered capital of our Major Subsidiaries within two years preceding the date of this document.

D. Resolutions Passed by Our Shareholders’ General Meeting of Our Company in Relation to the [REDACTED]

Pursuant to the shareholders’ meeting held on June 18, 2025, the following resolutions, among others, were duly passed:

- (a) the issue by our Company of H Shares of nominal value of RMB1.00 each and such H Shares be [REDACTED] on the [REDACTED];
- (b) the number of H Shares to be issued before the exercise of the [REDACTED] shall not exceed [REDACTED]% of the enlarged share capital of our Company upon completion of the [REDACTED] and granting the [REDACTED] the [REDACTED] of no more than [REDACTED]% of the above number of H Shares to be issued;

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

- (c) subject to the completion of the [REDACTED], the conditional adoption of the Articles of Association, which shall become effective on [REDACTED]; and
- (d) authorization of the Board and its authorized person to handle relevant matters relating to, among other things, the [REDACTED], the issue and [REDACTED] of the H Shares.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of Our Material Contract

The following is the contract (not being contract entered into in the ordinary course of business) entered into by any member of our Group within the two years immediately preceding the date of this document that are or may be material:

- (a) the [REDACTED].

B. Our Material Intellectual Property Rights

Save as disclosed below, as of the Latest Practicable Date, there were no other intellectual property rights which are or may be material in relation to our business.

(a) Trademarks

(i) Registered Trademarks

As of the Latest Practicable Date, our Group had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Class	Registrant	Place of registration	Registration Number
1.		42	The Company	China	50539286, 46115450
2.		9, 42, 35, 36, 38	Beijing Jinghongzhi	China	51233806, 51247291, 51260950, 51263977, 51762039
3.		9, 12	OmniVision Technology Beijing	China	7919610, 7919905

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

No.	Trademark	Class	Registrant	Place of registration	Registration Number
4.		9	OmniVision Technologies	US	3772351
				Canada	TMA 832499
				China, Japan, Korea, European Union, Singapore	1038931
				Malaysia	2010008383
				Mexico	1207757
				New Zealand	823843
				Israel	229633
				Philippines	4-2010-005166
				Taiwan	01448820
				India	1962318
5.	OMNIVISION 	9,10,35	OmniVision Technologies	Hong Kong	305883760
				Israel, Mexico, Philippines, Australia	1700141
				US	7013763
				Taiwan,	02292540
6.	OMNIVISION 	9, 35, 40, 42	OmniVision Technologies	China	60391180, 60380493, 60386756, 60372227
7.	OVMed	9, 10, 42	OmniVision Technologies	United States	5566928
				Germany, Japan	1397063
8.	Nyxel	9	OmniVision Technologies	United States	5676231
				China, Japan, Korea, European Union, Norway	1409892
9.	CameraCubeChip	9	OmniVision Technologies	Canada, Great Britain, Korea, European Union, New Zealand, Philippines, Singapore, Thailand	1576385
				US	6487267
				Taiwan	02164946
				Australia	2232642
				Hong Kong	305395258
10.	THEIACEL	9	OmniVision Technologies	China, Great Britain, Japan, European Union, Singapore, WIPO	73794603
				Hong Kong, Taiwan	1790089
					306483871
					02414505

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

(b) Patents

(i) Registered Patents

As of the Latest Practicable Date, we had registered the ownership of and/or had the right to use the following patents which we consider to be or may be material to our business:

No.	Patent	Patent type	Patentee	Patent number	Expiry Date	Place of registration
1.	Comparator, comparison method, CAN transceiver, and vehicle. (比較器、比較方法、CAN 收發器及車輛)	Invention	Hunan Silicon	202211503738.0	2042-11-28	PRC
2.	CAN bus local wake-up circuit, CAN bus, and local wake-up method (CAN 總綫本地喚醒電路、CAN 總綫及本地喚醒方法)	Invention	Hunan Silicon	202211583752.6	2042-12-09	PRC
3.	A driving circuit, LIN bus, and driving method. (一種驅動電路、LIN 總綫以及驅動方法)	Invention	Hunan Silicon	202310009540.5	2043-01-04	PRC
4.	Method of manufacturing trench-type MOSFET, trench-type MOSFET, and electronic products. (溝槽型 MOSFET 的製作方法、溝槽型 MOSFET 和電子產品)	Invention	The Company	201910954530.2	2039-10-09	PRC
5.	A shielded gate MOSFET device and its manufacturing method, and electronic products (一種屏蔽柵型 MOSFET 器件及其製作方法、電子產品)	Invention	The Company	202010204225.4	2040-03-21	PRC
6.	Transient-voltage-suppression protection device, manufacturing process and electronic product (瞬態電壓抑制保護裝置、製造工藝及電子產品)	Invention	The Company	US17/424003	2041-07-19	US
7.	A bidirectional transient voltage suppression protection device, manufacturing process, and electronic product. (一種雙向瞬態電壓抑制保護器件、製作工藝及電子產品)	Invention	The Company	202010378835.6	2040-05-07	PRC

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

No.	Patent	Patent type	Patentee	Patent number	Expiry Date	Place of registration
8.	A dual-channel common-source MOSFET chip packaging structure (一種雙路共漏 MOSFET 芯片封裝結構)	Utility Model	The Company	202021334387.1	2030-07-08	PRC
9.	A chip packaging process and chip packaging structure (一種芯片封裝工藝及芯片封裝結構)	Invention	The Company	202011570992.3	2040-12-26	PRC
10.	A trench-type MOSFET circuit model based on physical structure and its establishment method (一種基于物理結構的溝槽型 MOSFET 電路模型及其建立方法)	Invention	The Company	202110185932.8	2041-02-12	PRC
11.	A medium-to-high voltage shielded gate power MOSFET layout (一種中高壓屏蔽柵極功率 MOSFET 版圖)	Utility Model	The Company	202320227265.X	2033-01-31	PRC
12.	A trench SiCMOSFET device (一種溝槽 SiCMOSFET 器件)	Utility Model	The Company	202321966983.5	2033-07-24	PRC
13.	A trench IGBT structure (一種溝槽 IGBT 結構)	Utility Model	The Company	202322634523.9	2033-09-26	PRC
14.	A novel trench IGBT structure (一種新型溝槽 IGBT 結構)	Utility Model	The Company	202322628572.1	2033-09-26	PRC
15.	An SGT chip with high avalanche tolerance (一種具有高雪崩耐量的 SGT 芯片)	Utility Model	The Company	202322621748.0	2033-09-26	PRC
16.	A medium-to-high voltage shielded gate power MOSFET layout (一種中高壓屏蔽柵極功率 MOSFET 版圖)	Utility Model	The Company	202322746534.6	2033-10-12	PRC
17.	A MOSFET integrated diode monitoring chip junction temperature structure (一種 MOSFET 集成二極管監控芯片結溫結構)	Utility Model	The Company	202322752277.7	2033-10-12	PRC
18.	A high-voltage MOSFET layout and MOSFET chip (一種耐壓 MOSFET 版圖及 MOSFET 芯片)	Utility Model	The Company	202322776049.3	2033-10-12	PRC

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

No.	Patent	Patent type	Patentee	Patent number	Expiry Date	Place of registration
19.	A chip packaging structure (一種芯片封裝結構)	Utility Model	The Company	202320020673.8	2033-01-05	PRC
20.	Circuit and photo sensor overlap for backside illumination image sensor (電路與光感測器重疊用於背面照明影像感測器)	Invention	OmniVision Technologies	200980104585.9	2029-02-02	PRC
21.	Stacked Image Sensor With Shared Diffusion Regions (具有共用擴散區域的堆疊影像感測器)	Invention	OmniVision Technologies	200980109452.0	2029-02-12	PRC
22.	Active Pixel Sensor Having Two Wafers (具有兩片晶圓的主動像素感測器)	Invention	OmniVision Technologies	200980108186.X	2029-03-26	PRC
23.	High Dynamic Range Image Sensor (高動態範圍影像感測器)	Invention	OmniVision Technologies	200980121401.X	2029-06-14	PRC
24.	Backside Illuminated Image Sensor With Backside Trenches (具有背面溝槽的背面照明影像感測器)	Invention	OmniVision Technologies	200980123136.9	2029-07-06	PRC
25.	Image Sensor Having Multiple Sensing Layers And Its Method Of Operating And Fabrication (具有多感測層的影像感測器及其操作與製造方法)	Invention	OmniVision Technologies	200980140232.4	2029-10-04	PRC
26.	Image Sensor With Controllable Transfer Gate Off State Voltage Levels (具可控轉移閘關斷電壓水平的影像感測器)	Invention	OmniVision Technologies	200980151839.2	2029-12-09	PRC
27.	Back Illuminated Sensor With Low Crosstalk (低串擾背照式感測器)	Invention	OmniVision Technologies	200980151625.5	2029-12-16	PRC
28.	BSI Image sensor having a grid-shaped waveguide embedded in a color filter (在彩色濾光片中嵌入格狀波導的背照式影像感測器)	Invention	OmniVision Technologies	201010550429.X	2030-11-08	PRC
29.	Backside Illuminated Imaging Sensor With Reinforced Pad Structure (具有加強墊結構的背面照明影像感測器)	Invention	OmniVision Technologies	201010564504.8	2030-11-16	PRC

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

No.	Patent	Patent type	Patentee	Patent number	Expiry Date	Place of registration
30.	BSI Image Sensor With Optimized Black Level Correction (具有優化黑電平校正的背照式影像感測器)	Invention	OmniVision Technologies	201110046568.3	2031-02-17	PRC
31.	Virtual Big-small Pixel Scheme for HDR Sensors (HDR 感測器用虛擬大小像素方案)	Invention	OmniVision Technologies	201410074543.8	2034-03-02	PRC
32.	Color Filter Array, Color Filter Array Apparatus and Image Sensor (彩色濾光片陣列、彩色濾光片陣列裝置及影像感測器)	Invention	OmniVision Technologies	201410302864.9	2034-06-26	PRC
33.	Imaging Device for HDR Application (用於 HDR 應用的影像裝置)	Invention	OmniVision Technologies	201410785588.6	2034-12-17	PRC
34.	Dual Conversion Gain High Dynamic Range Sensor (雙轉換增益高動態範圍感測器)	Invention	OmniVision Technologies	201510011546.1	2035-01-08	PRC
35.	Color Filter Array Color Filter Array Apparatus and Image Sensor (彩色濾光片陣列、彩色濾光片陣列裝置及影像感測器)	Invention	OmniVision Technologies	201610615475.0	2036-07-29	PRC
36.	Short Resistant Chip Scale Package (抗短路晶片級封裝)	Invention	OmniVision Technologies	201710636661.7	2037-07-31	PRC
37.	Feedback Capacitor Formed by Bonding Via in Pixel Level Bond (由像素層鍵合通孔形成的反饋電容)	Invention	OmniVision Technologies	201711210139.9	2037-02-08	PRC
38.	Double Side AR Coating Design Between UVA to Visible to Improve the Sensitivity of Image Sensor (從 UVA 到可見光範圍的雙面抗反射塗層設計以提升影像感測器靈敏度)	Invention	OmniVision Technologies	201711370091.8	2037-12-18	PRC
39.	Chip Scale Image Sensor Package and Associated Method of Making Coefficients (晶片級影像感測器封裝及相關製造方法)	Invention	OmniVision Technologies	201810209734.9	2038-03-14	PRC

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

No.	Patent	Patent type	Patentee	Patent number	Expiry Date	Place of registration
40.	SINGLE EXPOSURE HIGH DYNAMIC RANGE SENSOR (單次曝光高動態範圍感測器)	Invention	OmniVision Technologies	201810636929.1	20238-10-28	PRC
41.	A HIGH DYNAMIC RANGE SPLIT PIXEL CMOS IMAGE SENSOR WITH LOW COLOR CROSS TALK (低色彩串擾高動態範圍分割像素 CMOS 影像感測器)	Invention	OmniVision Technologies	202110528424.5	2041-05-14	PRC
42.	Black reference pixel for backside illuminated image sensor (背面照明影像感測器用黑色參考像素)	Invention	OmniVision Technologies	200980104591.4	2029-02-02	PRC
43.	Image Sensor Having Supplemental Capacitive Coupling Node (具有輔助電容耦合節點的影像感測器)	Invention	OmniVision Technologies	201110433598.X	2031-12-15	PRC
44.	Image Sensor Having Supplemental Capacitive Coupling Node and Operation Method Thereof (具有輔助電容耦合節點及其操作方法的影像感測器)	Invention	OmniVision Technologies	201410347541.1	2031-12-15	PRC
45.	Pad Design for Circuit Under Pad In Semiconductor Devices (半導體裝置中電路下墊設計)	Invention	OmniVision Technologies	201210432343.6	2032-11-01	PRC
46.	Lateral Light Shield in Backside Illuminated CMOS Image Sensors (背面照明 CMOS 影像感測器中的側向光遮罩)	Invention	OmniVision Technologies	201310049121.0	2033-02-06	PRC
47.	Optical Shield In A Pixel Planarization For Black Level Correction (用於黑電平校正的像素平坦化光學遮罩)	Invention	OmniVision Technologies	201410008314.6	2034-01-07	PRC
48.	Dual Pixel-sized Color Image Sensors and Methods for Manufacturing the Same (雙像素尺寸彩色影像感測器及其製造方法)	Invention	OmniVision Technologies	201410643620.7	2034-11-10	PRC
49.	Method for Multiwafer Stacking (多晶圓堆疊方法)	Invention	OmniVision Technologies	201510661646.9	2035-10-14	PRC

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

No.	Patent	Patent type	Patentee	Patent number	Expiry Date	Place of registration
50.	CMOS Image Sensor with Peninsular Ground Contracts and Method of Manufacturing the Same (具有半島接地接點的 CMOS 影像感測器及其製造方法)	Invention	OmniVision Technologies	201610630745.5	2036-08-04	PRC
51.	A 3 Surface WLO Lens Design of Wide FOV (寬視野三面 WLO 鏡頭設計)	Invention	OmniVision Technologies	201610842870.2	2036-09-22	PRC
52.	Chip Scale Packaged Image Sensor Packages with Black Masking and Associated Packaging Methods (帶有黑色遮罩的晶片級封裝影像感測器封裝及相關封裝方法)	Invention	OmniVision Technologies	201610950721.8	2036-10-25	PRC
53.	Fabrication Methods of Image Sensor and Semiconductor Device (影像感測器及半導體裝置的製造方法)	Invention	OmniVision Technologies	201611180336.6	2036-12-19	PRC
54.	Image Sensor Package To Limit Package Height and Reduce Edge Flare (限制封裝高度並降低邊緣暈影的影像感測器封裝)	Invention	OmniVision Technologies	201810520561.2	2038-05-28	PRC
55.	Semiconductor Integrated Circuit Device, Display Device and Information Equipment (半導體積體電路裝置、顯示裝置及資訊設備)	Invention	Synaptics Incorporated Creative Legend Investments Ltd. OmniVision TDDI	201410412004	2034-08-20	PRC
56.	Display Module, Voltage Control Method, and Display Driver (顯示模組、電壓控制方法及顯示驅動器)	Invention	Synaptics Incorporated Creative Legend Investments Ltd. OmniVision TDDI	201880057598.4	2038-10-18	PRC
57.	Drive Control Device and Electronic Equipment (驅動控制裝置及電子設備)	Invention	Synaptics Incorporated Creative Legend Investments Ltd. OmniVision TDDI	201710208589.8	2037-03-31	PRC
58.	Driver IC and Display Device (驅動 IC 及顯示裝置)	Invention	Synaptics Incorporated Creative Legend Investments Ltd. OmniVision TDDI	201410126869	2034-03-31	PRC
59.	Semiconductor Device and Electronic Device (半導體裝置及電子裝置)	Invention	Synaptics Incorporated Creative Legend Investments Ltd. OmniVision TDDI	201310618328.5	2033-11-28	PRC

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

No.	Patent	Patent type	Patentee	Patent number	Expiry Date	Place of registration
60.	Semiconductor Device, Display Device and Operation Method Thereof (半導體裝置、顯示裝置及其操作方法)	Invention	Synaptics Incorporated Creative Legend Investments Ltd. OmniVision TDDI	201810479158.X	2038-05-18	PRC
61.	Semiconductor Device (半導體裝置)	Invention	Synaptics Incorporated Creative Legend Investments Ltd. OmniVision TDDI	201410032403.4	2034-01-23	PRC

(c) Domain Names

As of the Latest Practicable Date, our Group had registered the following domain names which we consider to be or may be material to our business:

No.	Domain Name
1.	ovt.com
2.	omnivision-group.com

3. FURTHER INFORMATION ABOUT OUR DIRECTORS

A. Particulars of Directors’ Service Contracts and Appointment Letters

We have entered into a service contract or appointment letter with each of the Directors. The principal particulars of these service contracts and appointment letters comprise (a) the term of the service; (b) subject to termination in accordance with their respective term; and (c) a dispute resolution provision. The service contracts and appointment letters may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations from time to time.

Save as disclosed above, none of the Directors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation)).

B. Remuneration of Directors

The aggregate remuneration (including fees, salaries, wages, share-based compensation, contributions to pension plans, benefits-in-kind and discretionary bonuses) for our Directors for the years ended December 31, 2022, 2023 and 2024 were approximately RMB17.7 million, RMB3.9 million, and RMB10.3 million, respectively.

Based on the current arrangements in force as of the Latest Practicable Date, it is estimated that the total remuneration (including share-based compensation but excluding discretionary bonus) for our Directors (including independent non-executive Directors) for the year ending December 31, 2025 will be approximately RMB11.5 million. The actual total remuneration (including share-based compensation) of Directors for the year ending December 31, 2025 may be different from the expected remuneration as the discretionary bonuses will be determined based on the results of our Company for the year ending December 31, 2025.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, former Directors, or the five highest-paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any members of our Group. Furthermore, none of the Directors had waived or agreed to waive any emoluments during the same periods.

Save as disclosed above, no other payments have been made or are payable in respect of the years ended December 31, 2022, 2023 and 2024 by any member of our Group to any of our Directors.

C. Disclosure of Interests

Save as disclosed below, immediately following the completion of the [REDACTED] and assuming that the [REDACTED] is not exercised and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED], none of our Directors has any interest and/or short position in the Shares, underlying Shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules to be notified to our Company, once the H Shares are [REDACTED] on the [REDACTED].

(i) Interest in Shares of our Company

Name of Director	Position	Shares to be held after the [REDACTED]	Nature of interest	Number of shares	Approximate % interest in Shares of our Company immediately after the [REDACTED] ⁽¹⁾
Mr. YU Renrong ⁽²⁾⁽³⁾ . . .	Executive Director and Chairman of the Board	A Shares	Interest of person acting in concert	972,000	[REDACTED]%
		A Shares	Interest in controlled corporation	74,132,662	[REDACTED]%
		A Shares	Beneficial owner	333,472,250	[REDACTED]%
Mr. WU Xiaodong ⁽⁴⁾	Executive Director	A Shares	Beneficial owner	136,370	[REDACTED]%
Mr. JIA Yuan ⁽⁵⁾	Executive Director and Deputy General Manager	A Shares	Beneficial owner	4,204,641	[REDACTED]%
Ms. QIU Huanping ⁽⁶⁾ . . .	Executive Director	A Shares	Beneficial owner	42,982	[REDACTED]%

Notes:

- (1) The calculation is based on the assumption that the [REDACTED] is not exercised and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED].
- (2) Mr. YU Renrong is the chairman of the Board of Directors and an executive Director of our Company. See “Directors and Senior Management—Directors” for more details. Mr. YU Renrong is ultimate beneficial owner of the general partner of Shaoxing Weihao Management. Mr. YU Xiaorong is the brother of Mr. YU Renrong. As advised by our PRC Legal Advisor, Shaoxing Weihao Management and Mr. YU Xiaorong are parties acting in concert with Mr. YU Renrong pursuant to PRC law. Each of Mr. YU Renrong, Shaoxing Weihao Management and Mr. YU Xiaorong is deemed to be interested in all the A Shares in which each of them is interested.
- (3) Mr. YU Renrong is the ultimate beneficial owner of the general partner of Shaoxing Weihao Management. Accordingly, Mr. YU Renrong is deemed to be interested in the 74,132,662 A Shares held by Shaoxing Weihao Management.
- (4) Mr. WU Xiaodong is also entitled to subscribe for 82,000 A Shares pursuant to the outstanding stock options granted to him under the 2023 First Phase Stock Option Incentive Plan and the 2025 Stock Option Incentive Plan, subject to the conditions thereof.
- (5) Mr. JIA Yuan is also entitled to subscribe for 284,000 A Shares pursuant to the outstanding stock options granted to him under the 2023 First Phase Stock Option Incentive Plan and the 2025 Stock Option Incentive Plan, subject to the conditions thereof.
- (6) Ms. QIU Huanping is also entitled to subscribe for 38,600 A Shares pursuant to the outstanding stock options granted to her under the 2023 Second Phase Stock Option Incentive Plan and the 2025 Stock Option Incentive Plan, subject to the conditions thereof.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

(ii) *Interests of Substantial Shareholders in Members of Our Group (Excluding Our Company)*

Save as disclosed below and the disclosure in the section headed “Substantial Shareholders”, our Directors are not aware of any other person who will, immediately following completion of the [REDACTED] and assuming that the [REDACTED] is not exercised and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED], have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company or any other member of our Group.

Member of our Group	Name of substantial shareholder	Approximate % held by the substantial shareholder
Shanghai Yiyi Semiconductor Co., Ltd. (上海夷易半導體有限公司)	LIU Yu	[REDACTED]%
OmniVision Analog Integrated Circuit (Beijing) Co., Ltd. (豪威模擬集成電路 (北京) 有限公司)	Sichuan Yichong Technology Co., Ltd. (四川易沖科技有限公司)	[REDACTED]%
Hongguang Electronic Components (Shenzhen) Co., Ltd. (鴻光電子元件 (深圳) 有限公司)	GAN Zhijun	[REDACTED]%
OmniVision Touch and Display Technology (Shenzhen) Co., Ltd. (豪威 觸控與顯示科技 (深圳) 有限公司)	TIAN Qi	[REDACTED]%

D. Disclaimer

Save as disclosed in this section and the section headed “Business” in this document:

- (i) none of our Directors or the chief executive of our Company has any interest or short position in the shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once the H Shares are [REDACTED];
- (ii) none of our Directors or any of the experts referred to under the paragraph headed “—5. Other Information—E. Qualification of Experts” has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (iii) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;
- (iv) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

- (v) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (vi) so far as is known to our Directors, no person (not being a Director or chief executive of our Company or any member of our Group) will, immediately following the completion of the [REDACTED], have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and
- (vii) none of our Directors or their respective close associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in the five largest customers or the five largest suppliers of our Group.

4. OUR INCENTIVE SCHEMES

Stock Option Incentive Plans

The following is a summary of the principal terms of our outstanding share incentive plans, including the 2023 First Phase Stock Option Incentive Plan, 2023 Second Phase Stock Option Incentive Plan, and 2025 Stock Option Incentive Plan (collectively, the “**Stock Option Incentive Plans**”). Given no further share options will be granted under the Stock Option Incentive Plans after the [REDACTED], the terms of the Stock Option Incentive Plans are not subject to the provisions of Chapter 17 of the Listing Rules.

(i) Purpose

The purpose of the Stock Option Incentive Plans is to motivate and incentivize our management and key employees, and to attract and retain outstanding talents, in order to increase our competitiveness and to achieve our strategic development and business objectives. The Stock Option Incentive Plans are implemented to align the interests of the Shareholders with the interests of our Group and employees which will benefit the sustained development of our Group.

(ii) Administration

The Stock Option Incentive Plans are subject to the approval of the Shareholders’ meeting and administration of the Board.

(iii) Participants

The participants of the Stock Option Incentive Plans include our management and key employees. The scope of participants excludes independent directors and shareholders or actual controller who individually or collectively hold 5% or more of the shares of our Company and their spouse, parents and children.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

(iv) *Maximum number of options*

The shares underlying the options to be granted under the Stock Option Incentive Plans are A Shares to be issued by our Company to the selected participants. Each option granted represents the right to purchase one A Share within the exercise period at the exercise price. The maximum number of options that can be granted under each of the Stock Option Incentive Plans are as follows:

Stock Option Incentive Plan	Maximum number of options to be granted under the plan
2023 First Phase Stock Option Incentive Plan	7,716,850
2023 Second Phase Stock Option Incentive Plan	12,270,600
2025 Stock Option Incentive Plan	19,983,400

(v) *Date of grant and duration of the incentive plan*

The date on which the options are granted shall be a trading day determined by the Board within 60 days after the date of approval of the Stock Option Incentive Plans by the Shareholders’ meeting. The grant of options shall be approved by the Board, registered and announced within 60 days after the approval of the Stock Option Incentive Plans by the Shareholders’ meeting. The term of the Stock Option Incentive Plans shall commence from the date of registration of share options granted under relevant plans and continue until the share options are fully exercised or canceled. This term shall not exceed 48 months.

(vi) *Conditions to the grant of options*

The options under the Stock Option Incentive Plans will only be granted to selected participants if the following conditions are fulfilled:

- (a) With respect to our Company, none of the following circumstances having occurred:
 - (1) An audit report with an adverse opinion or a disclaimer of opinion has been issued by the reporting accountant with respect to our Company’s accountants’ report for the most recent fiscal year;
 - (2) An audit report with an adverse opinion or a disclaimer of opinion has been issued by the reporting accountant with respect to the internal control report contained in accountants’ report for the most recent fiscal year;
 - (3) Our Company has not distributed dividends in accordance with the laws and regulations, our Articles of Association or our public commitment within the last 36 months after its listing;
 - (4) Applicable laws and regulations prohibit the implementation of any share incentive scheme; or
 - (5) Any other circumstances determined by the CSRC.
- (b) With respect to a grantee, none of the following circumstances having occurred:
 - (1) The grantee has been regarded as an inappropriate person by the stock exchange within the last 12 months;
 - (2) The grantee has been regarded as an inappropriate person by the CSRC or its local office within the last 12 months;

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

- (3) The grantee has been punished or prohibited from entering into the securities market by the CSRC or its local office within the last 12 months;
- (4) The grantee is not qualified to serve as a director or senior management according to the PRC Company Law;
- (5) The grantee is prohibited from participating in any incentive plan of listed companies according to applicable laws and regulations; or
- (6) Any other circumstances determined by the CSRC.

No consideration is paid/payable for the options granted under Stock Option Incentive Plans.

(vii) Exercise of options

Options may be exercised by a grantee provided that (i) the conditions set out under paragraph (vi) above are fulfilled at the time of exercise of options; and (ii) the annual assessment and performance targets as set out under the Stock Option Incentive Plans are achieved.

The exercise price for the option to be granted under the 2023 First Phase Stock Option Incentive Plan and 2023 Second Phase Stock Option Incentive Plan shall be the higher of (i) 80% of the average trading price of the Shares in the trading day before the announcement of the draft plan; and (ii) 80% of the average trading price of the Shares during 60 trading days before the announcement of the draft plan. The exercise price for the option to be granted under the 2025 Stock Option Incentive Plan shall be the higher of (i) the average trading price of the Shares in the trading day before the announcement of the draft plan; and (ii) the average trading price of the Shares during 120 trading days before the announcement of the draft plan.

The number of options granted and the exercise prices will be adjusted upon the occurrence of certain events, including increase in the share capital by way of capitalization of capital reserves, issue of bonus shares, subdivision of shares and issue of new shares.

The exercise schedule of the options granted are either:

- (a) exercisable in tranches of 30% during the exercise period that occur between the first trading date after the 12-month anniversary from the date of grant and the last trading day up to the 24-month anniversary of the date of grant;
- (b) exercisable in tranches of 35% in each of the four exercise periods that occur between the first trading date after the 24-month anniversary from the date of grant and the last trading day up to the 36-month anniversary of the date of grant; or
- (c) exercisable in tranches of 35% in each of the three exercise periods that occur between the first trading date after the 36-month anniversary from the date of grant and the last trading day up to the 48-month anniversary of the date of grant.

The exercise of the options granted under the 2023 First Stock Option Incentive Plan and 2023 Second Stock Option Incentive Plan shall be on a trading day, which shall not fall within the following periods (i) 30 days before the publication of annual report and interim report; (ii) the period starting from 30 days before the initial publication of annual report and interim report (due to any delay of publication) until one day before the publication of such report; (iii) 10 days before the publication of

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

quarterly report, earnings forecast and preliminary earnings estimate; (iv) the period starting from the date of occurrence of any significant price-sensitive event or the decision-making process in respect of such event until the date of announcement of such event; and (v) any other period stipulated by the CSRC and the Shanghai Stock Exchange.

The exercise of the options granted under the 2025 Stock Option Incentive Plan shall be on a trading day, which shall not fall within the following periods (i) 15 days before the publication of annual report and interim report; (ii) the period starting from 15 days before the initial publication of annual report and interim report (due to any delay of publication) until one day before the publication of such report; (iii) 5 days before the publication of quarterly report, earnings forecast and preliminary earnings estimate; (iv) the period starting from the date of occurrence of any significant price-sensitive event or the decision-making process in respect of such event until the date of announcement of such event; and (v) any other period stipulated by the CSRC and the Shanghai Stock Exchange.

The grantees must exercise their options within the validity period of the respective options. Upon the expiry of the validity period, options granted but not exercised will cease to be exercisable and shall be canceled by our Company.

(viii) Outstanding options

As of the Latest Practicable Date, the number of A Shares underlying the outstanding options granted under the 2023 First Phase Stock Option Incentive Plan, 2023 Second Phase Stock Option Incentive Plan and 2025 Stock Option Incentive Plan amounted to 5,292,612 A Shares, 9,040,000 A Shares and 19,983,400 A Shares respectively, representing approximately [REDACTED]%, [REDACTED]% and [REDACTED]% respectively of the issued Shares immediately following the completion of the Listing (assuming no changes to our issued and outstanding shares between the Latest Practicable Date and the [REDACTED] and no exercise of the [REDACTED]). As of the Latest Practicable Date, the aforementioned outstanding options were held by 747 grantees, 1,978 grantees and 3,361 grantees, respectively. Assuming full exercise of all outstanding options granted under the Stock Option Incentive Plans, the issued and outstanding shareholding of the Shareholders immediately following completion of the [REDACTED] will be diluted by approximately [REDACTED]%.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

The tables below set forth the details of the options granted to Directors, senior management members, and other connected persons under the Stock Option Incentive Plans which were outstanding as of the Latest Practicable Date:

(a) 2023 First Phase Stock Option Incentive Plan

Name of the grantee	Position in the Group	Date of grant	Address	Number of shares under options granted	Exercise price	Exercise period	A Shares underlying outstanding option as a percentage of issued Shares immediately after the [REDACTED] ⁽¹⁾
<i>Directors or senior management members</i>							
Mr. JIA Yuan	Executive Director and Deputy General Manager	October 10, 2023	No. 38, Lane 99, Pu Ming Road, Pudong New Area, Shanghai, PRC	84,000	RMB78.63	30%: From October 10, 2024 to October 9, 2025; 35%: From October 10, 2025 to October 9, 2026; 35%: From October 10, 2026 to October 9, 2027	[REDACTED]%
Mr. WU Xiaodong . . .	Executive Director	October 10, 2023	Room 2102, No. 25, Lane 666, Jinxiu Road, Pudong New Area, Shanghai, PRC	42,000	RMB78.63	30%: From October 10, 2024 to October 9, 2025; 35%: From October 10, 2025 to October 9, 2026; 35%: From October 10, 2026 to October 9, 2027	[REDACTED]%

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

Name of the grantee	Position in the Group	Date of grant	Address	Number of shares under options granted	Exercise price	Exercise period	A Shares underlying outstanding option as a percentage of issued Shares immediately after the [REDACTED] ⁽¹⁾
Mr. WANG Song	General Manager of the Company	October 10, 2023	No. 35 North Second Street, Jiaodaokou, Dongcheng District, Beijing, PRC	42,000	RMB78.63	30%: From October 10, 2024 to October 9, 2025; 35%: From October 10, 2025 to October 9, 2026; 35%: From October 10, 2026 to October 9, 2027	[REDACTED]%
Ms. REN Bing	Secretary to our Board of Directors	October 10, 2023	Room 201, Building 2, No.2 Xinjian Street, Douhudi Town, Gong'an County, Hubei Province, PRC	35,000	RMB78.63	30%: From October 10, 2024 to October 9, 2025; 35%: From October 10, 2025 to October 9, 2026; 35%: From October 10, 2026 to October 9, 2027	[REDACTED]%
Connected persons							
YU Ti	Core technical (business) personnel and an associate of a Director of our Company	October 10, 2023	No. 27, Zhenjiang East Road, Zhangjiang Town, Pudong New Area, Shanghai, PRC	4,200	RMB78.63	30%: From October 10, 2024 to October 9, 2025; 35%: From October 10, 2025 to October 9, 2026; 35%: From October 10, 2026 to October 9, 2027	[REDACTED]%

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

Name of the grantee	Position in the Group	Date of grant	Address	Number of shares under options granted	Exercise price	Exercise period	A Shares underlying outstanding option as a percentage of issued Shares immediately after the [REDACTED] ⁽¹⁾
YANG Hongli	Director of OmniVision Technologies and OmniVision Technologies Singapore	October 10, 2023	20599 Wardell, Saratoga, California 95070	105,000	RMB78.63	30%: From October 10, 2024 to October 9, 2025; 35%: From October 10, 2025 to October 9, 2026; 35%: From October 10, 2026 to October 9, 2027	[REDACTED]%
CHAN Anson Hoi-Fung . . .	Director of Creative Legend Investments Ltd. and Chief Executive of OmniVision International Ontario	October 10, 2023	1275 Trestle Wood Ln, San Jose CA 95138	45,500	RMB78.63	30%: From October 10, 2024 to October 9, 2025; 35%: From October 10, 2025 to October 9, 2026; 35%: From October 10, 2026 to October 9, 2027	[REDACTED]%
FANG Rongxing . . .	Director of Shenzhen Jinghongzhi, Will Semiconductor, and Waching Electronic	October 10, 2023	Room 2-15C, Building 6, Tianjiao Shijia, Jinhua Road, Bao'an District, Shenzhen, Guangdong Province, PRC	10,500	RMB78.63	30%: From October 10, 2024 to October 9, 2025; 35%: From October 10, 2025 to October 9, 2026; 35%: From October 10, 2026 to October 9, 2027	[REDACTED]%

Note:

- (1) The calculation is based on the assumption that the [REDACTED] is not exercised and no new Shares are issued under our Share Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED].

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

(b) 2023 Second Phase Stock Option Incentive Plan

Name of the grantee	Position in the Group	Date of grant	Address	Number of shares under options granted	Exercise price	Exercise period	A Shares underlying outstanding option as a percentage of issued Shares immediately after the [REDACTED] ⁽¹⁾
Directors or senior management members							
Ms. QIU Huanping	Executive Director	October 10, 2023	Room 2002, No.112, Lane 2388, Chengshan Road, Pudong New Area, Shanghai, PRC	13,600	RMB78.63	30%: From October 10, 2024 to October 9, 2025; 35%: From October 10, 2025 to October 9, 2026; 35%: From October 10, 2026 to October 9, 2027	[REDACTED]%
XU Xing	Chief Financial Officer of the Company	October 10, 2023	Room 1704, No.3, Lane 179, Tianping Road, Xuhui District, Shanghai, PRC	28,000	RMB78.63	30%: From October 10, 2024 to October 9, 2025; 35%: From October 10, 2025 to October 9, 2026; 35%: From October 10, 2026 to October 9, 2027	[REDACTED]%
Connected persons							
Willie Png Teck Tian	Director of OmniVision Technologies Singapore	October 10, 2023	Block 285A, Toh Guan Road, #09-60, Singapore 601285	17,982	RMB78.63	30%: From October 10, 2024 to October 9, 2025; 35%: From October 10, 2025 to October 9, 2026; 35%: From October 10, 2026 to October 9, 2027	[REDACTED]%

Note:

- (1) The calculation is based on the assumption that the [REDACTED] is not exercised and no new Shares are issued under our Share Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED].

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

(c) 2025 Stock Option Incentive Plan

Name of the grantee	Position in the Group	Date of grant	Address	Number of shares under options granted	Exercise price	Exercise period	A Shares underlying outstanding option as a percentage of issued Shares immediately after the [REDACTED] ⁽¹⁾
<i>Directors or senior management members</i>							
Mr. JIA Yuan	Executive Director and Deputy General Manager	March 31, 2025	No.38, Lane 99, Pu Ming Road, Pudong New Area, Shanghai, PRC	200,000	RMB139.29	30%: From March 31, 2026 to March 30, 2027; 35%: From March 31, 2027 to March 30, 2028; 35%: From March 31, 2028 to March 30, 2029	[REDACTED]%
Mr. WU Xiaodong . . .	Executive Director	March 31, 2025	Room 2102, No.25, Lane 666, Jinxiu Road, Pudong New Area, Shanghai, PRC	40,000	RMB139.29	30%: From March 31, 2026 to March 30, 2027; 35%: From March 31, 2027 to March 30, 2028; 35%: From March 31, 2028 to March 30, 2029	[REDACTED]%
Ms. QIU Huanping . . .	Executive Director	March 31, 2025	Room 2002, No.112, Lane 2388, Chengshan Road, Pudong New Area, Shanghai, PRC	25,000	RMB139.29	30%: From March 31, 2026 to March 30, 2027; 35%: From March 31, 2027 to March 30, 2028; 35%: From March 31, 2028 to March 30, 2029	[REDACTED]%

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

Name of the grantee	Position in the Group	Date of grant	Address	Number of shares under options granted	Exercise price	Exercise period	A Shares underlying outstanding option as a percentage of issued Shares immediately after the [REDACTED] ⁽¹⁾
Mr. WANG Song	General Manager of the Company	March 31, 2025	No. 35 North Second Street, Jiaodaokou, Dongcheng District, Beijing, PRC	40,000	RMB139.29	30%: From March 31, 2026 to March 30, 2027; 35%: From March 31, 2027 to March 30, 2028; 35%: From March 31, 2028 to March 30, 2029	[REDACTED]%
XU Xing	Chief Financial Officer of the Company	March 31, 2025	Room 1704, No. 3, Lane 179, Tianping Road, Xuhui District, Shanghai, PRC	40,000	RMB139.29	30%: From March 31, 2026 to March 30, 2027; 35%: From March 31, 2027 to March 30, 2028; 35%: From March 31, 2028 to March 30, 2029	[REDACTED]%
Ms. REN Bing	Secretary to our Board of Directors	March 31, 2025	Room 201, Building 2, No.2 Xinjian Street, Douhudi Town, Gong'an County, Hubei Province, PRC	50,000	RMB139.29	30%: From March 31, 2026 to March 30, 2027; 35%: From March 31, 2027 to March 30, 2028; 35%: From March 31, 2028 to March 30, 2029	[REDACTED]%

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

Name of the grantee	Position in the Group	Date of grant	Address	Number of shares under options granted	Exercise price	Exercise period	A Shares underlying outstanding option as a percentage of issued Shares immediately after the [REDACTED] ⁽¹⁾
Connected persons							
YU Ti	Core technical (business) personnel and an associate of a Director of our Company	March 31, 2025	No. 27, Zhenjiang East Road, Zhangjiang Town, Pudong New Area, Shanghai, PRC	4,462	RMB139.29	30%: From March 31, 2026 to March 30, 2027; 35%: From March 31, 2027 to March 30, 2028; 35%: From March 31, 2028 to March 30, 2029	[REDACTED]%
YANG Hongli	Director of OmniVision Technologies and OmniVision Technologies Singapore	March 31, 2025	20599 Wardell, Saratoga, California 95070	200,000	RMB139.29	30%: From March 31, 2026 to March 30, 2027; 35%: From March 31, 2027 to March 30, 2028; 35%: From March 31, 2028 to March 30, 2029	[REDACTED]%
Willie Png Teck Tian	Director of OmniVision Technologies Singapore	March 31, 2025	Block 285A, Toh Guan Road, #09-60, Singapore 601285	18,000	RMB139.29	30%: From March 31, 2026 to March 30, 2027; 35%: From March 31, 2027 to March 30, 2028; 35%: From March 31, 2028 to March 30, 2029	[REDACTED]%

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

Name of the grantee	Position in the Group	Date of grant	Address	Number of shares under options granted	Exercise price	Exercise period	A Shares underlying outstanding option as a percentage of issued Shares immediately after the [REDACTED] ⁽¹⁾
FANG Rongxing . . .	Director of Shenzhen Jinghongzhi, WILL Semiconductor and WACHING ELECTRONIC	March 31, 2025	Room 2-15C, Building 6, Tianjiao Shijia, Jinhua Road, Bao'an District, Shenzhen, Guangdong Province, PRC	15,000	RMB139.29	30%: From March 31, 2026 to March 30, 2027; 35%: From March 31, 2027 to March 30, 2028; 35%: From March 31, 2028 to March 30, 2029	[REDACTED]%
CHAN Anson Hoi-Fung . . .	Director of Creative Legend Investments Ltd. and Chief Executive of OmniVision International Ontario	March 31, 2025	1275 Trestle Wood Ln, San Jose CA 95138	50,000	RMB139.29	30%: From March 31, 2026 to March 30, 2027; 35%: From March 31, 2027 to March 30, 2028; 35%: From March 31, 2028 to March 30, 2029	[REDACTED]%

Note:

- (1) The calculation is based on the assumption that the [REDACTED] is not exercised and no new Shares are issued under our Share Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED].

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

The tables below set forth the details of options granted to other grantees (excluding the abovementioned connected persons of our Company) under the Stock Option Incentive Plans, categorized by the number of underlying shares, which were outstanding as of the Latest Practicable Date:

(a) 2023 First Phase Stock Option Incentive Plan

Category by number of underlying Shares	Number of grantees	Date of grant	Exercise period	Exercise price	Number of shares under options granted	Approximate percentage of the issued Shares immediately after completion of the [REDACTED] ⁽¹⁾
1 to 5,000	481	October 10, 2023	30%: From October 10, 2024 to October 9, 2025; 35%: From October 10, 2025 to October 9, 2026; 35%: From October 10, 2026 to October 9, 2027	RMB78.63	1,312,212	[REDACTED]%
5,001 to 10,000	149	October 10, 2023	30%: From October 10, 2024 to October 9, 2025; 35%: From October 10, 2025 to October 9, 2026; 35%: From October 10, 2026 to October 9, 2027	RMB78.63	1,020,038	[REDACTED]%
10,001 to 20,000 . . .	63	October 10, 2023	30%: From October 10, 2024 to October 9, 2025; 35%: From October 10, 2025 to October 9, 2026; 35%: From October 10, 2026 to October 9, 2027	RMB78.63	792,680	[REDACTED]%
20,001 to 30,000 . . .	18	October 10, 2023	30%: From October 10, 2024 to October 9, 2025; 35%: From October 10, 2025 to October 9, 2026; 35%: From October 10, 2026 to October 9, 2027	RMB78.63	472,674	[REDACTED]%
30,001 to 134,250 . . .	28	October 10, 2023	30%: From October 10, 2024 to October 9, 2025; 35%: From October 10, 2025 to October 9, 2026; 35%: From October 10, 2026 to October 9, 2027	RMB78.63	1,326,808	[REDACTED]%

Note:

- (1) The calculation is based on the assumption that the [REDACTED] is not exercised and no new Shares are issued under our Share Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED].

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

(b) 2023 Second Phase Stock Option Incentive Plan

Category by number of underlying Shares	Number of grantees	Date of grant	Exercise period	Exercise price	Number of shares under options granted	Approximate percentage of the issued Shares immediately after completion of the [REDACTED] ⁽¹⁾ [REDACTED]%
1 to 5,000 .	1,323	October 10, 2023	30%: From October 10, 2024 to October 9, 2025; 35%: From October 10, 2025 to October 9, 2026; 35%: From October 10, 2026 to October 9, 2027	RMB78.63	2,688,081	[REDACTED]%
5,001 to 10,000 . .	446	October 10, 2023	30%: From October 10, 2024 to October 9, 2025; 35%: From October 10, 2025 to October 9, 2026; 35%: From October 10, 2026 to October 9, 2027	RMB78.63	3,148,064	[REDACTED]%
10,001 to 20,000 . .	176	October 10, 2023	30%: From October 10, 2024 to October 9, 2025; 35%: From October 10, 2025 to October 9, 2026; 35%: From October 10, 2026 to October 9, 2027	RMB78.63	2,372,129	[REDACTED]%
20,001 to 30,000 . .	25	October 10, 2023	30%: From October 10, 2024 to October 9, 2025; 35%: From October 10, 2025 to October 9, 2026; 35%: From October 10, 2026 to October 9, 2027	RMB78.63	594,210	[REDACTED]%
30,001 to 38,500 . .	5	October 10, 2023	30%: From October 10, 2024 to October 9, 2025; 35%: From October 10, 2025 to October 9, 2026; 35%: From October 10, 2026 to October 9, 2027	RMB78.63	177,934	[REDACTED]%

Note:

- (1) The calculation is based on the assumption that the [REDACTED] is not exercised and no new Shares are issued under our Share Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED].

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

(c) 2025 Stock Option Incentive Plan

Category by number of underlying Shares	Number of grantees	Date of grant	Exercise period	Exercise price	Number of shares under options granted	Approximate percentage of the issued Shares immediately after completion of the [REDACTED] ⁽¹⁾
1 to 5,000 . . .	2,162	March 31, 2025	30%: From March 31, 2026 to March 30, 2027; 35%: From March 31, 2027 to March 30, 2028; 35%: From March 31, 2028 to March 30, 2029	RMB139.29	4,977,150	[REDACTED]%
5,001 to 10,000 . . .	731	March 31, 2025	30%: From March 31, 2026 to March 30, 2027; 35%: From March 31, 2027 to March 30, 2028; 35%: From March 31, 2028 to March 30, 2029	RMB139.29	5,464,921	[REDACTED]%
10,001 to 20,000 . . .	327	March 31, 2025	30%: From March 31, 2026 to March 30, 2027; 35%: From March 31, 2027 to March 30, 2028; 35%: From March 31, 2028 to March 30, 2029	RMB139.29	4,627,802	[REDACTED]%
20,001 to 30,000 . . .	86	March 31, 2025	30%: From March 31, 2026 to March 30, 2027; 35%: From March 31, 2027 to March 30, 2028; 35%: From March 31, 2028 to March 30, 2029	RMB139.29	2,147,412	[REDACTED]%
30,001 to 127,120 . . .	44	March 31, 2025	30%: From March 31, 2026 to March 30, 2027; 35%: From March 31, 2027 to March 30, 2028; 35%: From March 31, 2028 to March 30, 2029	RMB139.29	2,083,653	[REDACTED]%

Note:

- (1) The calculation is based on the assumption that the [REDACTED] is not exercised and no new Shares are issued under our Share Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED].

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

The table below sets forth the details of options granted to other grantees (excluding Directors, senior management members, and other connected persons of our Company) for each of the Stock Option Incentive Plans which were outstanding as of the Latest Practicable Date:

Stock Option Incentive Plan	Number of grantees ⁽²⁾	Date of grant	Number of A Shares under the outstanding options	Exercise price	Exercise period	A Shares underlying the outstanding options as a percentage of issued Shares immediately after completion of the [REDACTED] ⁽¹⁾
2023 First Phase Stock Option Incentive Plan . . .	739	October 10, 2023	4,924,412	RMB78.63	30%: From October 10, 2024 to October 9, 2025; 35%: From October 10, 2025 to October 9, 2026; 35%: From October 10, 2026 to October 9, 2027	[REDACTED]%
2023 Second Phase Stock Option Incentive Plan . . .	1,975	October 10, 2023	8,980,418	RMB78.63	30%: From October 10, 2024 to October 9, 2025; 35%: From October 10, 2025 to October 9, 2026; 35%: From October 10, 2026 to October 9, 2027	[REDACTED]%
2025 Stock Option Incentive Plan . . .	3,350	March 31, 2025	19,300,938	RMB139.29	30%: From March 31, 2026 to March 30, 2027; 35%: From March 31, 2027 to March 30, 2028; 35%: From March 31, 2028 to March 30, 2029	[REDACTED]%

Note:

(1) The calculation is based on the assumption that the [REDACTED] is not exercised and no new Shares are issued under our Share Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED].

(2) The individual grantees may have options granted in one or more of the Stock Option Incentive Plans.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

Restricted Share Incentive Schemes

As of the Latest Practicable Date, all restricted Shares granted under the 2020 Restricted Share Incentive Scheme and the 2021 Restricted Share Incentive Scheme have been unlocked or repurchased and canceled.

5. OTHER INFORMATION

A. Estate Duty

Our Directors have been advised that no material liability for estate duty under PRC laws is likely to fall upon any member of our Group.

B. Litigation

Save as disclosed in the sections headed “Business” and “Financial Information” in this document, no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company that would have a material adverse effect on our Company’s results of operations or financial condition.

C. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the [REDACTED] for [REDACTED] of, and permission to [REDACTED] in, the H Shares of our Company. All necessary arrangements have been made enabling the H Shares to be admitted into [REDACTED]. Ping An of China Capital (Hong Kong) Company Limited, one of the Joint Sponsors, is a subsidiary of Ping An Insurance (Group) Company of China, Ltd. (together with its subsidiaries “**Ping An Insurance**”) Taking into account of the business relationship of the Group and its controlling shareholders with Ping An Insurance, which might reasonably give rise to a perception that the sponsor’s independence would be so affected, Ping An of China Capital (Hong Kong) Company Limited is not considered as an independent sponsor pursuant to the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. Save for Ping An of China Capital (Hong Kong) Company Limited, each of the other Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. Pursuant to the engagement letter entered into between our Company and the Joint Sponsors, the aggregate amount of sponsor fee payable by the Company to the Joint Sponsors is USD1.0 million.

D. Compliance Adviser

Our Company has appointed Guotai Junan Capital Limited as our compliance adviser in compliance with Rules 3A.19 of the Listing Rules.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

E. Qualification of Experts

The qualification of the experts, as defined under the Listing Rules, who have given opinions in this document are as follows:

Name	Qualification
UBS Securities Hong Kong Limited	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities as defined under the SFO
China International Capital Corporation Hong Kong Securities Limited	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Ping An of China Capital (Hong Kong) Company Limited	Licensed to conduct type 6 (advising on corporate finance) regulated activities as defined under the SFO
GF Capital (Hong Kong) Limited	Licensed to conduct type 6 (advising on corporate finance) regulated activities as defined under the SFO
Tian Yuan Law Firm	Legal adviser to our Company as to PRC laws
BDO Limited	Certified Public Accountants under Professional Accountant Ordinance (Chapter 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant

F. Consents of Experts

Each of the experts as referred to in “—5. Other Information—E. Qualification of Experts” in this Appendix has given and has not withdrawn its consent to the issue of this document with the inclusion of its view, report and/or letter and/or legal opinion (as the case may be) and references to its name included herein in the form and context in which it respectively appears.

None of the experts named above has any shareholding interest in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

G. Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

H. No Material Adverse Change

Our Directors confirm that, there has been no material adverse change in our business, financial condition and results of operations since December 31, 2024, being the latest balance sheet date of our consolidated financial statements as set out in the Accountants’ Report in Appendix I to this document, and up to the date of this document.

APPENDIX VI**STATUTORY AND GENERAL INFORMATION**

I. Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are affected on the H Share register of members of our Company, including in circumstances where such transactions are effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer on each of the purchaser and the seller is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

J. Restriction on Share Repurchases

For details of the restrictions on share repurchases by our Company, please refer to “Summary of the Articles of Association—Increase, Decrease, Repurchase and Transfer of Shares—Repurchase of Shares” in Appendix V to this document.

K. Preliminary Expenses

We have not incurred any material preliminary expenses.

L. Promoters

Within two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor is any proposed to be paid, allotted or given to any promoters in connection with the [REDACTED] and the related transactions described in this document.

M. Related Party Transactions

Our Group entered into the related party transactions within the two years immediately preceding the date of this document as mentioned in “Appendix I — Accountants’ Report — 51. Related Party Transactions.”

N. Miscellaneous

Save as disclosed in this section and in the section headed “Financial Information” in this document:

- (i) within the two years immediately preceding the date of this document:
 - (a) no share or loan capital of our Company or any of our subsidiaries had been issued or agreed to be issued or proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (b) no share or loan capital of our Company or any of our subsidiaries had been under option or is agreed conditionally or unconditionally to be put under option;
 - (c) no commissions, discounts, brokerages or other special terms had been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

- (d) no commission had been paid or payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;
- (ii) there are no founder, management or deferred shares, convertible debt securities nor any debentures in our Company or any of our subsidiaries;
- (iii) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document;
- (iv) our Company has no outstanding convertible debt securities or debentures;
- (v) there is no arrangement under which future dividends are waived or agreed to be waived;
- (vi) save for the A Shares of our Company that are listed on the Shanghai Stock Exchange, and save for the H Shares to be issued in connection with the [REDACTED], none of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any [REDACTED] or permission to [REDACTED] being or proposed to be sought; and
- (vii) all necessary arrangements have been made to enable the H shares to be admitted into [REDACTED] for [REDACTED] and [REDACTED].

O. Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

APPENDIX VII

**DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE ON DISPLAY**

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the material contracts referred to in “Statutory and General Information—2. Further Information about our Business—A. Summary of Our Material Contracts” in Appendix VI to this document; and
- (b) the written consents referred to in the section headed “Statutory and General Information—5. Other Information—F. Consents of Experts” in Appendix VI to this document.

B. DOCUMENTS AVAILABLE ON DISPLAY

Electronic copies of the following documents will be available on display on the website of our Company at www.omnivision-group.com and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk during a period of 14 days from the date of this document:

- (a) the Articles of Association;
- (b) the accountants’ report from BDO, the text of which is set out in Appendix I to this document;
- (c) the audited consolidated financial statements of our Group for the years ended December 31, 2022, 2023 and 2024;
- (d) the report from BDO on the unaudited **[REDACTED]** financial information of our Group, the text of which is set out in the section headed “Unaudited **[REDACTED]** Financial Information” in Appendix II to this document;
- (e) the industry report issued by Frost & Sullivan referred to in “Industry Overview” in this document;
- (f) the PRC legal opinions issued by Tian Yuan Law Firm in respect of certain general corporate matters and property interests in Mainland China of our Group;
- (g) the material contracts referred to in “Statutory and General Information—2. Further Information about our Business—A. Summary of Our Material Contracts” in Appendix VI to this document;
- (h) the written consents referred to in “Statutory and General Information—5. Other Information—F. Consents of Experts” in Appendix VI to this document;
- (i) the contracts referred to in the section headed “Statutory and General Information—3. Further Information About Our Directors—A. Particulars of Directors’ Service Contracts and Appointment Letters” in Appendix VI to this document;
- (j) the PRC Company Law, Securities Law, and the Trial Measures for the Administration Related to the Overseas Securities Offering and Listing by Domestic Companies, together with unofficial English translations thereof; and
- (k) the terms of the Stock Option Incentive Plans.

APPENDIX VII

**DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE ON DISPLAY**

DOCUMENT AVAILABLE FOR INSPECTION

A copy of a full list of all the grantees under the Stock Option Incentive Plans will be made available for public inspection at our Company’s Hong Kong legal adviser’s office in Hong Kong at 31/F, Edinburgh Tower, The Landmark, 15 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document.