Goertek

the development of generative AI technology, future content creation efficiency is expected to be improved significantly, and the continuous enrichment of content will strongly support the long-term development of VR and MR devices. AR devices and the derivative AI smart glasses emerged as the most popular products in the market in 2024. Among these, AI smart glasses demonstrated particular promise, becoming a highly promising new product in both the consumer electronics and metaverse industries. According to statistics from the well-known consulting firm Counterpoint Research, the worldwide shipments of AI smart glasses grew by 210% year-on-year in 2024, surpassing 2 million units for the first time. AI smart glasses have unique advantages in user data collection and human-computer interaction, and are expected to become an important carrier for the implementation of AI LLM technology on the device side. This has led to sustained interest and investment from numerous well-known companies, underscoring their substantial market potential. At the same time, while the hardware technology and application scenarios of AR devices are still in the process of maturing, the industry's leading enterprises have been actively promoting their release, accelerating the speed of technology iteration of related optics, displays, communications, and new materials. As a result, the maturity of the products is improving, and it is anticipated that this will usher in a new round of rapid development in the coming years.

Facing the new trend of the integration of AI technology and emerging smart hardware products, as well as new opportunities in industries such as consumer electronics and the metaverse, the Company will make every effort to respond actively. Leveraging its existing advantages, the Company will invest in research and development, explore new technological directions for emerging products, and continuously consolidate its core competitiveness. The Company will engage in long-term strategic cooperation with leading industry clients and actively expand its business in emerging smart hardware and related precision components, thereby promoting the sustainable and healthy development of the Company's business.

The Company serves the global leading clients in the technology and consumer electronics industry with vertically integrated product solutions of precision components and smart hardware, as well as R&D and manufacturing services.

The Company's main business divides into three segments including precision components business, smart audio device business and smart hardware business. The precision components business focuses on acoustics, optics, microelectronics, structural components, and other precision components. The related products include micro speaker/receiver, speaker module, haptic component (actuator), wireless charging device, antenna, VR/MR optical devices and modules, AR optical devices, micro-nano optical devices, 3D structured light modules, AR optical device modules, AR HUD modules, MEMS acoustic sensors, other MEMS sensors, SiP, precision structural parts, etc. The above-mentioned products are widely applied in devices such as smartphones, tablets, smart wireless earphones, VR, MR, AR, AI smart glasses, smart wearable devices, smart home devices, and automotive electronics devices. Smart audio device business focuses on providing products related to audio, voice interaction, AI, and other technologies. The main products include smart wireless earphones, smart speakers, etc. Smart hardware business focuses on providing products related to entertainment, health and home security. The main products include VR, MR, AR, smart wearable devices, gaming consoles and accessories, smart home devices, etc.

The Company has innovative competitive advantages in the fields of acoustics, optics, MEMS microelectronics and precision manufacturing, and owns many intellectual property rights in the field of precision parts and components. In addition, the Company has accumulated rich experience in products and projects by cooperating with industry-leading clients in the field of smart audio device and smart hardware through "ODM", "JDM" and other business modes. During the reporting period, the Company maintained strong, long-term cooperative relationships with leading clients in the global technology and consumer electronics industry. As a result, the Company has been highly recognized by global clients for its product solutions and services, and remains the industry-leading manufacturer in the fields of micro speakers, MEMS microphones, MEMS sensors, VR, MR, smart wearable devices, gaming console and accessories, etc.

During the reporting period, the Company won multiple honors, including being ranked the 6th in the 2024 Top 100 Electronic Components Enterprises of China, 18th in the 2024 Top 100 Competitive Enterprises in China's Electronics Information Industry, 65th in the 2024 Top 500 Private Enterprises in China, and First Prize of Shandong Science and Technology Progress Award, iF Design Award, International Design Excellence Awards (IDEA), etc.

1. Industry-leading precision and intelligent manufacturing capabilities

In technology and consumer electronics related fields, the Company has been widely recognized for precision manufacturing capabilities and obtains great reputation. Relying on the core capabilities and long-term experience in the field of precision manufacturing, the Company has continuously improved the processing accuracy, production efficiency and quality of precision components and smart hardware products. The Company has in-house development capabilities of various core raw materials, and The Company adopted multiple advanced processes and technologies such as ultra-high-precision mold, high-precision metal/non-metal processing, ultrasonic technology, and laser technology, to build industry-leading precision manufacturing capabilities in the production of precision optical components, micro-display devices, MEMS sensors, SiP and precision structural parts, thus ensuring the delivery of the products with high precision, high efficiency and high quality.

The Company, based on the capacities of advanced equipment development and flexible automation production, actively explores the intelligent manufacturing mode for upgrading, and creates the GPS, Goertek Production System. In the fields of automation, machine vision and AI related to intelligent manufacturing, the Company has built a future-oriented core capability of intelligent manufacturing by continuing investing in independent R&D, introducing global advanced technologies, core equipment and best practice experience for system integration, thus improving the manufacturing in all aspects through the application of information, automation, artificial intelligence and other technologies. The Company promotes the transformation of its manufacturing to a more digitalized, connected, intelligent, and service-oriented model, and to build the core capabilities of future-oriented intelligent manufacturing.

2. Multi-technologies integration platform and strong team of R&D personnel

The Company has established a product R&D and manufacturing platform integrating materials, structures, electronic circuits, software algorithms, wireless communication, advanced technology, testing, automation and other technologies. Through cross-domain technology integration, the Company provides customers with advanced and systematic solutions for precision components and smart hardware products. The Company integrated and cultivated outstanding talents in the fields of acoustics, optics, microelectronics, micro-display, wireless communication, precision manufacturing, automation, and other sectors around the world. The Company has set up a team of technical personnel with profound technical strength and rich experience in product projects, and has made long-term cooperation with many well-known universities and scientific research institutions, such as Tsinghua University, Shanghai Jiao Tong University, Shandong University, Southeast University, University of Science and Technology of China, Huazhong University of Science and Technology, and Hong Kong University of Science and Technology, which forms an open and comprehensive technology R&D platform in support of continuous innovation and R&D of technologies and products.

During the reporting period, the Company and its subsidiaries applied for 2,663 patents, including 2,236 invention patents. A total of 1,830 patents have been granted, including 1,387 invention patents. As of December 31, 2024, the Company and its subsidiaries have totally applied for 34,872 patents, including 4,362 foreign patent applications and 20,132 invention patent applications; a total of 21,735 patents have been granted, including 8,196 invention patents.

3. Continuous strategic innovation and transformation, and stable high-value client relationships

Facing the complex macroeconomic situation of domestic and overseas, the management of the Company actively carries out strategical innovation and transformation. While continuing to consolidate the core competitive advantages in conventional business, the Company firmly grasps the innovation opportunities of next-generation smart hardware products, AI technology, and metaverse in the technology and consumer electronics industry. Relying on high-value client resources and good client relationships worldwide, the Company, oriented by the market and technology, continues to expand the consumer electronics and automotive electronics business in areas such as smart wireless earphones, VR, MR, AR, AI smart glasses, smart wearable devices, smart gaming consoles, smart home devices, and AR HUDs.

In response to the trend of AI technology, the Company is actively exploring the application of AI algorithms, LLM, and MLLM in production, manufacturing, and management, further enhancing the intelligence level of production and the informatization level of management operations, thereby consolidating the Company's industry position and core competitiveness. The Company optimizes the allocation of strategical resource, supports strategical product development, continues strengthening and further utilizing the client resource advantages by closely following the world-class customers, in an effort to transform the needs of high-value clients into an inexhaustible driving force for the Company's sustainable development.

4. Excellent core management team

Although the Company experiences a rapid and sound development, the core management team keeps a steady and efficient style as always. Facing the challenges and demands of next-generation smart hardware products in the post-mobile era such as rapid development, high quality, high precision manufacturing, short delivery cycle, and complex client certification process, the core management team promptly responds to the market and makes changes and innovations continuously, to keep and enhance the

monitor and actively seize new opportunities arising from the convergence and development of emerging smart hardware and AI technologies. The management and the staff of the Company will continue to implement our strategy and to achieve business objectives, so as to return the investors with good business performance and continuous growth of the value of the Company.

4. The demand and planning of fund

The Company maintains a healthy asset and liability structure, and obtained a good long-term cooperative relationship with banks and other major financial institutions. In 2025, the Company will continue to improve the management of cash, optimize payment terms, control capital expenditure, and enhance the efficiency of funds. The Company will carefully evaluate various financing tools to optimize the asset-liability ratio and debt structure. The Company will also carefully manage financial derivatives trading activities with strict standards, to actively avoid liquidity risks, foreign exchange risks, and interest risks, and with all the measures above, to thus provide stable and sufficient financial support to the development of the Company.

5. Future risks

(1) Macroeconomic risks

used to serve as factory director of Yuefeng Electronic Technology (Dongguan) Co., Ltd., and engineer of Weifang Radio Eighth Factory. He joined the Company in 2006 and successively served as deputy general manager of the equipment department, head of the employee management department and the leader of subsidiaries business, etc. Mr. Jiang has more than 20 years of experience in the field of precision machining, and has rich experience in administration and infrastructure, etc.

Yu Dachao, male, a Chinese citizen with no foreign residency right, who was born in May 1978, has a bachelor's degree in computer science and engineering, from Tianjin University of Technology. He is currently Vice President of the Company. Yu Dachao joined the Company in 2005 and successively served as the manager and deputy general manager of R&D department

None

During the reporting period, the directors of the Company carried out work in strict accordance with the provisions of *the Company Law*, *the Securities Law*, *Code of Corporate Governance for Listed Companies*, *Rules Governing the Listing of Stocks on Shenzhen Stock Exchange*, *Self-Regulatory Guidelines No. 1 for Companies Listed on Shenzhen Stock Exchange - Normative Operation of Listed Companies on the Main Board*, *Articles of Association* and *Rules of Procedure of the Board of Directors*. They fulfilled their duty of due diligence through full discussion on major governance and business matters of the Company, ensured the decision-making process

being scientific, timely, and efficient, and resolutely supervised and drove the implementation of the relevant resolutions, so as to play a positive role in the sustainable, healthy and stable development of the Company, and effectively safeguard the legitimate rights and interests of the Company and all shareholders.

During the reporting period, the Company's independent directors carried out their work in strict accordance with the *Measures for the Administration of Independent Directors of Listed Companies*, *Articles of Association*, *Rules of Procedure of the Board of Directors*, and *Independent Director Working System*. They maintained communication with other directors, senior management, and relevant personnel through on-site and remote methods to actively understand the Company's production and operating conditions as well as its financial status. Based on their professional expertise, they made positive suggestions for improving corporate g(im)4.t03>16<02A150040 TJETB

The Company has always adhered to the cultural philosophy of "We Make, We Share, We Thrive". The Company is dedicated to building a comprehensive, co-creation and sharing, differentiated, and secure compensation and benefits system that focuses on the balance between employees' work and life, fostering a happy workplace that employees enjoy.

The Company continued to optimize the remuneration distribution mechanism for all employees. This mechanism ensures a remuneration strategy that focuses on strategic businesses, correlates with job contributions and individual performance, and reflects value differentials. In 2024, the Company has developed competitive salary and retention incentive as part of a comprehensive compensation policy for outstanding fresh graduates from top universities, thereby strengthening the attraction and reserve of excellent talent. For talents in core businesses and key positions, significant and special salary adjustments, incentive project of "moat", retention incentive, and other incentives were implemented to achieve targeted talent retention and motivation.

The Company continued to implement employee stock ownership plans and stock option incentive plans for its key business personnel, allowing them to continuously share the Company's value growth through innovative equity incentive mechanisms. In 2024, the Company's ongoing long-term incentive plans included the "Home No. 6" Employee Stock O-6(je( )-)- o n0(e)-8(e 0 1 291.67 618.1 Tm[( )] TJ4

(1) Stock Option Incentive Plan in 2021 (hereinafter referred to as "the 2021 Incentive Plan ")

On April 16, 2021, the Company convened the 19th meeting of the 5th Board of Directors and the 14th meeting of the 5th Board of Supervisors, at which the *Proposal on the Deliberation of the 2021 Stock Option Incentive Plan (Draft) and Its Abstract of Goertek Inc.* and other related porposals were approved. The incentive participants of the 2021 Stock Option Incentive Plan are the key management and key business personnel of the Company and its wholly-owned and holding subsidiaries. The Company's 2020 annual shareholders' general meeting approved the aforementioned proposals and authorized the Board of Directors to handle matters related to the 2021 Incentive Plan.

On March 27, 2024, the Company convened the 14th meeting of the 6th Board of Directors and the 11th meeting of the 6th Board of Supervisors, and approved the *Proposal on Adjustment of the List of Incentive Recipients and Granted Amounts for the Reserved Granted Portion under the Company's 2021 Stock Option Incentive Plan and the Cancellation of Part of the Stock Options* and *Proposal on the Achievement of the Exercise Conditions for the Second Exercise Period of the Reserved Granted Portion under the Company's 2021 Stock Option Incentive Plan*. The Company adjusted the total number of reserved granted incentive participants of the 2021 Incentive Plan from 195 to 147. The number of reserved granted stock options was adjusted from 4,680,620 to 3,492,570, and 1,188,050 granted stock options have been canceled. The cancellation process was completed on April 10, 2024. Concurrently, the Board of Directors believed that conditions for the exercise of the second exercise period of the reserved granted portion of the 2021 Incentive Plan have been fulfilled, and the incentive participants are permitted to exercise their rights from the completion of the exercise procedures until April 19, 2025.

On April 24, 2024, the Company convened the 15th meeting of the 6th Board of Directors and the 12th meeting of the 6th Board of Supervisors, where it reviewed and approved the *Proposal on Cancellation of Stock Options Granted Unexercised at the Expiration of the First Exercise Period of the Reserved Portionunder the Company's 2021 Stock Option Incentive Plan*. The Company canceled a total of 2,329,520 reserved granted stock options of the 2021 Incentive Plan which were not exercised by the expiration date, and the cancellation was completed on April 30, 2024.

On June 27, 2024, the Company held the 17th meeting of the 6th Board of Directors and the 14th meeting of the 6th Board of Supervisors, where it reviewed and approved proposals, such as the *Proposal on Adjustment of the Price of the Company's Stock Option Incentive Plan* and *Proposal on Cancellation of Unexercised Stock Optionsat the Expiration of the Second Exercise Period of the Initial Granted Portionunder the Company's 2021 Stock Option Incentive Plan*. The Company adjusted the exercise price of the 2021 Incentive Plan from RMB 29.03 per share to RMB 28.93 per share and canceled a total of 15,016,130 stock options that had been granted but had expired without being exercised. The Company completed the cancellation of the aforementioned stock options on July 1, 2024.

On August 14, 2024, the Company convened the 18th meeting of the 6th Board of Directors and the 15th meeting of the 6th Board of Supervisors, at which the *Proposal on Adjustment of the Price of the Company's Stock Option Incentive Plan* was approved. The Company has adjusted the exercise price of the 2021 Incentive Plan from RMB 28.93 per share to RMB 28.88 per share.

On November 27, 2024, the Company convened the 21st meeting of the 6th Board of Directors and the 18th meeting of the 6th Board of Supervisors, at which the *Proposal on Adjustment of the Price of the Company's Stock Option Incentive Plan* was approved. The Company has adjusted the exercise price of the 2021 incentive plan from RMB 28.88 per share to RMB 28.78 per share.

As of the end of the reporting period, the reserved granted stock option of the Company's 2021 Incentive Plan was in the second exercise period.

(2) Stock Option Incentive Plan in 2022 (hereinafter referred to as "the 2022 Incentive Plan")

On July 8, 2022, the Company convened the 31st meeting of the 5th Board of Directors and the 25th meeting of the 5th Board of Supervisors, at which the *Proposal on Deliberation of the 2022 Stock Option Incentive Plan (Draft) and Its Abstract of Goertek Inc.* and other related proposals were approved. The incentive participants of the 2022 Stock Option Incentive Plan are the key management and key business personnel of the Company and its wholly-owned and holding subsidiaries. The proposals mentioned above were approved at the 1st extraordinary general meeting of 2022, authorizing the Board of Directors to handle relevant matters on the Company's 2022 Incentive plan.

On March 27, 2024, the Company convened the 14th meeting of the 6th Board of Directors and the 11th meeting of the 6th Board of Supervisors, where it reviewed and approved the *Proposal on the Adjustment of the List of Incentive Recipients and Granted Number for the Initial Granted Portion under the Company's 2022 Stock Option Incentive Plan and the Cancellation of Part of the Stock Options*. The Company adjusted the total number of incentive participants under the 2022 Incentive Plan from 4,800 to 3,765, adjusted the number of granted stock options from 59,279,400 to 23,994,510 and canceled 35,284,890 granted stock options. The cancellation was completed on April 10, 2024.

On June 27, 2024, the Company held the 17th meeting of the 6th Board of Directors and the 14th meeting of the 6th Board of Supervisors, where it reviewed and approved the *Proposal on Adjustment of the Price of the Company's Stock Option Incentive Plan*. The Company adjusted the exercise price of the 2022 Incentive Plan from RMB 34.14 per share to RMB 34.04 per share.

As of the end of the reporting period, the 2022 Incentive Plan was in its second vesting period.

(3) Stock Option Incentive Plan in 2023 (hereinafter referred to as "the 2023 Incentive Plan")

On July 19, 2023, the Company convened the 7th meeting of the 6th Board of Directors and the 6th meeting of the 6th Board of Supervisors, at which the *Proposal on Deliberation of the 2023 Stock Option Incentive Plan (Draft) and Its Abstract of Goertek Inc.* and other related proposals were approved. The incentive participants of the 2023 Stock Option Incentive Plan are the key management and key business personnel of the Company and its subsidiaries. The proposals mentioned above were approved at the 1st

2023 Incentive Plan. The Company adjusted the exercise price of the 2023 Incentive Plan from RMB 18.27 per share to RMB 18.22 per share.

On November 27, 2024, Goertek convened the 21st meeting of the 6th Board of Directors and the 18th meeting of the 6th Board of Supervisors, at which the *Proposal on Adjustment of the Price of the Company's Stock Option Incentive Plan* was approved. The Company has adjusted the exercise price of the 2023 Incentive Plan from RMB 18.22 per share to RMB 18.12 per share.

As of the end of the reporting period, the Company's initial granted stock options of 2023 Incentive Plan were in the first exercise period, while the reserved granted stock options were in the vesting period.

For details, please refer to the relevant announcements published in *CNINFO* (http://www.cninfo.com.cn), *Securities Times*, *China Securities Journal*, *Shanghai Securities News*, and *Securities Daily*.

The remuneration standard for senior management shall be formulated by the remuneration and assessment committee, and implemented after approval by the Board of Directors.

During the reporting period, the Company, after the expiration of the lock-up period of "Home No. 6" ESOP and "Home No. 7" ESOP, reduced part of its shares in accordance with relevant regulations. By the end of the reporting period, the Company's "Home No. 6"

In accordance with the *Accounting Standard for Business Enterprises No.11 - Share-based Payments*

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Not applicable

Section V Environmental and Social Responsibilities

All projects of the Company are classified as encouraged projects according to the *Decision of the National Development and Reform Commission on Amending the Catalogue of Industrial Structure Adjustment (2019 version)* and are in line with national industrial development policies, and the projects meet the requirements of the *Opinions of the People's Government of Shandong Province on the Implementation of the "Three Lines and One List" Ecological Zoning Management Approach*. The project's pollutants are in compliance with the requirements of environmental assessment and emission permit standards.

All projects of Yili Precision Manufacturing Co., Ltd. are carried out in line with national industrial development policies according to the *Decision of the National Development and Reform Commission on Amending the Catalogue of Industrial Structure Adjustment (2019 version)*; and the projects meet the requirements of the *Opinions of the People's Government of Shandong Province on the Implementation of the "Three Lines and One List" Ecological Zoning Management Approach*. The project's pollutants are in compliance with the requirements of environmental assessment and emission permit standards.

The Company obtained the registration receipt of the pollution discharge permit in accordance with the *Measures for the Management of Pollution Discharge Permits (Trial) (Revised in 2019)*. The registration number is 91370700729253432M004Y, and the certificate is valid from August 9, 2024, to August 8, 2029.

Yili Precision Manufacturing Co., Ltd. has applied for a pollution discharge permit as required. The certificate number is 91370784074404809600 1V, and the certificate is valid from July 7, 2022, to July 6, 2027.

In accordance with the Environmental Impact Assessment and Approval, the Company constructs supporting treatment facilities for gas waste, establishes supporting measures for solid waste storage, disposal, and comprehensive utilization, along with leakage prevention and seepage prevention measures, and ensures the normal operation of all the above measures.

In accordance with the Environmental Impact Assessment and Approval, Yili Precision Manufacturing Co., Ltd. constructs supporting treatment facilities for water and gas waste, takes measures of noise reduction, storage, disposal and comprehensive utilization of solid waste, and leakage and seepage prevention, and ensures the normal operation of all above measures.

For details, see the *2024 Environmental, Social and Governance (ESG) Report of Goertek Inc.* released on "www.cninfo.com.cn" on March 27, 2025.

The Company entrusts third-party monitoring organizations to monitor the environmental factors of the plant area and issue an inspection report every year in strict accordance with the requirements of the discharge permit.

Yili Precision Manufacturing Co., Ltd. has installed online equipment for monitoring COD, ammonia nitrogen, flow rate and PH value at the main wastewater discharge outlet, which is networked with the local department of environmental protection authorities. A third-party monitoring organization shall be entrusted to conduct monitoring of waste-water, waste gas, groundwater, and soil pollutants in strict accordance with the requirements of the discharge permit and to issue an inspection report, and related information shall be disclosed as required.

The Company, combined with the *National Environmental Emergency Response Plan* and the *Guidelines to Develop Emergency Response Plan for Environmental Pollution Accidents*, has formulated the *Environmental Emergency Response Plan of Goertek Inc.* based on various risk factors, and has reported the plan to the High-tech Branch of Weifang Municipal Ecology and Environment Bureau for recording (No. 370708-2024-043-L). Goertek also organizes relevant training and drills on a regular basis, in order to improve the emergency response ability of employees and achieve continuous improvement.

In view of various risk factors, Yili Precision Manufacturing Co., Ltd. refers to the *National Environmental Emergency Plan* and the *Guidelines to Develop Emergency Response Plan for Environmental Pollution Accidents*, formulates the *Yili Environmental Emergency Plan*, and puts it on record in the Anqiu Branch of Weifang Municipal Ecology and Environment Bureau (record No. 370784-2023-003-H). Relevant training and drills are organized on a regular basis to further improve employees' ability to deal with emergency events and achieve continuous improvement.

During the reporting period, the Company paid the environmental protection tax in full and in accordance with the law.

The Company and its subsidiaries actively responded to the national strategy of "achieving peak carbon dioxide emissions by 2030 and carbon neutrality by 2060", and consistently adhere to the carbon reduction concept of reducing carbon emissions, improving energy efficiency, and adopting sustainable production methods. They set company-level emission reduction targets and implemented refined carbon emission management to contribute to the green and low-carbon development of society.

During the reporting period, the Company and its subsidiaries' manufacturing plants located in Weifang and Rongcheng in Shandong Province, Dongguan in Guangdong Province, and Bac Ninh Province in Vietnam emitted 37,104 tons of CO_2 equivalent in Scope 1 and 444,981 tons of CO_2 equivalent in Scope 2. The third-party certification authority verified in accordance with ISO 14064-1:2018 *Greenhouse Gases - Part 1: Specification with Guidance at the Organization Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals* and issued the greenhouse gas verification statement.

To reduce energy consumption during operations, the Company actively promoted energy conservation and carbon reduction efforts in accordance with the *Energy Conservation Project Management System*. During the reporting period, the Company and its subsidiaries achieved a cumulative reduction of 17,422 tons of CO_2 equivalent of greenhouse gas emissions through 80 energy-saving improvements such as air conditioning, air pressure, and lighting systems.

For details, see the *2024 Environmental, Social and Governance (ESG) Report of Goertek Inc.* released on "www.cninfo.com.cn" on March 27, 2025.

In September 2024, Weifang Goertek Electronics Co., Ltd. passed the "Green Factory" certification in Shandong Province.

In December 2024, Goertek Inc. passed the "Waste-Free Factory" certification in Shandong Province.

In December 2024, Weifang Goertek Electronics Co., Ltd. also passed the "Waste-Free Factory" certification in Shandong Province.

During the reporting period, while the Company was committed to achieving its own development, it has also performed well in the protection of the rights and interests of shareholders, creditors, employees, suppliers, clients and consumers, as well as in environmental protection and sustainable development, public relations and social public welfare undertakings. For details, see the *2024 Environmental, Social and Governance (ESG) Report of Goertek Inc.* released on "www.cninfo.com.cn" on March 27, 2025.

For details, see the *2024 Environmental, Social and Governance (ESG) Report of Goertek Inc.* released on "www.cninfo.com.cn" on March 27, 2025.

Section VI Important Matters

See Section X (V) 37 "Changes in significant accounting policies and accounting estimates" for details.

During the reporting period, the Company established 12 subsidiaries, including Shanghai Goertek Technology Development Co., Ltd., Qingdao Goertek Alpha Pixels Technology Co., Ltd., Chengdu Goertek Technology Co., Ltd., Xi'an Goertek Shijie Technology Co., Ltd., Goertek Starshine (Qingdao) Inc., Goertek Electronics Vietnam Co., Ltd., Goertek Optical Technology (Hong Kong) Holdings Co., Limited, Goertek Optical Technology (Hong Kong) Co., Limited, Goermicro Technology Development Company Limited, Qingdao MicroSense Intelligent Technology Co., Ltd., Goertek Singapore Pte. Ltd., and GMI Semiconductor Sdn. Bhd.

During the reporting period, the Company deregistered 2 subsidiaries, namely Hefei 3D OptoLink Technology Co., Ltd. and Jiaxing Guochao Optoelectronics Technology Co., Ltd.

During the reporting period, the Company engaged Zhongxi CPAs (Special General Partnership) as the internal control audit accounting firm and paid the internal control audit fee of RMB 800,000 that has been included in the total compensation of RMB 3 million (tax-inclusive) paid to Zhongxi CPAs (Special General Partnership).

None

Section VII Changes in Shares and Shareholder Information

During the reporting period, the cancellation of some repurchased shares, the exercise of stock options for 2021 Incentive Plan and 2023 Incentive Plan affected basic earnings per share and diluted earnings per share, but did not have a significant impact.

Section VIII Preference Shares

Section IX Bonds

the major sales contracts or orders, understanding the policies for receipt and return of goods, communicating with the management and other procedures;

(4) Selected samples to check the supporting documents related to revenue recognition, and executed external confirmation procedures on a sampling basis;

(5) Selected samples to reconcile the supporting documents against the product sales revenue recognized before and after the balance sheet date to evaluate whether the revenue was recognized in the appropriate accounting period.

(II) Goodwill impairment

1. Description of the matters

For the provision for goodwill impairment, please refer to the financial statements "21. Impairment of Long-term Assets" in "III. Significant Accounting Policies and Accounting Estimates". As of December 31, 2024, the book value of goodwill was RMB 605.03million, which mainly resulted from the goodwill generated from the acquisition of the subsidiary Uphoton Technology (Shaoxing) Co., Ltd., which amounted to RMB 588.17million.

In accordance with the Accounting Standards for Business Enterprises, the Company's management performs an impairment test on goodwill at the end of each year and adjusts the book value of goodwill based on the results of the impairment test. The process of assessing goodwill impairment is complex. Predicting the recoverable amount involves estimating the present value of future cash flows for the asset group. The management needs to make significant judgments and assumptions in their forecasts. The use of different assumptions can have a significant impact on the assessment of the recoverable amount of goodwill, as they are affected by management's judgment of the future market and economic environment.

Since the book value of goodwill has a significant impact on financial statements and the provision for impairment of goodwill requires the management to make significant accounting judgments and estimates, we identified the impairment of goodwill as a key audit matter.

2. Audit measures

We mainly implemented the following audit procedures for the impairment of goodwill:

(1) Understood, evaluated, and tested the design and operation effectiveness of internal control related to the impairment of goodwill;

(2) Review whether the management's determination of the asset group and allocation method for goodwill comply with the provisions of the Accounting Standards for Business Enterprises;

(3) Assess the competency, professionalism, and objectivity of the external evaluation organization hired by the management;

(4) Discuss with the external evaluation institution the reasonableness of the evaluation method, key evaluation assumptions, parameter selection, forecast of future income, and discount rate of cash flow used in the goodwill impairment test;

(5) Review the valuation method used for the asset group containing the goodwill and the evaluation report issued by the external evaluation institution.

IV. Other Information

The Management of Goertek Inc. (the Management) is responsible for Other Information. Other Information includes information covered in the 2024 Annual Report of Goertek Inc. but excludes financial statements and auditor's reports.

Our auditor's opinions on financial statements do not cover Other Information. We also do not express any kind of verification conclusion on Other Information.

In combination with our audit of the financial statements, we're obliged to read the Other Information. In the process, we consider whether the Other Information is materially inconsistent with the financial statements or the information we learned during the audit, or whether there is a material misstatement.

Based on the work that we have already done, if we determine that the Other Information contains material misstatements, we should report the fact. In this regard, we have nothing to report.

V. Responsibilities of Management and Governance for the Financial Statements

The management of Goertek Inc. is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control necessary to ensure that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the ability of Goertek Inc. to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management intends to liquidate Goertek Inc. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of Goertek Inc.

VI. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of an audit in accordance with the Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements due to fraud or error, design and perform audit procedures to address those risks, and obtain audit evidence that is sufficient and appropriate as the basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit to design appropriate audit procedures.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

4. Conclude on the appropriateness of Management's use of the going concern basis of accounting. And, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Goertek Inc.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to express a qualified opinion. Our conclusions are based on the information obtained up to the date of our auditor's report. However, future events or conditions may cause Goertek Inc. to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements fairly represent the underlying transactions and events.

6. Obtain sufficient and appropriate audit evidence on the financial information of entities or business activities within Goertek Inc. to express an opinion on the financial statements. We are responsible for the instruction, supervision and execution of the Group's audit, and assume full responsibility for the auditor's opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to affect our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

	Shareholders' equity attributable to the Company															
		Preference Shares														

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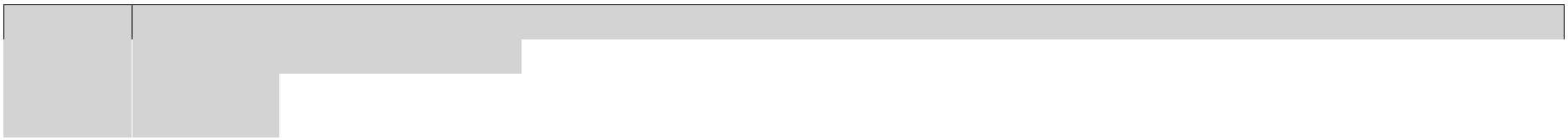

Goertek Inc. (hereinafter referred to as "the Company" or "Goertek") was established on July 27, 2007, through an overall change of WeiFang IEA Electro-Acoustic Co., Ltd.

As approved by the document of China Securities Regulatory Commission [2008] No. 613, the principal undertaker CITIC Securities Co., Ltd. issued 30 million common shares (Class A shares) through offline inquiry and placement in combination with online subscription, pricing, and issue, at the price of RMB 18.78 per share. The stocks of the Company were officially listed and traded on the Shenzhen Stock Exchange on May 22, 2008.

As of December 31, 2024, the registered capital is RMB 3,417,134,589, and the total number of shares issued by the Company is 3,486,344,744 shares.

The registered address of the Company headquarters: 268 Dongfang Road, Weifang Hi-Tech Industrial Development Zone.

The main business of the Company and its subsidiaries (collectively referred to as the "Group") is categorized into the industry of the manufacturing of computers, communication, and other electronic equipment, and is divided into three segments including precision components business, smart audio device business, and smart hardware business. The Company operates mainly in consumer electronics, automotive electronics, and other industries, with the main products including acoustics, optics, microelectronics, structural components, and other precision components, as well as smart hardware products such as Virtual Reality (VR)/Mixed Reality (MR)/Augmented Reality (AR), TWS, smart wearable devices, gaming console and accessories, and smart home devices.

These financial statements have been approved by the Board of Directors of the Company on March 26, 2025.

more than the shareholders' equity owned by the minority shareholders in such subsidiaries at the beginning of the period, the minority interests shall be offset.

If the control of the previous subsidiaries is lost due to disposal of some equity investments or for any other reasons, the remaining equity shall be re-measured at fair value on the date when control is lost. The difference between the sum of consideration received from disposal of equity and the fair value of the remaining equity, and the Company's share of the previous subsidiaries' net assets calculated at the previous shareholding proportion from the acquisition date, shall be recognized in investment income in the period when control is lost. Other comprehensive income related to the equity investment of the previous subsidiaries shall be conducted on the same basis as the direct disposal of related assets or liabilities by the acquired parties when the control is lost (Except for the change caused by the re-measurement of net liabilities or net assets of the defined benefit plan in the previous subsidiary, the remaining part shall be converted into investment income for current period). Thereafter, such remaining equity shall be subject to subsequent measurement according to the *Accounting Standards for Business Enterprises No. 2 - Long-term Equity Investments* or *Accounting Standards for Business Enterprises No. 22 - Confirmation and Measurement of Financial Instruments* and other relevant regulations. For details, please refer to 18. "Long-term equity investments" of Note V or 10. "Financial instruments" of Note V.

If the Group disposes of the equity investment of the subsidiaries step by step through multiple transactions until it loses the control thereof, it is necessary to determine whether such transactions fall within "a package deal". The multiple transactions shall be taken as a "package deal" for accounting treatment, if the terms, conditions, and economic impacts of the transactions undertaken to dispose of the equity investment of the subsidiaries meet one or more of the following conditions: these transactions are entered into at the same time or with their impacts on each other considered; a complete business result may be achieved only when these transactions when taken as a whole; one transaction depends on at least one of the other transactions; one transaction is not economical on its own, but it is economical when considered together with other transactions. If they do not fall within a "package deal", each of them shall be subject to accounting treatment according to the principles applicable to "Partial disposal of the long-term equity investments in the subsidiaries without losing control" (for details, please refer to (2) of 18 of Note V) e

The foreign currency financial statements of overseas operations shall be converted into Chinese currency statements in accordance

impairment losses or gains, exchange gains and losses and interest income calculated by the effective interest method shall be included in current profits and losses.

Apart from that, the Group shall designate some investments in non-trading equity instruments as financial assets measured at fair value and the changes thereof shall be included in other comprehensive income. The Group will include the relevant dividend income of this type of financial assets into current profits and losses, and the changes in fair value into other comprehensive income. Upon the termination of recognition of financial assets, the accumulated gains or losses previously included in other comprehensive income shall be transferred out of other comprehensive income and transferred to the undistributed profits, other than being included in current profits and losses.

Financial assets measured at fair value through profit or loss

The financial assets except those classified into financial assets measured at amortized cost and financial assets at fair value through other comprehensive income as mentioned above, are classified by the Group into those measured at fair value through profit and loss. In addition, at initial recognition, part of the financial assets can be recognized by the Group as financial assets measured at fair value through profit and loss, to eliminate or significantly reduce accounting mismatch. The financial assets are subsequently measured by the Group at fair value, and changes in fair value are included in current profits and losses.

(2) Classification, recognition and measurement of financial liabilities

At initial recognition, financial liabilities are classified into financial liabilities at fair value through profit and loss, and other financial liabilities. For the financial liabilities at fair value through profit and loss, the related transaction costs shall be included directly in current profits and losses. For other financial liabilities, the related transaction costs shall be included in the initially recognized amount.

Financial liabilities measured at fair value with changes recorded in the current profits and losses

The financial liabilities at fair value through profit and loss shall include financial liabilities held for trading (including derivatives falling into the category of financial liabilities) and financial liabilities designated as those measured at fair value through profit or loss at initial recognition.

Financial liabilities held for trading (including derivatives falling into the category of financial liabilities) shall be subsequently measured at fair value. Except for hedging accounting, changes in fair value shall be included in current profits and losses.

The amount of change in the fair value of a financial liability which is designated as those measured at fair value through profit or loss due to change in the Group's own credit risks shall be included in other comprehensive income. Upon the termination of recognition of such liability, the accumulative change in its fair value caused by the change of its own credit risk included in other comprehensive income is transferred to undistributed profits. The changes in its fair value shall be recorded in current gains and losses. If the treatment of the impact on the credit risk change of the financial liabilities in the above manner will cause or expand the accounting mismatch in the profit and loss, the Group will recognize all the gains or losses (including the changes in the Group's own credit risks) of the financial liabilities into current profits and losses.

Other financial liabilities

Other financial liabilities except those caused by the transfer of financial assets that do not conform to the conditions for derecognition or continue to relate to the transferred financial assets and financial guarantee contracts shall be classified as financial liabilities measured at amortized cost, which shall be subsequently measured at amortized cost, and the gains or losses arising from derecognition or amortization shall be included in current profits and losses.

(3) Principle of recognition and measurement method of financial asset transfer

The financial asset shall be de-recognized if: The contractual right to receive cash flows of the financial asset is terminated; The financial asset has been transferred and almost all risks and rewards in the ownership of the financial asset have been transferred to the transferee; or The financial asset has been transferred and the enterprise has neither transferred nor retained almost all risks and rewards in the ownership of the financial asset, but has waived its control over the financial asset.

If the enterprise does not transfer or retain substantially all of the risks and rewards related to the ownership of a financial asset and if the enterprise does not waive its control over the financial asset, it shall, according to the extent of its continuous involvement in the transferred financial asset, recognize the relevant financial asset and recognize the relevant liabilities accordingly. The extent of involvement in the financial asset transferred, refers to the company's exposure to changes in the value of the financial assets.

If the overall transfer of a financial asset meets the conditions for de-recognition, the difference between the carrying value of the transferred financial asset and the sum of the transfer consideration received and the change in fair value originally recognized in other comprehensive income will be recognized in current profits and losses.

If the partial transfer of financial assets meets the conditions for derecognition, the carrying value of the transferred financial assets is apportioned between the derecognized part and the non-derecognized part according to their respective relative fair values, and the difference between the sum of the transfer consideration received and the change in fair value originally recognized in other

comprehensive income and apportioned to the de-recognition component and the aforesaid attributed carrying value will be recognized in current profits and losses.

If a financial asset is sold with the right of recourse or an endorsement, the Group needs to determine whether almost all the risks and rewards related to the ownership of the financial asset have been transferred. If all the risks and rewards related to the ownership of the financial asset have been transferred to the transferee, the Group shall de-recognize the financial asset; If all the risks and rewards

Credit loss means the difference between all contractual cash flows receivable by the Group in accordance with the contract and all cash flows expected to be received, discounted at the original actual interest rate, i.e., the present value of all cash shortages. Purchased or originated credit-impaired financial assets shall be discounted by the Group according to credit-adjusted effective interest rate adjusted by credit of such financial assets.

According to the general methods to measure expected credit losses, the Group evaluates whether the credit risk of the financial assets (including other applicable items; the same hereinafter) has increased significantly since the initial recognition at each balance sheet date. If the credit risk of the financial instrument has increased significantly since the initial recognition, the Group measures its loss allowance according to the amount equivalent to the expected credit loss of the financial instrument over its expected lifetime; if the credit risk has not increased significantly since initial recognition, the Group measures its loss allowance according to the amount equivalent to the expected credit loss of the financial instrument in the next 12 months. When assessing expected credit loss, the Group gives consideration to all reasonable and well-founded information, including forward-looking information.

For financial instruments with relatively low credit risks on the balance sheet date, the Group assumes that their credit risks have not increased significantly since initial recognition, and measures loss allowance based on the expected credit loss within the next 12 months.

(2) Criteria for judging whether the credit risks have increased significantly since initial recognition

When the default probability of a financial asset within the expected duration determined on the balance sheet date is significantly higher than that in initial recognition, it suggests that the credit risks of the financial asset have significantly increased. Except under special circumstances, the Group determines whether credit risks have increased significantly since initial recognition by estimating the changes in lifetime risk of default occurring based on the changes in 12-month risk of default occurring as reasonable.

(3) Grouping method for assessing the expected credit risks

The Group carries out separate credit risk evaluation for financial assets with significantly different credit risks, including receivables in dispute with the other party or involving litigation or arbitration; accounts receivable where there are obvious signs that the debtor may not be able to fulfill the repayment obligation, etc.

Except for the financial assets that are individually assessed for credit risks, the Group shall classify the financial assets into different groups in view of the common risk characteristics, and assess the credit risks on the basis of groups.

(4) Accounting treatment methods for impairment of financial assets

At the end of a period, the Group shall calculate the expected credit loss of all types of financial assets. If the expected credit loss is greater than the carrying value of its current provision for impairment, the difference shall be recognized as impairment loss; if it is less than the carrying value of current provision for impairment, the difference shall be recognized as impairment gain.

(5) Determination method for measurement of expected credit losses of various financial assets

Notes receivable

For note receivable, the Group measures loss allowance according to the amount equivalent to the expected credit loss over the lifetime. Depending on their credit risk characteristics, notes receivable are classified into different groups:

Accounts receivable

For accounts receivable not containing significant financing components, the Group measures loss allowance according to the amount equivalent to the expected credit loss over the lifetime.

Except for accounts receivable for which credit risk is assessed separately, depending on their credit risk characteristics, accounts receivable is classified into different groups:

Item	

Other receivables and factoring receivables

The Group measures impairment losses based on whether the credit risk of other receivables and factoring receivables has increased significantly since initial recognition, using an amount equivalent to expected credit loss within the next 12 months or entire duration.

Receivables financing

Receivables financing are primarily classified as notes receivable and accounts receivable which are measured at fair value through other comprehensive income and are presented under "Receivables financing" if they have original maturity of up to one year (including one year) or under other debt investments if they have original maturity more than one year as from the initial recognition date.

Depending on their credit risk characteristics, receivables financing are classified into different portfolios:

Item	Basis for determining groups

low unit price, the inventory depreciation allowance is accrued based on the inventory category; for inventories associated with product series manufactured and sold in the same area, with the same or similar end use or purpose, and are difficult to be measured separately from other items, the depreciation allowances are consolidated and accrued. For raw materials with a large quantity and low unit price, the provision of inventory depreciation is generally made according to the time the inventory has been kept.

After the provision of inventory depreciation is made, if the original trigger for inventory write-down has disappeared so that the net realizable value of the inventory is higher than the carrying value, the amount of provision of inventory depreciation shall be reversed, and the reversed amount shall be recognized in current profits and losses.

(4) The inventory system is a perpetual inventory system.

(5) Amortization method of revolving materials

The Group's revolving materials include low-value consumables and packaging materials. Large revolving materials are amortized at the time of receipt over months of the expected service life. Other low-value consumables are amortized at the time of receipt using the one-off amortization method. Packaging materials are amortized at the time of receipt using the one-off amortization method.

Long-term equity investments in this part refer to the long-term equity investments through which the Group has control, joint control or significant influence over investee. The long-term equity investments through which the Group does not have control, joint control or significant influence over investee, is taken as a financial asset at fair value recorded in current profits and losses. If it is non-trading, the Group can choose to designate it as a financial asset at fair value recorded in other comprehensive income at initial recognition. For details about the relevant accounting policy, please see this Note V 10. "Financial instrument".

Joint control refers to the Group's common control of an arrangement in accordance with relevant agreement, and the relevant activities of the arrangement must be unanimously agreed by the participants sharing the control before a decision can be made. Significant influence refers to the Group's right to participate in the decision-making of an invested entity's financial and operational policies, but not to control or jointly control the formulation of these policies with other parties.

(1) Determination of investment cost

For long-term equity investments arising from business combination under the same control, the proportion of the carrying value of the stakeholders' equity of the merged party in the consolidated financial statements of the final controlling party is regarded as the initial investment cost of long-term equity investments on the combination date. If there is a difference between the initial investment cost of long-term equity investments and the cash paid, non-cash assets transferred, and carrying value of liabilities assumed, the capital surplus shall be adjusted. Where the capital surplus is insufficient to absorb the difference, undistributed profits shall be adjusted. The investments cost which adopts the equity securities issued as the consideration should be adopted as the initial investments cost of the long-term equity investments according to the proportion of the carrying value of the stakeholders' equity of the merged party in the consolidated financial statements of the final controlling party, and adjust the capital surplus by the difference between the initial investments cost of long-term equity investments and the amount of issued stock's face value (regarded as share capital). If the capital surplus is insufficient to absorb the difference, undistributed profits should be adjusted. If the equity of the acquiree under the same control is acquired step by step through multiple transactions leading to a merger of enterprises under the same control, the transactions shall be confirmed whether they belong to a "package transaction": If they belong to a "package transaction", all transactions shall be treated as one transaction over which the acquiree has control. If it is not a "package transaction", the Group regards the initial cost of the long-term equity investments as the proportion of the shareholder's equity/owner's equity of the acquired enterprise to the carrying amount in the consolidated financial statements of the final controller at the date of combination. If there is a difference between the initial investments cost of long-term equity investments on the date of combination and the sum of the carrying value of the long-term equity investments before the merger plus the carrying value of the new share payment consideration on the date of combination, the capital surplus shall be adjusted. Where the capital surplus is insufficient to absorb the difference, undistributed profits shall be adjusted. If the equity investment held before the combination date is measured using the equity method or recorded as a financial asset at fair value in other comprehensive income. The other comprehensive income recognized as a result will not be accounted temporarily.

For the acquisition of long-term equity investments involving enterprises under common control, the Group regards the initial cost of the long-term equity investments at that date as business combination cost, including the sum of fair values of assets paid, liabilities incurred or borne, and equity securities issued, by the buyer. If the equity of the acquiree is acquired step by step through multiple transactions leading to a merger of enterprises under different control, the transactions shall be confirmed whether they belong to a "package transaction": If they belong to a "package transaction", all transactions shall be treated as one transaction over which the acquiree has control. If it is not a "package transaction", the sum of the carrying value of the original equity investments plus the new investments cost is regarded as the initial investments cost of long-term equity investments calculated by the cost method. If the previous equity is measured using the equity method, the relevant other comprehensive income will not be accounted temporarily.

Acquisition-related costs including auditing fees, legal services fees, valuation advice fees and other relevant management fees are generally recognized in profit or loss as incurred.

A long-term equity investments acquired other than through a business combination is initially measured at the cost, and such cost is determined at the amount of cash paid by the Group, the fair value of the equity securities issued by the Group, the value agreed in an investment contract or agreement, the fair value or carrying value of asset exchanged in the non-monetary asset exchange, or the fair value of the long-term equity investments. Costs, taxes and other necessary expenses directly related to the acquisition of the long-term equity investments are also included in the investment cost. If additional investments addition has a significant influence over investee, or jointly control other than the control over investee, the cost of long-term equity investments shall be the sum of the fair value of the original equity investments determined according to *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments* and the cost of the additional investment.

(2) Method of subsequent measurement and recognition of profits and losses

The long-term equity investments through which the Group has joint control (except for joint operation) or significant influence over investee shall be calculated by the equity method. The Group's financial statements use the cost method to calculate long-term equity investments that constitutes control over invested entities.

Long-term equity investments calculated by cost method

Under the cost method, a long-term equity investments is measured at initial investments cost. Increasing or reducing investments will adjust the cost of long-term equity investments accordingly. Except for actual price paid when the investment is obtained or the cash dividends or profits that are included in the consideration that has been declared but not yet disbursed, the current investment income shall be recognized according to the cash dividends or profits declared by the invested entity.

Long-term equity investments accounted for by equity method

When the initial investments cost of long-term equity investments accounted under equity method is greater than the investments, the difference in the fair value share of the identifiable net assets of the invested entity is enjoyed, without adjusting the initial investments cost of long-term equity investments; when the initial investments cost is less than the investments, the difference in the fair value share of the identifiable net assets of the invested entity is included in the current profits and losses, and the cost of long-term equity investments shall be adjusted accordingly.

When the equity method is adopted, according to the share of the net profit and loss and other comprehensive income realized by the invested entity, the investments income and other comprehensive income shall be recognized respectively, and the book value of the long-term equity investments shall be adjusted; the book value of the long-term equity investments is reduced correspondingly in accordance with the portion of the profits or cash dividends declared and distributed by the invested entity; for changes in owner's equity other than net profit and loss, other comprehensive income and profit distribution of the invested entity, the book value of long-term equity investments shall be adjusted and included in capital surplus. The share of net profit and loss of the invested entity shall be recognized, based on the fair value of various identifiable assets of the invested entity when the investment is made, after adjustment of the net profit of the invested entity. When the accounting policy and accounting period adopted by the invested entity are inconsistent with those of the Group, the investment income and other comprehensive income shall be recognized based on the adjusted financial statements of the invested entity in accordance with the Group's accounting policies and accounting period. For the Group's transactions with its associates and joint ventures, if the invested or sold asset does not constitute a business, unrealized profits or losses resulting from the transactions are recognized as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated. However, unrealized losses resulting from the Group's transactions with its invested entity in respect of impairment losses on the transferred assets should not be eliminated. If the asset invested by the Group to its associates and joint ventures constitutes a business, to the extent that the investor realizes long-term equity investments other than control, the fair value of the invested business shall be the initial investments cost of the additional long-term equity investments, and the difference between the initial investments cost and the carrying value of the invested business shall be recorded in the profit or loss of the current period. If the asset sold by the Group to its associates and joint ventures constitutes a business, the difference between the consideration received and the carrying value of the invested business shall be recorded in the profit or loss of the current period. If the asset purchased by the Group from its associates or joint ventures constitutes a business, the accounting shall be made pursuant to the *Accounting Standards for Business Enterprises No. 20 - Business Combination* shall apply, the gain or loss from the transaction shall be fully recognized.

The Group de-recognizes its share of net losses of the invested entity after the carrying amount of the long-term equity investments together with any long-term interests that substantially constitute part of its net investments in the invested entity shall be written down to zero. In addition, if the Group has the obligation to bear additional losses to the invested entity, the provisions shall be recognized according to the expected obligations and be recorded in the investment losses of the current period. Where net profits are subsequently made by the invested entity, the Group resumes recognizing its share of those profits only after its share of the profits exceeds the share of losses previously not recognized.

Acquisition of minority equity

When preparing consolidated financial statements, if there is a difference between the new long-term equity investments acquired as a result of the purchase of minority shares and the share of net assets continuously calculated from the date of purchase (or merger) of the subsidiary based on the new shareholding ratio, the capital surplus shall be adjusted. Where capital surplus is insufficient to offset the difference, the undistributed profits are adjusted.

Long-term equity investments disposal

In consolidated financial statements, where a parent company partially disposes of a long-term equity investments in a subsidiary without losing the control over it, the difference between the disposing price and the net assets of the subsidiary obtained from the disposal of the long-term equity investments shall be recognized in the shareholder's equity. If it's partial disposal by a parent company of a long-term equity investments in a subsidiary and the control over the subsidiary is lost, the accounting policy stipulated in this Note V 7. (2) "Method for preparing the consolidated financial statements" shall apply.

For disposal of long-term equity investments in other situations, the difference between the disposed equity's book value and the actual proceeds is included in the current profits and losses.

When the Group reduces its ownership interest in investee but continues to use the equity method for long-term equity investments, other comprehensive income previously recorded as shareholders' equity is disposed in proportion, subject to the accounting treatment applicable to the assets or liabilities related to direct disposal of the invested entity. The equity recognized by the Group, other than the change of the net profits and loss, other comprehensive income and profit distribution of the invested entity, is transferred to current profits and losses in proportion.

When the Group reduces its ownership interest but the Group continues to use the cost method for long-term equity investments, for the other comprehensive income recognized by the Group using equity method prior to the control over the investee or under financial instrument recognition and measurement standard, other comprehensive income previously recorded as shareholder's equity is subject to the accounting treatment applicable to the assets or liabilities related to direct disposal of the invested entity and is transferred to current profits and losses in proportion. Then the other changes in shareholders' equity recognized by the Group using equity method, not arising from the change of the net profits and loss, other comprehensive income or profit distribution of the invested entity, are reclassified to profit and loss in proportion.

If the Group loses its control over the invested entity due to the disposal of a portion of an equity investment, the equity method is adopted in the preparation of individual financial statements when the remaining equity allows the Group to exercise joint control or hold significant influence on the invested entity, and the remaining equity after disposal is regarded as being adjusted by the equity method at the time of acquisition; if the remaining equity after disposal does not allow the Group to exercise joint control or hold significant influence on the invested entity, it is calculated in accordance with the relevant provisions of financial instrument recognition and measurement standards, and the difference between the fair value and the book value on the day when the control is lost is recorded in current profits and losses. If other comprehensive income recognized, using the equity method or under the standards for recognition and measurement of financial instruments before the Group obtains the control over the invested entity, is subject to the accounting treatment applicable to the assets or liabilities related to direct disposal of the invested entity when the control over the invested entity is lost, changes in the shareholder's equity of the net assets of the invested entity recognized using the equity method, except for net profits and losses, other comprehensive income and profit distributions, shall be transferred to current profits and losses when the control over the invested entity is lost.(l)1(is)4(l)-4(og-6(v)7(e)4FOt6(d)a)4(n)-6(g)7(e)4(s (e)4(n)-6(siv)7(e)4( )-96(in)-8(c)4(o)-6(m)5(e)4( )-2(p)-6

carrying value of long-term equity investments related to the disposed equity are recorded in other comprehensive income, and then transferred to the profit or loss of the current period when the control is lost.

Investment property means the property held for the purpose of rent earning or capital appreciation, or both. It includes the land use rights that have been leased, the land use rights that are held for transfer upon appreciation, and the leased buildings. In addition, the vacant buildings held by the Group for the purpose of leases will also be reported as investment properties, if the board of directors (or similar authority) makes a resolution in written form that expressly indicates that the buildings will be used for leases and the intention of holding will not change in the short term.

Investment property is initially measured at cost. Subsequent expenses related to investment property shall, if economic profits related to the property are likely to be gained and its costs can be measured reliably, be recorded as the cost of investment property. Other subsequent expenditures are recorded in the current profits and losses when incurred.

The Group adopts the cost model for subsequent measurement of investment property. The investment property is depreciated or amortized in accordance with policies consistent with building or land use rights.

When self-use properties or inventories are converted to investment property, or investment property is converted to self-use properties, the value after the conversion shall be recognized at the carrying value before the conversion.

When investment property is disposed or permanently withdrawn from use and is not expected to obtain economic benefits from its disposal, the investment property shall be de-recognized. The disposal income from the sale, transfer, abandonment or destruction of investment property less its carrying value and relevant taxes shall be recognized in current losses and profits.

Fixed assets mean the tangible assets held with a service life exceeding one fiscal year for the production of goods, provision of labor services, leasing or management. Fixed assets may be recognized when they meet the following conditions: Economic benefits relating to the fixed asset are likely to be gained by the Group, and the cost of the fixed asset can be measured reliably. Fixed assets are initially measured at cost, with the influence of estimated abandonment cost taken into account.

Depreciation of a fixed asset shall be withdrawn within its useful life by straight-line method starting from the next month after it reaches the intended serviceable state.

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

The subsequent expenditure related to the fixed assets will be included in the cost of the fixed assets when the economic benefits in connection therewith are likely to flow in and costs can be measured reliably; the book value of the replaced part will be derecognized. Other subsequent expenses related to the intangible assets are recognized in profit or loss for the period in which it is incurred.

When fixed assets in a disposal state or when no economic benefits can be expected through use or disposal thereof, such fixed assets will be derecognized. The income from disposal of the fixed assets through sale, transfer, scrapping or damage with the book value thereof and relevant taxes deducted is included in the current profit or loss.

At the end of each year, the Group shall at least review the useful life, estimated net salvage value, and depreciation method of fixed assets, and any changes will be treated as changes in accounting estimates.

The specific standards and time for the conversion of the Company's various categories of construction in progress to fixed assets:

Category	Standards and time for the conversion to fixed assets
Buildings	(1) The main construction project and supporting works have been substantially completed; (2) The construction works have met the intended design requirements, and acceptance has been completed by the survey, design, construction, and supervision units; (3) Acceptance by external departments such as fire safety and planning has been completed; (4) If the construction project has reached the predetermined usable state but the final settlement has not been processed, it shall be transferred to fixed assets based on the estimated value according to the actual construction cost from the date it reaches the predetermined usable state.
Machines and equipment that require installation and commissioning	(1) Relevant equipment and other supporting facilities have been installed; (2) The equipment has been debugged and can maintain normal and stable operation for a period of time; (3) The production equipment can stably produce qualified products for a period of time; (4) The equipment has been accepted by asset management personnel and users.

Borrowing costs include interest on borrowing, amortization of discount or premium, auxiliary expenses and exchange differences due to foreign currency borrowing, etc. Borrowing costs that can be directly attributable to the acquisition, construction or production of assets eligible for capitalization shall be capitalized when the asset expenditure has been incurred, the borrowing cost has been incurred, and the acquisition, construction or production necessary to make the asset reach the predetermined conditions for use or sale has started, and the capitalization shall discontinue when the constructed or produced assets eligible for capitalization reach the predetermined conditions for use or sale. The remaining borrowing costs are recognized as costs at the time of occurrence.

The amount to be capitalized is the actual interest expenses incurred on the specific borrowings less any bank interest earned from unused funds of the designated borrowings or any investment income arising from the temporary investment of those funds. The amount to be capitalized on the general borrowings is calculated by applying a capitalization rate to the weighted average of the excess amounts of cumulative expenditures on the asset over and above the amounts of the specific borrowings. Capitalization rate is calculated and determined based on the weighted average interest rate of general borrowings.

During the period of capitalization, exchange differences arising from special borrowings in a foreign currency shall be fully capitalized, and exchange differences arising from general borrowings in a foreign currency shall be recognized in profits and losses.

Assets eligible for capitalization refer to fixed assets, investment property, inventories and other assets that need to go through quite a long time of acquisition or production activities to reach the predetermined usable or salable state.

If an abnormal interruption of assets eligible for capitalization occurs in the process of acquisition, construction or production and continues over 3 months, the capitalization of borrowing costs shall cease and shall not restart until the acquisition, construction or production of such assets resume.

Intangible assets mean the identifiable non-monetary assets owned or controlled by the Group without physical substance.

The intangible assets shall be initially measured at cost. Expenses related to the intangible assets are recognized in the cost of intangible assets when it is likely that the associated economic benefits will be gained by the Group and the associated costs can be measured reliably. Other expenses related to the intangible assets are recognized in profit or loss for the period in which it is incurred.

The acquired land use right is generally recognized as intangible assets. Expenses related to land use right and construction cost from buildings such as self-built factory, etc. are recognized as intangible assets and fixed assets, respectively. In the case of purchased buildings, related costs are shared between the cost of land use rights and the cost of buildings. The related costs that cannot be allocated reasonably are recognized as fixed assets.

When intangible assets with a finite useful life are available for use, their original cost is amortized over their estimated useful life using the straight-line method. Intangible assets with uncertain service life shall not be amortized.

The amortization method for intangible assets with limited service life is as follows:

Category	Estimated useful life	Amortization method	Basis
Land-use right	37-50 years	Straight-line method	Duration of registration of property right

Expenditures in the research phase are included in the current profits and losses when incurred.

Expenditures in the development phase are recognized as intangible assets only when the following conditions are all satisfied, or are included in the profit or loss of the current period:

It is technically feasible to complete such an intangible asset so that it will be available for use or for sale;

There is the intention to complete the intangible asset for use or sale;

The employee remuneration of the Group mainly includes short-term employee remuneration, post-employment benefits, dismission welfare, and other long-term employee benefit. Including:

Short-term employee benefits include employee wages or salaries, bonuses, allowances and subsidies, employee welfare fees, medical insurance contributions, maternity insurance contributions and work injury insurance contributions, housing provident fund contributions, union running costs and employee education costs, and non-monetary benefits. During the accounting period when the employees provide services for the Group, the short-term remuneration actually incurred is recognized as a liability and recorded in the current profits and losses or related asset costs. The non-monetary welfare in short-term remuneration should be measured at fair value.

Post-employment benefit mainly covers basic pension insurance and unemployment insurance. Most of post-employment benefit plans are mainly defined benefit plans. The defined benefit plans of the Group are basic pension insurance and unemployment insurance, and the contributions thereto are recorded in the asset cost or the profit or loss of the current period when they occur.

Where the Group terminates the labor relationship with an employee before the labor contract expires, or offers proposed compensation for encouraging the employee to accept the redundancies voluntarily, if the Group cannot unilaterally withdraw the termination benefits provided by the termination of labor relations plan or reduction proposal, and the Group recognizes the costs related to the reorganization involving the payment of the termination benefits (whichever comes first), the employee remuneration liabilities arising from the termination benefits are recognized and recorded in the current profits and losses. However, termination benefits which are expected not to be fully paid within twelve months after the end of the annual reporting period are accounted for as other long-term employee remuneration.

Internal employee retirement programs are accounted for, using the above method applicable to termination benefits. The Group recognizes in the profit or loss of the current period (termination benefits) employee salaries and contributions to the employee's social insurance covered by its internal retirement program from the day when the employees stop their services until their statutory retirement dates, when the conditions for provisions are satisfied.

If other long-term employee benefit provided by the Group for its employees constitutes the defined contribution plan, the accounting treatment for the defined contribution plan applies. In any other circumstance, the accounting treatment for the defined benefit plan applies.

Obligation relating to a contingent are recognized as provisions when they meet the following conditions: (1) the Group has a present obligation related to a contingency; (2) it is probable that an outflow of economic benefits will be required to settle the obligation; and (3) the amount of the obligation can be measured reliably.

Provisions are measured against the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money.

If all or part of the expenses required to settle the provisions are expected to be compensated by a third party, the amount of compensation is recognized separately as an asset when it is basically recognized that it can be received, and the recognized compensation amount doesn't exceed the book value of the provision.

(1) Accounting treatment of share-based payment

Share-based payment is a transaction where equity instruments are granted or equity instrument-based liabilities are assumed for the consideration of the services provided by employees or other parties. Share-based payment is classified into cash-settled share-based payment and equity-settled share-based payment.

Equity-settled share-based payment

Equity-settled share-based payments made for the consideration of the services provided by the employees, is measured at the fair value of equity instruments on the date of grant to the employees. In the case that the right can be exercised after the completion of services in the waiting period or satisfaction of stipulated performance conditions, the fair value amount shall, on the basis of the best estimate of the quantity of equity instruments with vesting in the waiting period, be recorded in relevant cost or expense using the straight-line method. In the case that the right can be exercised immediately after the grant, it is recorded in relevant cost or expense on the grant date, and the capital surplus is increased accordingly.

On each balance sheet date during the waiting period, the Group makes the best estimate based on the latest available follow-up information such as changes in the number of employees with vested rights, and revises the estimated number of equity instruments with vesting. The impact of the above estimation is recorded in the cost or expense of the current period, and the capital surplus adjusted accordingly.

Equity-settled share-based payments made for the consideration of the services provided by other parties shall, if the fair value of the services can be measured reliably, is measured at fair value at the date of acquisition, and if the fair value of the services cannot be measured reliably but the fair value of the equity instruments can be measured reliably, is measured at fair value at the date of acquisition. They are recorded in the cost or expense, and the shareholder's equity is increased accordingly.

Share-based payment settled in cash

Cash-settled share-based payment shall be measured according to the fair value of liabilities determined on the basis of shares or other equity instruments undertaken by the Group. In the case that the right is exercised immediately after the grant, it is recorded in relevant cost or expense, and the liability is increased accordingly. If the right is exercised only after the completion of services in the waiting period and satisfaction of stipulated performance conditions, on each balance sheet date within the waiting period, based on the best estimate of the vesting condition and according to the fair value of the liabilities assumed by the Group, the services acquired in the current period are recorded in the costs or expense, and the liability is increased accordingly.

On each balance sheet date and settlement date before the settlement of related liabilities, the fair value of liabilities shall be re-measured, and the changes shall be recorded in the current profits and losses.

(2) Accounting treatment related to modification and termination of share-based payment plan

When the Group modifies the share-based payment plan, if the fair value of the granted equity instruments is increased by modification, the increase of the services acquired shall be recognized according to the increase of the fair value of the equity instruments. The increase of fair value of equity instruments refers to the difference between the fair values of equity instruments before and after modification on the modification date. If the total fair value of share-based payment is reduced by modification or other ways that are unfavorable to employees, the accounting treatment of the acquired services will continue, as if the change never happened unless the Group cancels some or all of the granted equity instruments.

During the waiting period, if the granted equity instruments are canceled, the Group will treat the cancellation of the granted equity instruments as accelerated exercise, and immediately record the amount to be recognized in the remaining waiting period into the current profits and losses, and recognize the capital surplus at the same time. If the employee or other party can choose to meet the non-vesting condition but fails to meet it during the waiting period, the Group will treat it as cancellation for granting equity instruments.

(3) Accounting treatment for share-based payment transactions involving our group and shareholders or actual controllers of the Company

For share-based payment transactions involving the Group and shareholders or actual controllers of the Company, if one of the settling enterprises and the enterprise receiving the service is inside the Group and the other is outside the Group, the accounting treatment in the consolidated financial statements of the Group shall be conducted as follows:

If the settling enterprise settles with its own equity instruments, the share-based payment transaction shall be treated as an equity-settled share-based payment; Otherwise, it shall be treated as a cash-settled share-based payment.

If the settling enterprise is an investor in the service-receiving enterprise, the share-based payment transaction shall be recognized as a long-term equity investments of the service-receiving enterprise based on the fair value of the equity instruments granted at the grant date or the fair value of the liability assumed to be assumed. In addition, capital reserves (other capital reserves) or liabilities shall be recognized.

If the service-receiving enterprise has no settlement obligation or grants its own equity instruments to its employees, the share-based payment transaction shall be treated as an equity-settled share-based payment; If the service-receiving enterprise has a settlement

obligation and grants its employees an instrument other than its own equity instruments, the share-based payment transaction shall be treated as a cash-settled share-based payment.

For share-based payment transactions occurring between enterprises within the Group, if the service-receiving enterprise and the settling enterprise are not the same entity, the recognition and measurement of the share-based payment transaction in the individual financial statements of the service-receiving enterprise and the settling enterprise shall be handled in accordance with the above principles.

Revenue is defined as the total inflow of economic benefits arising from the Group's ordinary activities that would result in an increase in shareholders' equity. It is not related to the capital invested by shareholders. If a contract between the Group and a customer meets the following conditions, revenue is recognized when the customer obtains control over the goods (including services, the same as below): The parties to the contract have authorized the contract and undertaken to perform their obligations; The contract defines the rights and obligations of the parties about transfer of the goods or provision of the services; The contract contains payment terms about the proposed transferred goods; The contract is commercial substance, which means that the performance of the contract would change the risks, time distribution or amount of the future cash flows of the Group; and The consideration to which the Group is entitled for transferring the goods to the customer is very likely to be recovered. Among them, obtaining the control right of related goods refers to the ability to dominate the use of the goods and obtain almost all the economic benefits.

At the contract commencement date, the Group identifies each individual performance obligation existing under the contract, and apportions the trading price to each individual performance obligation based on the proportion of the selling prices of the goods committed by the individual performance obligations. The trading price is determined by taking into account of the influence of variable consideration, major financing components in the contract, non-cash consideration, consideration payable to customers and other factors.

If each individual performance obligation under the contract meets any of the following conditions, the Group will, according to the progress of performance in the relevant performance period, recognize the part of trading price apportioned to the individual performance obligation as a revenue: the customer obtains and consumes economic benefits from the performance by the Group at the time of performance; the customer has control over the goods in production during the performance by the Group; the goods produced during the performance by the Group have irreplaceable use, and the Group is entitled to be paid for the completed part of the obligation up to now in the entire contract period. The performance schedule is determined by output method or input method according to the nature of the goods transferred. If the performance schedule cannot be reasonably determined and the incurred costs of the Group are expected to be compensated, the revenue is recognized according to the amount of the incurred costs until the performance schedule can be reasonably determined.

If none of the above conditions is met, the Group will, at the point of time when the customer obtains control over the goods, recognize the part of the trading price apportioned to the individual performance obligation as revenue. To determine whether the customer obtains the control over the goods, the Group considers the following indications: the Group enjoys the current right to be paid for the goods, and the customer has the current obligation to pay for the goods; the Group has transferred legal ownership of the goods to the customer, and the customer has owned the legal ownership over the goods; the Group has delivered the goods physically to the customer, and the customer has possessed the goods in kind; the Group has passed on to the customer major risks and rewards of the ownership of the goods, and the customer has received the major risks and rewards of the ownership of the goods; the customer has accepted the goods; and any other indication that the customer has obtained the control over the goods.

Specific methods for product sales revenue recognition

The sales business of the Group is divided into domestic sales and overseas sales. Both domestic and overseas sales of the Group have a general model and a VMI model, with specific sales revenue recognition policies as follows:

Domestic sales

A. General sales mode

The Group arranges production according to a sales contract or order with a customer; upon shipment from the warehouse, the products are transported and delivered to the place of delivery designated by the customer; the customer's warehousing employee checks the quantity of the products and also carries out a spot check for the quality of the products; after the quantity and quality are accepted, the employee will sign and stamp on the receipt for confirmation. The revenue is recognized when the Group obtains the signed and stamped receipt or when the Group obtains the signed and stamped receipt and makes a reconciliation with the customer.

B. VMI sales mode

The Group arranges production according to a sales contract or order with the customer; upon shipment from the warehouse, the products will be transported and delivered to the delivery place designated by the customer; the customer's warehouse personnel check the quantity of the products and also carries out a

fair value. If the fair value cannot be reliably acquired, the government grants shall be measured at nominal amount. Government grants measured at nominal amount shall be directly recorded in the current profits and losses.

The Group recognizes and measures government grants generally at the time of receipt according to the actually received amounts. However, at the end of the period, the subsidy shall be measured according to the amount receivable when there is conclusive evidence that it can meet the relevant conditions stipulated by the financial support policy and is expected to receive financial support funds. A government grants measured at the amount receivable shall meet the following conditions: (1) the amount of grant receivable has been confirmed in a governmental document or can be reasonably estimated according to any officially issued measures for the management of financial support funds, without significant uncertainty in the estimated amount; (2) the measurement is based on the financial support projects and its measures for the management of financial support funds officially released and proactively disclosed by local fiscal authority according to the *Government Information Disclosure Regulations*, and the measures are inclusive (applicable to any eligible enterprise), other than for specific enterprises; (3) the relevant grant approval document has clearly stated the period of payment, and as the payment of the grant is guaranteed by corresponding fiscal budgets, there is reasonable assurance that the payment will be made within certain time of period; and (4) other relevant conditions should be met according to the actual situation of the Group and the grant (if any).

Asset-related government grants are recognized as deferred income, and shall be recorded in current profits and losses in stages according to a reasonable and systematic method within the service life of the relevant assets. If income-related government grants are received as compensation for related costs or losses in future periods, they are recognized as deferred income, and are recorded in current profits and losses during the period when the related costs or losses are recognized; those received as compensation for related costs or losses incurred are directly included in the profit or loss of the current period.

If a government grant contains an asset-related component and an income-related component, the two components are subject to separate accounting treatment. If it is difficult to distinguish them, the subsidy shall be classified as income-related government grants.

Government grants related to the daily operating activities of the Group shall be recorded in other income according to the nature of operating business. Government grants unrelated to the daily activities are recorded in non-operating income.

Where any recognized government grants need to be returned, in the case of related deferred income balance, the carrying amount of the deferred income balance shall be written down, and any excess shall be recognized in the profit or loss of the current period. In other circumstances, the returned subsidy is directly recorded in the profit or loss of the current period.

(1) Current income taxes

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or returned) according to the requirements of tax laws. The taxable income as a basis for the current income tax expense is calculated after appropriate adjustment is made to the pre-tax accounting profit of the reporting period according to the requirements of tax laws.

(2) Deferred tax assets and liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax bases, or between the carrying amounts of those items that are not recognized as assets or liabilities and of which the tax bases can be determined according to tax laws and tax bases, deferred tax assets and liabilities are recognized using the balance sheet liability method.

For the temporary difference arising from the initial recognition of goodwill, the corresponding deferred income tax liability shall not be recognized. For temporary differences arising from the initial recognition of assets or liabilities in transactions other than business combinations that affect neither accounting profit nor taxable income (or deductible losses) and that its initial recognition of assets and liabilities does not result in equivalent taxable temporary differences and temporary differences, the corresponding deferred tax assets and deferred tax liabilities are not recognized. In addition, for the taxable temporary differences associated with investments in subsidiaries, associates, and joint ventures, if the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future, no deferred tax liability is recognized. Except for the above exceptions, the Group recognizes deferred tax liabilities arising from all other taxable temporary differences. For the deductible temporary differences associated with investments in subsidiaries, associates, and joint ventures, the corresponding deferred tax asset shall not be recognized if it is not probable that the temporary difference will reverse in the foreseeable future, or if it is not probable that taxable profits will be available in the future against which the temporary difference can be utilized. For the above exceptions, deferred tax assets for deductible temporary differences are recognized by the Group to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized.

use asset will be adjusted accordingly. If the carrying amount of the right-of-use asset has already been reduced to zero but the lease liability is subject to further reduction, the Group recognizes the remaining amount in current profit or loss.

Short-term lease and low-value asset lease

For short-term leases (leases with a lease term not exceeding 12 months at the lease commencement date) and low-value asset leases, the Group adopts a simplified approach. Under this approach, right-of-use assets and lease liabilities are not recognized. Instead, lease payments are recognized as part of the relevant asset costs or current profit and loss on a straight-line basis or other systematic and reasonable methods over the lease term.

On commencement of the lease term, the Group will divide the lease into a financial lease and operating lease based on the substance of the transaction. A finance lease is a lease that transfers almost all the risks and rewards incidental to ownership of a leased asset. Operating lease refers to leases other than financing leases.

Operating lease

The Group adopts the straight-line method in each period of the lease term, and recognizes the lease receipts arising from operating leases in rental income. The variable lease amount under an operating lease which is not included in the lease receipt is included in the profit or loss of the current period at the time of actual occurrence.

Financial lease

On the commencement date of the lease term, the Group recognizes finance lease receivables and derecognizes the finance lease assets. Accounts receivable from finance leases are initially measured at the net amount of the lease investment (the sum of the unguaranteed residual value and the present value of the unreceived lease receipts discounted according to the interest rate implicit in the lease on the commencement of the lease term), and the interest income for the lease term is recognized based on a fixed periodic interest rate. Variable lease payments obtained by the Group and not included in the measurement of lease net investment shall be included in the current profits and losses when they are actually incurred.

According to the relevant regulations of the Ministry of Finance and the Ministry of Emergency Management, the Group accrues specific reserve for production safety. The specific reserves are mainly used for safety expenditure in the process of production and operation.

The provision for specific reserve is recognized as relevant cost or profit or loss for the current period, and it is also included in specific reserve. The specific reserve is written down when withdrawal of safety fund is of expense expenditure. If it is capital expenditure, the expenditure incurred is recorded in construction in progress and recognized as fixed assets when the project is completed and is ready for the intended use, and meanwhile, specific reserve is written down at the cost of the fixed assets and accumulated depreciation is recognized at the same amount. Consequently, such fixed assets are not depreciated in subsequent periods.

While using accounting policies, due to the uncertainty in operating activities, the Group needs to make judgment, estimates and assumptions on the carrying value of accounts which cannot be measured accurately. The judgment, estimates and assumptions are made based on the historical experience of the Group's management and other factors that are considered to be relevant. The judgments, estimates and assumptions would affect the reported amounts of incomes, expenses, assets and liabilities, as well as the disclosure of contingent liabilities at the balance sheet date. However, the actual results from the uncertainty in the estimates may differ from the current estimates made by the Group's management, subject to further significant adjustments to the carrying amounts of the affected assets or liabilities.

The above judgments, estimates and assumptions will be reviewed periodically by the Group on the going-concern basis. If a change in accounting estimates only affects the period in which the change occurs, the affected amount will be recognized in the period in which the change occurs. If the change affects both the period in which the change occurs and future periods, the affected amount will be recognized in the period in which the change occurs.

At the balance sheet date, the major fields in which the Group is required to make the judgments, estimates and assumptions on the amounts in the financial statements are shown below:

(1) Revenue recognition

As stated in this Note V. 30. "Revenue", the Group's revenue recognition involves the following significant accounting judgments and estimates: identification of customer contracts; estimation of the recoverability of the considerations enjoyed due to the transfer of goods to customers; identification of performance obligations in contracts; estimation of the variable consideration in a contract and the amount of accumulated recognized income that is unlikely to be significantly reversed when the relevant uncertainty is eliminated; whether there is material financing component in a contract; estimation of separate selling prices of individual performance obligations in a contract; determination on whether the performance obligation shall be performed in a time span or at a point of time; and determination of performance progress.

The Group makes judgments based on historical experience and practices, and major changes in judgments and estimates would have impact (and even significant impact) on the change of operating income, operating cost, and profit and loss during the current or future periods.

(2) Lease

Identification of a lease

While identifying that a contract is or contains a lease, the Group needs to assess whether there is an identified asset and the customer has the right to use the asset for a certain period. During assessment, the Groups shall consider the nature or substantial replacement of the asset, and whether the customer has the right to obtain almost all economic benefits arising from the use of the asset during the period and can control the use of the asset.

Classification of a lease

The Group as the lessor classifies leases into operating leases and financing leases. In the classification process, the management needs to make appropriate analysis and judgment on whether all risks and rewards related to the ownership of leased assets have been substantially transferred to the lessee.

Lease liabilities

The Group, as a lessee, initially measures the lease liabilities at the present value of lease payments that are unpaid at the lease commencement date. For measuring the present value of the lease payment, the Group estimates the discounting rate in use and the lease term of the lease contract with an option of renewal or termination. For assessing the lease term, the Group considers all the facts and circumstances related to the economic benefits brought by the exercise of the option by the Group, including expected changes in the facts and circumstances from the lease commencement date to the option exercise date. Different judgments and estimates would affect the recognition of lease liabilities and right-of-use assets and further affect the profit or loss of subsequent periods.

(3) Impairment of financial assets

The Group assesses impairments of financial instruments using the expected credit loss model, where the Group is required to make significant judgments and estimates, as well as consider all reasonable and evidence-based information, including forward-looking information. In making the judgments and estimates, the Group predicts expected changes in debtor's credit risk based on historical data, as well as economic policies, macroeconomic indicators, industry risks, external market conditions, technical conditions, changes in customer conditions and other factors.

(4) Provisions for the decline in value of inventories

Under accounting policies for inventories, the Group measures inventories according to the lower of cost and net realizable value. For the inventories with cost higher than net realizable value as well as obsolete and unsalable inventories, the Group calculates provisions for the impairment of inventories. The inventories are impaired to their net reliable value, depending on the assessment of salability of inventories and their net realizable value. To identify inventory impairment, the management is required to make judgments and estimates after obtaining conclusive evidence, as well as considering the purpose of inventories held, the impact of events occurring after the balance sheet date and other factors. Any difference between actual results and prior estimates will, i

indication of impairment. The impairment test will be carried out for non-current assets other than financial assets, when there is an indication that the carrying amount cannot be recovered.

When the carrying value of an asset or group of assets is higher than the recoverable amount, the higher of the net of the fair value less disposal costs and the present value of estimated future cash flows represents the impairment.

The net of the fair value less disposal costs is determined by the sales agreement price or observable market price of similar assets in fair trade reduced by incremental costs directly attributable to the disposal of the asset.

Important judgments shall be made on the output, selling price, related operating costs and discount rate used in calculating present value of the asset (or a group of assets) in estimation of present value of future cash flows. When estimating the recoverable amount, the Group uses all relevant information available, including the output, selling price and related operating costs predicted on the basis of reasonable and evidence-based assumptions.

The Group tests whether goodwill annually at least. This requires estimating the present value of future cash flows of an asset group or combination of asset groups to which goodwill has been allocated. When estimating the present value of future cash flows, the Group needs to predict cash flows generating from an asset group or combination of asset groups in the future, and chooses an appropriate discount rate to determine the present value of future cash flows.

(7) Depreciation and amortization

The Group depreciates and amortizes investment property, fixed assets and intangible assets over their respective service life, using the straight-line method, with their respective residual value taken into account. The Group periodically reviews the service life of assets to determine the amounts of depreciation and amortization expenses for each reporting period. The service life is determined by the Group based on its historic experience acquired on similar assets and expected technical development. For significant changes in prior estimates, depreciation and amortization expenses will be adjusted in the coming periods.

(8) Development expense

When determining capitalized amounts, the Group's management needs to assume estimated future cash flows, appropriate discount rates and expected return periods of relevant assets.

The Group's management believes that the products with its self-developed proprietary technology have a broad market and good prospects, and the market reaction to the products produced with these intangible assets also supports the management's pre-estimated income arising from the project. However, the increasing competition makes the management reconsider the assumptions about market share and estimated gross profits of the products. After a thorough review, the Group's management believes that the carrying value of intellectual properties can be fully recovered notwithstanding a lowered rate of return of the products. The Group will continue to keep close attention on relevant developments. Once there is an indication that it is necessary to adjust the assumptions of relevant accounting estimates, the Group will make adjustment in the period when that indication appears.

(9) Deferred tax assets

To the extent that it is likely that there will be sufficient taxable profits to cover the losses, the Group recognizes deferred tax assets for all unused tax losses. In this case, the Group's management shall make important judgments to estimate the time and amount of future taxable profits and, by taking into account of its tax plan, to determine the amount of deferred tax assets that should be recognized.

(10) Income tax

In normal operating activities of the Group, there are some transactions with certain uncertainties in final tax treatment and calculation. Tax deductible expenses for some items are subject to review and approval by tax authority. Any difference between final results and initially estimated amounts due to these tax matters exerts impact on income taxes and deferred income taxes of the period when the final results are determined.

Explanation of other matters:

On October 25, 2023, the Ministry of Finance issued *Interpretation No. 17 of the Accounting Standards for Business Enterprises* (C. K. [2023] No. 21) (hereinafter referred to as "Interpretation No. 17"), which regulates "the classification of current and non-current liabilities", "the disclosure of supplier financing arrangements", and "the accounting treatment of sale and leaseback transactions". The Company implemented this Interpretation on January 1, 2024, and the adoption of Interpretation No. 17 had no significant impact on the Company's financial statements.

On December 6, 2024, the Ministry of Finance issued the *Interpretation No. 18 of the Accounting Standards for Business Enterprises* (C. K.[2024] No. 24) (hereinafter referred to as "Interpretation No. 18"), which regulates "subsequent measurement of investment property held as a basic project under the floating charging method" and "the accounting treatment of quality guarantees that do not constitute a single performance obligation". The Company implemented this Interpretation on December 6, 2024, and the adoption of Interpretation No. 18 had no significant impact on the Company's financial statements.

None

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[redacted]	

(2) According to the *Announcement on Filing the Second Batch of High-Tech Enterprises by the Recognition Institutions in Shandong Province in 2023*, issued by the Office of Leading Group for the Recognition and Management of National High-Tech Enterprises on December 28, 2023, three subsidiaries, Weifang Goertek Electronics Co., Ltd., Weifang Goertek Microelectronics Co., Ltd., and Weifang Lokomo Precision Industry Co., Ltd., have been recognized as a high-tech enterprise for a validity period of 3 years, and the preferential period for enterprise income tax is from January 1, 2023, to December 31, 2025. The enterprise income tax rate of 15% applied to its subsidiaries, Weifang Goertek Electronics Co., Ltd., Weifang Goertek Microelectronics Co., Ltd., and Weifang Lokomo Precision Industry Co., Ltd., for the year 2024.

(3) According to the *Announcement on Filing the Second Batch of High-Tech Enterprises in Qingdao in 2022*, issued by the Office of Leading Group for the Recognition and Management of National High-Tech Enterprises on January 6, 2023, the subsidiary Goertek Microelectronics Inc., has been recognized as a high-tech enterprise for a validity period of 3 years, and its preferential period for enterprise income tax is from January 1, 2022, to December 31, 2024. The enterprise income tax rate of 15% applied to the subsidiary Goertek Microelectronics Inc. for the year 2024.

(4) According to the *Announcement on Filing the First Batch of High-Tech Enterprises in Shandong Province in 2022*, issued by the Office of Leading Group for the Recognition and Management of National High-Tech Enterprises on January 4, 2023, two subsidiaries, Rongcheng Goertek Microelectronics Co., Ltd. and Yili Precision Manufacturing Co., Ltd., have been recognized as a high-tech enterprise for a validity period of 3 years, and the preferential period for enterprise income tax is from January 1, 2022 to December 31, 2024. The enterprise income tax rate of 15% applied to Rongcheng Goertek Microelectronics Co., Ltd. and Yili Precision Manufacturing Co., Ltd. for year 2024.

(5) According to the *Announcement on Filing the First Batch of High-Tech Enterprises by the Recognition Institutions in Shandong Province in 2024* issued by the Office of Leading Group for the Recognition and Management of National High-Tech Enterprises on January 2, 2025, a subsidiary, Goertek Optical Technology Co., Ltd., has been recognized as a high-tech enterprise for a validity period of 3 years, and its preferential period for enterprise income tax is from January 1, 2024 to December 31, 2026. The enterprise income tax rate of 15% applied to the subsidiary, Goertek Optical Technology Co., Ltd., for year 2024.

(6) According to the *Announcement on Filing High-Tech Enterprises by the Recognition Institutions in Zhejiang Province in 2024* issued by the Office of Leading Group for the Recognition and Management of National High-Tech Enterprises on December 26, 2024, Jiaxing Uphoton Optoelectronics Technology Co., Ltd. has been recognized as a high-tech enterprise for a validity period of 3 years, and its preferential period for enterprise income tax is from January 1, 2024 to December 31, 2026. The enterprise income tax rate of 15% applied to the subsidiary, Jiaxing Uphoton Optoelectronics Technology Co., Ltd. for the year 2024.

(7) According to the *Notice on Publishing the Filings of the Third Batch of High-Tech Enterprises by the Recognition Institutions in Guangdong Province in 2024* issued by the Office of Leading Group for the Recognition and Management of National High-Tech Enterprises on December 11, 2024, Dongguan Yili Precision Manufacturing Co., Ltd. a subsidiary of the Company, has been recognized as a high-tech enterprise for a validity period of 3 years, and its preferential period for enterprise income tax is from January 1, 2024 to December 31, 2026. The enterprise income tax rate of 15% applies to the subsidiary, Dongguan Yili Precision Manufacturing Co., Ltd. for year 2024.

(8) According to the *Announcement on Filing the First Batch of High-Tech Enterprises in Qingdao in 2022* issued by the Office of Leading Group for the Recognition and Management of National High-Tech Enterprises on December 14, 2022, Goertek Technology Co., Ltd., has been recognized as a high-tech enterprise for a validity period of 3 years, and its preferential period for enterprise income tax is from January 1, 2022 to December 31, 2024. The enterprise income tax rate of 15% applied to the subsidiary, Goertek Technology Co., Ltd., for year 2024.

(9) According to the *Announcement on Filing the Fourth Batch of High-Tech Enterprises by the Recognition Institutions in Beijing in 2023* issued by the Office of Leading Group for the Recognition and Management of National High-Tech Enterprises on January 9, 2024, a subsidiary, Beijing Goertek Technology Co., Ltd., has been recognized as a high-tech enterprise for a validity period of 3 years, and its preferential period for enterprise income tax is from January 1, 2023, to December 31, 2025. The enterprise income tax rate of 15% applies to the subsidiary, Beijing Goertek Technology Co., Ltd., for year 2024.

(10) According to the *Announcement on Filing the Third Batch of High-Tech Enterprises in Shenzhen in 2022* issued by the Office of Leading Group for the Recognition and Management of National High-Tech Enterprises on December 19, 2022, a subsidiary, Shenzhen Goertek Technology Co., Ltd., has been recognized as a high-tech enterprise for a validity period of 3 years, and its preferential period for enterprise income tax is from January 1, 2022 to December 31, 2024. The enterprise income tax rate of 15% applied to the subsidiary, Shenzhen Goertek Technology Co., Ltd., for year 2024.

(11) According to the *Announcement on Filing the Second Batch of High-Tech Enterprises in Guangdong Province in 2022* issued by the Office of Leading Group for the Recognition and Management of National High-Tech Enterprises on December 22, 2022, Goertek Intelligence Technology Co., Ltd., a subsidiary of the Company, has been recognized as a high-tech enterprise for a validity period of

3 years, and its preferential period for enterprise income tax is from January 1, 2022 to December 31, 2024. The enterprise income tax rate of 15% applied to the subsidiary, Goertek Intelligence Technology Co., Ltd., for year 2024.

(12) According to the *Announcement of the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission on Continuing the Enterprise Income Tax Policies for the Large-Scale Development of Western China* (C.Z.B. S.W.Z.J. G.J.F.Z.G.G.W. Announcement No. [2020] 23) issued by the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission on April 23, 2020, from January 1, 2021 to December 31, 2030, enterprise income tax will be levied at a reduced rate of 15% for encouraged industrial enterprises located in the western region. The enterprise income tax rate of 15% applied to the subsidiaries, Xi'an Goertek Electronic Technology Co., Ltd. and Chongqing Goertek Auto Technology Co., Ltd., for the year 2024.

(13) The subsidiary, Goertek (Hong Kong) Co., Limited is an entity eligible for the two-tier profit tax system. The tax rate of 8.25% is applied to the taxable profit which does not exceed HKD 2,000,000, and the tax rate of 16.5% is applied to the part of the taxable profit which exceeds HKD 2,000,000.

(14) According to the *Announcement of the Ministry of Finance and the State Taxation Administration on the Relevant Tax and Fee Policies for Further Supporting the Development of Micro and Small Enterprises and Individual Industrial and Commercial Households* (Announcement No.12/2023 of the Ministry of Finance and the State Taxation Administration), from January 1, 2023, to December 31, 2027, for small and low-profit enterprises, the portion of annual taxable income not exceeding RMB 3 million shall be included in the taxable income at a rate of 25%, and enterprise income tax will be levied at the rate of 20%. The subsidiaries, Beijing Goertek Microelectronics Co., Ltd., Wuxi Goertek Microelectronics Co., Ltd., Shenzhen Goertek Microelectronics Co., Ltd., Shanghai Goertek Microelectronics Co., Ltd., Qingdao MicroSense Intelligent Technology Co., Ltd., Goertek Optical Technology (Qingdao) Co., Ltd., Uphoton Technology (Beijing) Co., Ltd., Hangzhou Uphoton Optoelectronics Technology Co., Ltd., Tianjin Uphoton Technology Co., Ltd., Nanjing Uphoton Technology Co., Ltd., Beijing Goertek Investment Management Co., Ltd., Qingdao Goertek Alpha Pixels Technology Co., Ltd., Chengdu Goertek Technology Co., Ltd., Xi'an Goertek Shijie Technology Co., Ltd., and Goertek Starshine (Qingdao) Inc., Ltd. are eligible for the aforementioned preferential tax policies.

(15) According to the laws of Vietnam, GOERTEK MICROELECTRONICS VIETNAM COMPANY LIMITED, Goertek Smart Technology Vina Co., Ltd., Goertek Electronics Vietnam Co., Ltd. and Goertek Precision Industry Vietnam Co., Ltd., the subsidiaries of the Company, enjoy tax exemption for 4 years and a 50% reduction of payable tax amounts for 9 subsequent years. The preferential CIT rate is 10% for 15 years from the first year of income generation. At the same time, starting from the first profitable year, the first to fourth years are exempt from corporate income tax, and the fifth to thirteenth years are subject to a 50% reduction in corporate income tax. If the enterprise has no taxable profit within three years from the start of tax incentive activities, the tax holiday and tax reduction period will be calculated from the fourth year of operation. The subsidiary is exempt from corporate income tax in 2024.

(16) According to the laws of Vietnam, Goertek Technology Vina Co., Ltd., a subsidiary of the Company, enjoys tax exemption for 4 years and a 50% reduction of payable tax amounts for 9 subsequent years. The preferential CIT rate is 10% for 15 years from the first year of income generation. At the same time, starting from the first profitable year, the first to fourth years are exempt from corporate income tax, and the fifth to thirteenth years are subject to a 50% reduction in corporate income tax. If the enterprise has no taxable profit within three years from the start of tax incentive activities, the tax holiday and tax reduction period will be calculated from the fourth year of operation. The halved preferential tax policy applied in 2024.

None

Other monetary funds that mainly consist of various types of deposits such as notes, bonds, and funds held in the Company's securities account at the end of the period.

Investment in debt instruments		

For details, please see Note V. 11. "Impairment of financial assets".

None

None

None

Accounts receivable										

for provision for bad debts accrued on a portfolio basis										

Portfolio of factoring receivables

For further details, please see Note V. 11. "Impairment of financial assets"

Bad debt provision for factoring receivables accrued, reversed or recovered during the period

Transfer method of financial assets	Amount of receivables whose recognition has been stopped	Gains or losses related to derecognition
Buyout factoring	539,130,000.00	-419,765.68

Provision for bad debts accrued on a portfolio basis										

For further details, please see Note V. 11. "Impairment of financial assets"

None

None

None

None

Item	Opening balance	Profit and loss from changes in fair value in the reporting period	Cumulative changes in fair value included in equity	Impairment accrued in current period	Purchase amount in the reporting period	Sales amount in the reporting period	Other changes	Closing balance
Receivables financing	9,059,230.11							8,710,031.89

None

None

None

Company 1	56,205,204.72	Payments made in advance to relevant major suppliers to ensure the supply of key raw materials

	159,182,320.68	67.19
	9,454,560.00	3.99
	4,860,468.56	2.05
	4,000,000.00	1.69
	3,471,799.50	1.47
	180,969,148.74	76.39

None

None

Liquidation of fixed assets		

Note: Method of goodwill apportionment to the asset group or combination of asset groups: The apportionment is based on the proportion of the fair value of each asset group or combination of asset groups to the total fair value of the relevant asset group or combination of asset groups.

None

None

As of December 31, 2024, the 65,000,000 shares of the Company held by the controlling shareholders and their persons acting in concert have been pledged to China Merchants Securities Co., Ltd. for a period from June 1, 2023 to May 30, 2025, representing 1.86% of total shares of the Company.

Explanation of other matters, including the increase and decrease in the current period and explanation of reasons for changes:

The capital reserve - share premium increased by RMB 1,938,825,750.55 this period. Reasons for the increase: (1) stock option exercises, which increased the share premium by RMB 1,190,949,093.49; (2) the employee stock ownership plan and stock option unlock, which transferred RMB 669,077,606.90 from other capital reserves to share premium; (3) due to individual performance evaluation, the actual share of unlocked shares granted to the grantees of the Company's "Home No. 6" Employee Stock Purchase Plan was less than the target share of unlocked shares. As a result, the sale price of the corresponding share increased the capital surplus - equity premium by RMB 78,347,662.97; (4) changes of shareholding of subsidiaries Dongguan Yili Precision Manufacturing Co., Ltd. and Jiaxing Guochao Optoelectronics Technology Co., Ltd., which increased the capital reserve by RMB 451,387.19.

The capital reserve - share premium decreased by RMB 307,526,292.04 during the reporting period. Reasons for the decrease: (1) The remaining shares of the Company's repurchased shares were not used in the Stock Incentive Plan or the Employee Stock Ownership Plan and the three-year holding period was about to expire, so the remaining shares were canceled and the share premium was reduced by RMB 97,606,944.70; (2) changes of shareholding of subsidiaries Goertek Microelectronics Inc. and Qingdao Resonance I Venture Capital Fund LP which reduced the capital reserve by RMB 209,919,347.34.

The capital reserve - other capital reserves increased by RMB 332,593,042.37 this period, mainly due to (1) share-based payments amounting to RMB 331,566,990.51; (2) the impact of changes in other owner's equity in invested entities under the equity method, which increased by RMB 1,026,051.86.

Capital reserve other capital reserve decreased by RMB 669,077,606.90 for the current period, and all belonged to the employee stock ownership plan and stock option unlocking, with other capital reserve of RMB 669,077,606.90 being transferred into equity premium.

As of December 31, 2024, there were 39,434,946 treasure stock, representing 1.13% of the total share capital of the Company.

(1) Treasure stock stocks repurchase situation for the current period

At the 10th meeting of the 6th Board of Directors of the Company held on October 26, 2023, the *Proposal on the Plan to Re-purchase Shares of the Company through Centralized Bidding* and other related proposals was deliberated and adopted, approving the Company to repurchase its own shares at a price of no more than RMB 25.49/share for employee stock programs or equity incentives through centralized bidding, where the total amount of funding for share repurchase shall be no less than RMB 500 million and no more than RMB 0.7 billion. The proposals shall be implemented no later than the end of 12 months after they were reviewed and adopted by the

Board of Directors of the Company. As of the end of the period, the Company repurchased a total of 29,802,246 shares, and this share repurchase plan has been completed.

(2) Transferred treasure stock for the current period

The Company has a remaining 3,268,611 shares from its share repurchase that have not been used for the stock incentive plan or employee stock ownership plan, and the three-year holding period is about to expire. The Company convened the 13th meeting of the sixth Board of Directors on January 15, 2024, and the first extraordinary general meeting of shareholders in 2024 on February 1, 2024, where it reviewed and approved the *Proposal to Cancel a Portion of the Company's Repurchased Shares*. The proposal stipulates that the Company will cancel the remaining 3,268,611 shares deposited in the repurchase specific securities account at the conclusion of the three-year holding period, thereby reducing the Company's treasure stock accordingly.

Other comprehensive income that cannot be reclassified into profit and loss: Under the item of changes in the fair value of other equity instruments, RMB 20,974,376.30 is attributable to minority shareholders after tax, of which RMB 24,075,769.10 is the equity of other partners of the fund company. The statement is presented in other non-current liabilities.

Other comprehensive income that will be reclassified into profit and loss: Under the item of difference from translation of financial statements in foreign currency, RMB 478,232.53 is attributable to minority shareholders after tax. Of which, RMB 1,291,023.79 is the equity of other partners of the fund company. The statement is presented in other non-current liabilities.

According to *Company Law* and *Articles of Association*, the Company allocates 10% of net profits to the statutory surplus reserve. The Company does not need to allocate further amounts if the cumulative amount of the statutory surplus reserve reaches more than 50% of the registered capital.

Item	Opening balance (RMB)	Increase in the current period	Decrease in the current period	Closing balance (RMB)
Reserve for risks in financing factoring business	6,081,200.00			6,081,200.00

Note: According to *Notice by the General Office of the China Banking and Insurance Regulatory Commission of Strengthening the Supervision and Administration of Commercial Factoring Enterprises (YBJBF [2019] No. 205)*, the Group allocates 1% of the closing balance of financing factoring business to the provision for risks.

[redacted]		

None

None

None

Items presented in the balance sheet and related information

	15,850,840.53

Current period changes not involving cash receipts and disbursements

The recognition of accounts payable, along with the recognition of short-term borrowings of RMB 78,678,729.17 in fiscal year 2024 due to supplier financ99 696.ETBT(1)-6(a)4(r)23(2)-6(0)(c)4(a)(h)-6(e)4-h rra(c)4(h)-(o)-6(lvm)51.67 711.7 Tm ca rm[( )] TJET EMC 566 7(o)-6( )

For the information on right-of-use assets and lease liabilities, please see Note VII 18 and 37.

Information on items recorded in current profit or loss and relevant asset costs

Cash outflow related to leases

None

None

None

None

Expenditures

None

None

None

None

During the reporting period, the Company established 12 subsidiaries, including Shanghai Goertek Technology Development Co., Ltd., Qingdao Goertek Alpha Pixels Technology Co., Ltd., Chengdu Goertek Technology Co., Ltd., Xi'an Goertek Shijie Technology Co., Ltd., Goertek Starshine (Qingdao) Inc., Goertek Electronics Vietnam Co., Ltd., Goertek Optical Technology (Hong Kong) Holdings Co., Limited, Goertek Optical Technology (Hong Kong) Co., Limited, Goermicro Technology Development Company Limited, Qingdao MicroSense Intelligent Technology Co., Ltd., Goertek Singapore Pte. Ltd., and GMI Semiconductor Sdn. Bhd.

During the reporting period, the Company deregistered 2 subsidiaries, namely Hefei 3D OptoLink Technology Co., Ltd. and Jiaxing Guochao Optoelectronics Technology Co., Ltd.

None

None

None

None

None

None

None

None

None

shareholding in Jiaxing Guochao Optoelectronics Technology Co., Ltd. changed from 42.77% to 61.10%, resulting in an increase in capital reserve of RMB 31,276.49.

None

None

None

None

None

None

None

None

Explanation of structured entities not recorded in the consolidated financial statements:

None

None

The major financial instruments of the Group include equity investments, accounts receivable, borrowings and accounts payable, etc. For details on the financial instruments, please see this Note VII. Relevant Items. Risks related to the financial instruments and the Group's risk management policy used for reducing these risks is stated as follows. The Group's management manages and monitors these exposures to ensure that these risks are controlled within a limited scope.

The Group analyzes the reasonableness of risk variables and the impact of potential changes on current loss or profit or shareholder's equity using sensitivity analysis techniques. As risk variables rarely change in isolation, and the correlation between any two of the risk variables will have a great effect on the final impact amount of a certain risk variable, the following disclosures are made assuming that each variable changes in isolation.

(I) Risk management goals and policies

The Group's risk management aims to reach appropriate balancing between risks and benefits, to minimize the negative impact of risks on the Group's operating results, and to maximize the interests of shareholders and other equity investors. Based on these risk management goals, the Group's basic strategy for risk management is to determine and analyze various risks faced by the Group, establish an appropriate risk tolerance bottom line and conduct risk management, and supervise various risks in a timely and reliable manner to control the risks within a limited scope.

1. Market risk

(1) Exchange rate risk

Exchange risk refers to the risk of loss due to exchange rate change. The Group's exposure to exchange mainly involves USD. Except that the Company and its subsidiaries purchase and sell in USD, EUR, JPY, VND, DKK, HKD, TWD and KRW, other main business of the Group is measured and settled in RMB. As of December 31, 2024, the foreign currency monetary items of the Company are detailed in Note VII. 67. Except that the assets or liabilities, part trading financial assets, part financial liabilities held for trading, some investments in other equity instruments, some other non-current financial assets, and some other non-current assets mentioned in the table are foreign currency balances, the Group's assets and liabilities are mainly recorded in RMB. The exchange risks arising from the assets and liabilities denominated in foreign currencies may have an impact on the operating results of the Group.

The Group closely monitors the impact of exchange rate changes on the Group's exchange risks. The Company has large volume of export sales, and needs to import some raw materials. Some equipment for research, development, production and testing of the Company also needs to be purchased from abroad. The Company's export sales and imported raw materials are mainly settled in USD. The depreciation of USD and the appreciation of RMB will reduce the procurement cost of imported raw materials, but adversely affect the competitiveness of the Company's products in overseas markets. Considering the import of raw materials and export of products, the appreciation of RMB against USD will affect the Company's profitability to some extent.

Exchange rate risk sensitivity analysis:

When other variables remain unchanged, the possible reasonable changes in USD currency rate may have the following effects on current profits and losses, as well as shareholder's equity:

		Impact on net profit	Impact on shareholder's equity	Impact on net profit	Impact on shareholder's equity

(2) Interest rate risk

The Group's interest rate risk arises primarily from long-term bank loans and other long-term interest-bearing debts. Floating-rate financial liabilities expose the Group to cash flow interest rate risk, while fixed-rate financial liabilities expose the Group to fair value interest rate risk. The Group determined the relative proportion of fixed-rate and floating-rate contracts based on the prevailing market conditions. As of December 31, 2024, the Group's long-term interest-bearing debts were mainly floating-rate contracts denominated in USD or RMB, including RMB 3,064,000,000 and USD 85,927,000 (as of December 31, 2023: RMB 3,645,000,000 and USD 225,000,000).

The Group continuously monitors the interest rate levels. An increase in interest rates will raise the cost of newly incurred interest-bearing debts and the Group's outstanding interest expenses on floating-rate interest-bearing debts, significantly adversely affecting the Group's financial performance. Management will make timely adjustments based on the latest market conditions, which may include arrangements for interest rate swaps to reduce interest rate risk.

As of December 31, 2024, if the borrowing rate calculated at floating interest rate increases or decreases by 50 base points with other factors unchanged, the net profit of the Group will decrease or increase by about RMB 12,890,000 (December 31, 2023: Net profit will decrease or increase by approximately RMB 25,193,000).

(3) Other price risks

None

2. Credit risk

As of December 31, 2024, the maximum credit risk exposure that may cause the Group's financial loss resulted from the loss in the Group's financial assets caused by the counterparty's failure to perform its contractual obligations.

In order to reduce credit risk, the Group sets up a team to determine the credit limit, conduct credit approval, and implement other monitoring procedures to ensure that necessary measures are taken to recover overdue claims. Additionally, the Company cooperates with commercial insurance institutions to insure for high-risk customers, so as to reduce the risk of bad debts from credit sale. In addition, the Group reviews the recovery of each individual receivable on each balance sheet date to ensure that adequate bad debt

provision is made for unrecoverable amounts. Therefore, the Group's management believes that the credit risk undertaken by the Group has been greatly reduced.

The Group has put in place necessary policies to ensure that all its customers have good credit records.

The Group's non-cash monetary funds are mainly deposited with financial institutions with good credit. The management believes that there is no significant credit risk, and it is expected that the default of counterparty will not cause significant losses to the Group.

(1) There is no overdue and undepreciated amount in the Group's receivables;

(2) The analysis of financial assets with individual impairment involves the judgment on the factors to be considered in the impairment of the financial assets

None

3. Liquidity risk

When managing liquidity risk, the Group maintains and monitors cash and cash equivalents the management deems sufficient to meet the Group's business needs and reduce the impact of cash flow fluctuations. The management of the Group monitors the use of bank borrowings and ensure the compliance with borrowing agreements.

The Group uses bank borrowings and equity instruments as its main sources of funds. As of December 31, 2024, the unused bank credit line of the Group was RMB 48.758 billion (December 31, 2023: RMB 40.933 billion).

(II) Transfer of financial assets

1. Transferred financial assets with termination of recognition that have not yet matured

derecognized

Financial assets resulting from ongoing involvement in asset transfers

The closing price at the end of the year is used as the basis for determining the market price of the shares of foreign-listed companies held by the Company.

Directly or indirectly observable input values of related assets or liabilities except first-level inputs.

Basis for determining fair value according to the value assessed under the income method and the asset-based method and the net book asset.

None

None

Bei Ge (Weifang) Intelligent technology Co., Ltd.	
Weifang Dotcom Garden Floriculture Co., Ltd	

Weifang Point Hotel Management Co., Ltd. was deregistered on December 19, 2024; Weifang Goer Manor Trading Co., Ltd. was deregistered on January 19, 2024.

None

The exercise price for the 2023 Stock Option Incentive Plan is RMB 18.12 per share, with a remaining contract term of 8 months and 20 months;

The exercise price of the reserved portion of the 2023 Stock Option Incentive Plan is RMB 18.12 per share, with a remaining contract term of 6 months and 18 months;

The exercise price of the reserved portion of the 2021 Stock Option Incentive Plan is RMB 28.78 per share, and this option is currently in the exercise period;

The exercise price for Goertek Microelectronics Inc.'s 2020 Stock Option Incentive Plan is RMB 14 per share, with a remaining contract term of 4 months and 16 months;

The exercise price for Goertek Microelectronics Inc.'s capital increase equity incentive is RMB 2 per share, with a remaining contract term of 9 months;

The exercise price for Goertek Optical Technology Co., Ltd.'s capital increase equity incentive is RMB 1.5 per RMB 1 of registered capital, with a remaining contract term of 36 months.

(1) 2023 Stock Option Incentive Plan

On June 27, 2024, the Company convened the 17th meeting of the 6th Board of Directors and the 14th meeting of the 6th Board of Supervisors, at which the *Proposal on Adjusting Matters Related to the Company's 2023 Stock Option Incentive Plan* was approved. The Board of Directors agreed that the Company should adjust the Company's performance evaluation indexes, date of exercise, and other relevant provisions of the 2023 Stock Option Incentive Plan for the years 2024-2025.

(2) Home No. 6 ESOP

On June 27, 2024, the Company convened the 17th meeting of the 6th Board of Directors and the 14th meeting of the 6th Board of Supervisors, at which the *Proposal on Adjustment of Matters Related to the "Home No. 6" Employee Stock Ownership Plan* was approved. According to the above resolution and the authorization from the shareholders' meeting, the Board of Directors agreed to adjust the performance assessment indicators, the period of restriction on the purchase and sale of shares, and the status of holders for the years 2024-2026 set forth in the *"Home No. 6" Employee Stock Ownership Plan of Goertek Inc. (Draft) (Revised)* and its summary, as well as the *"Home No. 6" Employee Stock Ownership Plan Management Measures of Goertek Inc. (Revised)*, while other terms remain unchanged.

(3) Home No. 7 ESOP

On June 27, 2024, the Company convened the 17th meeting of the 6th Board of Directors and the 14th meeting of the 6th Board of Supervisors, at which the *Proposal on Adjustment of Matters Related to the "Home No. 7" Employee Stock Ownership Plan* was approved. According to the above resolution and the authorization from the shareholders' meeting, the Board of Directors agreed to adjust the performance assessment indicators and the period of restriction on the purchase and sale of shares for the years 2024-2026 set forth in the *"Home No. 7" Employee Stock Ownership Plan of Goertek Inc. (Draft)* and its summary, as well as the *"Home No. 7" Employee Stock Ownership Plan Management Measures of Goertek Inc.*, while other terms remain unchanged.

None

None

Contingent liability arising from pending litigations and arbitrations and financial impacts therefrom

None

Contingent liabilities arising from guarantees of debts provided to other parties, and financial impacts therefrom

As of the reporting date, except that the securities provided by the Company to its subsidiaries Goertek Technology Vina Co., Ltd., Goertek Smart Technology Vina Co., Ltd., Goertek Intelligence Technology Co., Ltd., and Goertek (Hong Kong) Co., Limited are not fulfilled as specified in Note XIV-5, there is no debt security of the Company provided to other entities.

Contingent liabilities related to investments in joint ventures or associates

None

Other contingent liabilities and financial impacts therefrom

None

None

None

None

None

None

None

Financial information of

None

The Group determines its operating segments based on its internal organizational structure, management requirements, and internal reporting system, and determines its reportable segments and discloses segment information on the basis of operating segments.

An operating segment is a component of the Group that meets all of the following conditions: (1) The component can generate income and expense in daily activities; (2) The management of the Group can regularly evaluate the operating results of such component so as to determine the allocation of resources to it and evaluate its performance; (3) The Group can obtain the accounting information of the component, such as the financial status, operating results, cash flow, etc. If two or more operating segments have similar economic characteristics and meet certain conditions, they will be combined into one operating segment.

Since over 90% of the Group's revenue and performance comes from the electronic components business, segment information was not presented.

None

eversal of bad debt provision

provision

None

None

The status of accounts receivable and contract assets in the top five of the d according to debtors

Mainly for investment income from products such as certificates of deposit

None