英諾賽科（蘇州）科技股份有限公司
InnoScience (Suzhou) Technology Holding Co., Ltd.

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

Stock Code: 2577

CREATE
A BETTER FUTURE
TOGETHER

2024
ANNUAL REPORT

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DEFINITIONS

In this annual report, unless the context otherwise requires, the following terms shall have the meanings set out below:

"Articles of Association" or "Articles"	the articles of association of the Company, as amended, supplemented or otherwise modified from time to time
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board of the Company
"Board"	the board of Directors of the Company
"Board committees"	the Board committees of the Company, namely the Audit Committee, the Remuneration Committee and the Nomination Committee
"PRC" or "China"	the People's Republic of China, but for the purpose of this annual report and for geographical reference only, excluding Hong Kong, Macau Special Administrative Region and Taiwan, China
"CM Bank"	China Merchants Bank Co., Ltd. (招商銀行股份有限公司), a bank listed on the Hong Kong Stock Exchange (stock code: 03968.HK) and the Shanghai Stock Exchange (stock code: 600036.SH), a connected person of our Company
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "InnoScience"	InnoScience (Suzhou) Technology Holding Co., Ltd. (英諾賽科(蘇州)科技股份有限公司), a limited liability company established under the laws of the PRC on July 21, 2017 and converted into a joint stock limited liability company in the PRC on September 27, 2023, the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 2577)
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed thereto under the Listing Rules, and unless the context otherwise requires, refers to Dr. Luo, Inno Holding, Innocore, Inno HK, Inno Youpeng and Xinsheng Dapeng
"Corporate Governance Code"	the Corporate Governance Code contained in Appendix C1 to the Listing Rules, as amended, supplemented or otherwise modified from time to time
"Director(s)"	director(s) of the Company
"Domestic Unlisted Shares"	ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each, which are not listed on any stock exchange

DEFINITIONS

"Global Offering"	has the meaning ascribed thereto under the Prospectus
"Group" or "we" or "us"	the Company, its subsidiaries and consolidated affiliated entities from time to time
"H Share(s)"	overseas-listed foreign ordinary share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which is/are listed on the Stock Exchange and traded in HK dollars
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange" or "Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Latest Practicable Date"	April 3, 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this annual report prior to its publication
"Listing Date"	the date on which the H Shares of the Company are listed on the Main Board of the Stock Exchange, namely, December 30, 2024
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented and otherwise modified from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules, as amended, supplemented and otherwise modified from time to time
"Nomination Committee"	the nomination committee of the Board of the Company
"Prospectus"	the prospectus of the Company dated December 18, 2024
"Remuneration Committee"	the remuneration committee of the Board of the Company
"Reporting Period"	the twelve months ended December 31, 2024
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

"Share(s)"	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each
"Shareholder(s)"	holder(s) of the Shares
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"substantial Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Supervisor(s)"	member(s) of the Supervisory Committee
"Supervisory Committee"	the supervisory committee of the Company
"Treasury Shares"	has the meaning ascribed thereto under the Listing Rules
"Mr. Son"	Mr. Jay Hyung Son, an executive Director of the Company
"Dr. Luo"	Dr. Weiwei Luo, the founder, chairperson of the Board, executive Director of the Company, and a member of the Controlling Shareholders Group
"Xinsheng Dapeng"	Suzhou Wujiang District Xinsheng Dapeng Equity Investment Partnership (Limited Partnership) (蘇州市吳江區芯生大鵬股權投資合夥企業(有限合夥)), a member of the Controlling Shareholders Group, our employee shareholding platform, a limited partnership established under the laws of the PRC with Dr. Luo as its general partner
"Innocore"	Suzhou Innocore Enterprise Management Center L.P. (蘇州英諾芯企業管理中心(有限合夥)), a member of the Controlling Shareholders Group, the Company's employee shareholding platform, and a limited liability partnership established in the PRC with Dr. Luo as its ultimate general partner
"Inno HK"	Inno Investment (Hong Kong) Limited, a member of the Controlling Shareholders Group, the Company's employee shareholding platform, and a company incorporated in Hong Kong with limited liability
"Inno Holding"	InnoScience Holding Pte. Ltd., a member of the Controlling Shareholders Group, and an exempt private company limited by shares incorporated in Singapore and held by Dr. Luo and Mr. Son as to 55.38% and 44.62%, respectively
"Inno Shenzhen"	InnoScience (Shenzhen) Semiconductor Technology Co., Ltd. (英諾賽科(深圳)半導體有限公司), a limited liability company established in the PRC on November 9, 2020 and a wholly-owned subsidiary of the Company

DEFINITIONS

"Inno Suzhou"	InnoScience (Suzhou) Semiconductor Technology Co., Ltd. (英諾賽科(蘇州)半導體有限公司), a limited liability company established in the PRC on October 23, 2017 and a wholly-owned subsidiary of the Company
"Inno Youpeng"	Shanghai Inno Youpeng Enterprise Consulting L.P. (上海英諾優朋企業諮詢合夥企業(有限合夥)), a member of the Controlling Shareholders Group and a limited partnership established in the PRC with Dr. Luo as its ultimate general partner
"Inno Zhuhai"	InnoScience (Zhuhai) Technology Co., Ltd. (英諾賽科(珠海)科技有限公司), a limited liability company established in the PRC on December 17, 2015 and a wholly-owned subsidiary of the Company
"%"	percent

CORPORATE INFORMATION

COMPANY NAME

Chinese Name

英諾賽科(蘇州)科技股份有限公司

English Name

InnoScience (Suzhou) Technology Holding Co., Ltd.

DIRECTORS

Executive Directors

Dr. Weiwei Luo *(Chairperson of the Board)*
Mr. Jay Hyung Son
Dr. Wu Jingang *(Chief executive officer)*
Mr. Zhong Shan *(Chief financial officer)*

Non-executive Directors

Dr. Wang Can
Ms. Zhang Yanhong
Ms. Cui Mizi

Independent non-executive Directors

Mr. Wong Hin Wing, MH, JP
Dr. Yi Jiming
Dr. Yang, Simon Shi-Ning
Dr. Chan, Philip Ching Ho

AUDIT COMMITTEE

Mr. Wong Hin Wing, MH, JP *(Chairperson)*
Dr. Yi Jiming
Dr. Chan, Philip Ching Ho

REMUNERATION COMMITTEE

Dr. Yang, Simon Shi-Ning *(Chairperson)*
Dr. Weiwei Luo
Dr. Chan, Philip Ching Ho

SUPERVISORS

Mr. Ke Shanyong *(Chairperson)*
Dr. Huang Xi
Mr. Ren Weifeng
Mr. Peng Xingguo
Ms. Lai Guangyi

JOINT COMPANY SECRETARIES

Ms. Liu Lihua
Mr. Chung Ming Fai

AUTHORIZED REPRESENTATIVES

Dr. Weiwei Luo
Mr. Chung Ming Fai

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 98 Xinli Road
Beishe, Lili Town
Wujiang District, Suzhou
Jiangsu Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40/F, Dah Sing Financial Centre
248 Queen's Road East
Wanchai, Hong Kong

H SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

CORPORATE INFORMATION

NOMINATION COMMITTEE

Dr. Weiwei Luo *(Chairperson)*
Dr. Yi Jiming
Dr. Yang, Simon Shi-Ning

COMPANY'S WEBSITE

https://www.innoscience.com

INDEPENDENT AUDITOR

KPMG
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
8/F, Prince's Building
10 Chater Road, Central
Hong Kong

LEGAL ADVISORS TO THE COMPANY

As to Hong Kong Law:
Clifford Chance
27th Floor, Jardine House
One Connaught Place
Central
Hong Kong

As to PRC Law:
CM Law Firm
Room 2805, Plaza 66 Tower 2
1366 West Nanjing Road
Shanghai, PRC

STOCK CODE

2577

COMPLIANCE ADVISOR

Maxa Capital Limited
Unit 2602, 26/F, Golden Centre
188 Des Voeux Road Central
Sheung Wan
Hong Kong

PRINCIPAL BANKS

China Merchants Bank, Suzhou Wujiang branch
No. 920, Gaoxin Road
Wujiang District, Suzhou
Jiangsu Province, PRC

China Merchants Bank, Zhuhai Information Port branch
No. 88, Xiangshan Road
Tangjiawan Town
Gaoxin District, Zhuhai
Guangdong Province, PRC

Bank of China, Suzhou Luxu branch
No. 79, Luxupu North Road
Lili Town
Wujiang District, Suzhou
Jiangsu Province, PRC

2024 FINANCIAL AND BUSINESS HIGHLIGHTS

1. Rapid Revenue Growth and Significant Profitability Improvement

- The Group's revenue during the Reporting Period reached RMB828.5 million, representing a year-on-year increase of 39.8%;

- With the expansion of the Group's production scale and the implementation of cost reduction and efficiency improvement measures, production costs fell rapidly and gross margins continued to improve significantly, with the Group's gross loss margin shrinking from -61.1% in 2023 to -19.5% in 2024, representing an improvement of 41.6 percentage points.

2. Continuous Growth in the Share of Products in Consumer Electronics Applications with Significant Breakthroughs in Strategic Emerging Areas such as New Energy Vehicles and AI

- Consumer Electronics: The Group has expanded the application of GaN chip products from the traditional charger and adaptor markets to mobile phones, laptops, TVs, air conditioners, audio systems, kitchen appliances, and other niche markets. During the Reporting Period, the Group's revenue from consumer electronics grew by 48.0% year-on-year;

- New Energy Vehicles: Automotive electronics grew rapidly, with shipments of automotive-grade chips increasing by 986.7% year-on-year;

- AI and Data Center: Shipment of server power supply chips continued to grow with the mass production of GaN products for 48V to 12V applications, and shipments of AI and data center chips increased by 669.8% year-on-year;

- Humanoid Robots: A whole series of 150V/100V GaN products were launched, covering various applications such as joint and dexterous hand motor drives, intelligent power conversion and battery management. Among them, the 100W joint motor drive products have been mass-produced.

3. Significant Achievements in R&D Leading to Further Improvement of Process Platform and Product Portfolio as well as Increase in Core Competitiveness

- **Launch of the third-generation high- and low-voltage process platform, along with device platforms for automotive-grade and encapsulated devices: The chip output per wafer increased by more than 30% as compared to the previous generation,** with further improvements in key performance indicators of chips;

- **Launched a series of new products and achieved a number of major industry breakthroughs:**

2024 FINANCIAL AND BUSINESS HIGHLIGHTS

Medium – and low-voltage (15-200V) GPU terminal power supply and other products have achieved large customer design-ins in the automotive and AI fields;

Achieved breakthroughs in high-voltage 1,200V high-power devices and samples were sent to customers;

Sales of low-voltage GaN bidirectional conduction products increased by 97% year-on-year, high-voltage GaN bidirectional conduction products were successfully developed and samples were sent to customers;

Launched GaN encapsulated products that can be applied to data center, electric vehicle and robotic servomotor power supply;

- During the Reporting Period, the Group launched over 50 new products and achieved 471 customer design-ins.

4. **Significant Decrease in Manufacturing Costs and Continuous Improvement in Yield:** In 2024, the overall yield of the Group was 95%, and unit manufacturing costs decreased by nearly 40%, accelerating the improvement of profitability.

5. **Rapid Growth in Overseas Markets:** Overseas revenue of the Group amounted to RMB126.4 million during the Reporting Period, representing a year-on-year increase of 118.1%.

6. **Shipment Exceeded the Cumulative Total of All Previous Years:** The Group shipped 660 million chips during the Reporting Period, with annual shipments exhibiting a geometric growth trend.

FINANCIAL SUMMARY

Set out below is a summary of the results and assets and liabilities of the Group for the last four financial years[1]:

	Year Ended December 31,			
	2021	2022	2023	**2024**
		(RMB in thousands)		
Revenue	68,215	136,174	592,717	**828,459**
Cost of sales	(249,749)	(530,280)	(954,785)	**(989,876)**
Gross loss	**(181,534)**	**(394,106)**	**(362,068)**	**(161,417)**
Other net income	43,557	67,961	64,962	**72,233**
Selling and marketing expenses	(28,434)	(69,317)	(90,097)	**(97,905)**
Administrative expenses	(179,097)	(199,231)	(247,068)	**(451,160)**
Research and development expenses	(661,699)	(581,092)	(348,749)	**(323,028)**
Loss from operations	**(1,007,207)**	**(1,175,785)**	**(983,020)**	**(961,277)**
Total comprehensive income for the year	**(3,399,778)**	**(2,201,281)**	**(1,102,555)**	**(1,047,400)**
Total current assets	2,603,353	1,927,496	1,111,681	**2,459,941**
Total non-current assets	4,018,411	3,767,580	3,479,723	**3,087,308**
Total assets	**6,621,764**	**5,695,076**	**4,591,404**	**5,547,249**
Total current liabilities	(1,565,519)	(1,011,347)	(926,389)	**(995,984)**
Total non-current liabilities	(9,181,617)	(1,723,614)	(1,701,092)	**(1,580,247)**
Total liabilities	**(10,747,136)**	**(2,734,961)**	**(2,627,481)**	**(2,576,231)**
Net current assets	1,037,834	916,149	185,292	**1,463,957**
Total (deficit)/equity	(4,125,372)	2,960,115	1,963,923	**2,971,018**

1 The H Shares of the Company were listed on the Mainboard of the Stock Exchange on December 30, 2024.

CHAIRPERSON'S STATEMENT

Dear Shareholders,

The year 2024 was a pivotal year for InnoScience to drive growth through innovation and meet challenges with resilience. As the world's first IDM company to achieve large-scale mass production of 8-inch gallium-nitride-on-silicon (GaN) wafers, we have continued to lead the way in the third-generation semiconductor space, thanks to our leading market position and capacity advantages. The year 2024 was also a milestone in the development of InnoScience. We successfully listed on the Main Board of The Hong Kong Stock Exchange (Stock Code: 2577), marking the Company's entry into a new phase of capitalization and international development. On behalf of the Board, I would like to extend our sincere thanks to all employees for their hard work, to our Shareholders for their trust and support, and to our partners for their strong collaboration!

Over the past year, the demand for global artificial intelligence computing power has surged, artificial intelligence and data centers have accelerated their transition to gallium-nitride chips, and the integration and high performance of power chips in the new energy vehicle and humanoid robot fields have become increasingly important. Driven by the goal of carbon neutrality, consumer electronics manufacturers have actively adopted efficient and energy-saving solutions. Against this backdrop, gallium-nitride has accelerated its replacement of traditional silicon-based chips and continued to expand its market size, thanks to its material advantages of high frequency, high power density, and low loss. We have achieved breakthrough growth in key areas through our outstanding technical strength and comprehensive product portfolio, combined with forward-looking layout and the ability to coordinate the entire industry chain: I. In the field of automotive electronics, our various high-voltage and low-voltage automotive-grade chips have achieved great success and received positive market feedback, with delivery volumes increasing by 986.7% year-on-year; II. In the data center server field, the Company has made important breakthroughs in the application of 48V-to-12V power-supply chains. The 100V half-bridge integrated chip has also been mass-produced, significantly improving power conversion efficiency, helping to optimize energy efficiency and reducing the operational costs of AI computing; III. In the humanoid robot market, the 100W joint-motor-drive product has been successfully mass-produced. The full-series 150V/100V GaN products cover application scenarios such as robot-joint and dexterous-hand motor drives and intelligent power conversion; and IV. In the consumer electronics field, the company's 700V gallium-nitride integrated chip has been successfully mass-produced. It integrates adaptive drive circuitry and lossless current-sensing technology, significantly enhancing the performance of the charging end. At the same time, we have expanded our leading products into niche markets such as ultra-thin TVs, air conditioners, audio systems, and kitchen appliances, continuously enriching application scenarios and maintaining a strong market-leading position.

CHAIRPERSON'S STATEMENT

During the Reporting Period, the Company achieved a revenue of RMB829 million, representing a year-on-year increase of 39.8%. The cumulative shipments of our gallium-nitride power chips have surpassed 1.2 billion units. Our overseas market has experienced rapid growth, with overseas revenue reaching RMB126 million, up 118.1% year-on-year. The proportion of overseas revenue has correspondingly increased to 15.3%, which reflects the remarkable effectiveness of our globalization strategy. The delivery volume of our gallium-nitride discrete devices has shown an exponential growth trend, especially in the fields of consumer electronics and automotive electronics. The continuous introduction of new products has been widely recognized by the market, and the penetration rate of gallium-nitride technology in the power-semiconductor market is continuously increasing.

We are well aware that only through continuous innovation can we lead industry transformation. In 2024, the Company's R&D investment accounted for 38.99% of its revenue, with a total of 422 patent authorizations. Our core technologies now cover the full-voltage spectrum (15V-1,200V), achieving in-depth technological breakthroughs and iterative upgrades. The newly-developed 3.0-generation process platform has increased our per-wafer chip output by more than 30%, and the key performance indicators of chips have been further enhanced. We will continue to increase our investment in R&D, leveraging the synergistic advantages of design, R&D, and manufacturing as an IDM company, and strive to meet the growing demand for efficiency and energy-saving solutions of downstream market.

Looking ahead to 2025, we will continue to focus on expanding application areas, establishing global strategic cooperation, upgrading production capacity, and optimizing technology to deliver greater value to users in both the Chinese and global markets. We are dedicated to forging ahead toward a sustainable society and ceaselessly striving for a bright future of the green revolution of the third-generation semiconductors.

Dr. Weiwei Luo
Chairperson and Executive Director

MANAGEMENT DISCUSSION AND ANALYSIS

I. Industry Trends and Company Overview

In 2024, the rapid development of AI and the explosive growth in computing power demand are driving AI and data center companies to accelerate the deployment of GaN chips to enhance power efficiency. The new energy vehicle industry continued to grow rapidly, with increasingly stringent requirements from automakers for range, charging and performance, thereby increasing the demand for small, high-efficiency power devices. Humanoid robots, as a hot topic in the technology sector, continued to develop rapidly in 2024. Their high requirements for power management, intelligent sensing and precise control are prompting manufacturers to expand the application of GaN devices to improve servomotor efficiency and response speed. With its core advantages of high frequency, high power density, and low energy loss, GaN is rapidly penetrating the traditional silicon-based power chip market and quickly capturing emerging application markets.

As the first GaN company adopting an IDM model in the world to achieve mass production of 8-inch wafers, the Group achieved strong revenue growth during the Reporting Period by virtue of its first-mover technological advantage in multiple fields and its synergy throughout the industry value chain, promoting the rapid penetration of GaN in downstream applications.

II. Product R&D Review

InnoScience is the only company in the world that offers a full voltage spectrum of GaN-on-Si power semiconductors, and its products under mass production and R&D cover voltages from 15V to 1,200V. The Group focuses on two major trends for GaN application development: high-power for high-voltage products and high-frequency for medium- and low-voltage products. The Group continually optimizes product performance and application reliability, empowering downstream industries to transition towards intelligent and green development.

High-voltage products (650V/700V/900V/1,200V)

For high-voltage products, the Group focuses on advancing the R&D of high-power devices and modules. Currently, the types of the Group's 900V products and their applications are rapidly expanding, gradually covering higher power applications. These products have achieved stable mass production in the fields of chargers and household appliances, demonstrating higher performance and reliability than silicon devices. Meanwhile, the Group has developed the 1,200V platform and a series of high-voltage V-GaN products, with the 1,200V platform products having completed R&D verification. Additionally, a new-generation 700V GaN device platform has achieved design-ins and is expected to commence mass production in 2025. Products based on this platform will significantly reduce the switching and conduction losses of the device, achieving world-leading efficiency performance. They will also help AI server power supplies further improve efficiency and power density, breaking through the bottleneck of cabinet power.

During the Reporting Period, the 700V GaN encapsulated chips launched by the Group integrated adaptive drive circuits and non-destructive current detection functions, improving the charging power density of mobile phones, tablets and laptops to the forefront of the industry and effectively shortening the charging time of terminal devices. Launched by the Group in December 2024, the industry's first 700V high-power TO247-4L E-Mode GaN encapsulated chip integrates short-circuit, over-temperature, and other protection functions. It is compatible with mainstream silicon controllers and driver ecosystems, supporting high-reliability applications such as 1KW~4KW server power supplies, air conditioning power supplies and motor drives.

MANAGEMENT DISCUSSION AND ANALYSIS

Medium-voltage products (100V/150V/200V)

For medium-voltage products, the Group fully leverages the high-frequency advantages of GaN, focusing on enhancing product frequency. The high-frequency nature of power devices can significantly reduce the size and usage of peripheral components such as inductors and capacitors, achieving power supply miniaturization and thereby reducing manufacturing costs for manufacturers. The Group focuses on developing 100V and 200V medium-voltage devices to meet the technical demands of automotive electronics, data centers and industrial automation. These devices are widely used in DC power conversion for data centers, robotic dexterous hands and servomotors. To meet the performance requirements of LiDAR for autonomous driving, the Group launched smaller packaged 100V automotive-grade devices during the Reporting Period, which extend the detection range of in-vehicle LiDAR, reduce power loss and temperature rise, and better meet the needs of in-vehicle LiDAR systems. Additionally, in 2024, the Group released a 100V half-bridge encapsulated chip, which improves power efficiency and density, reduces component size and cooling requirements, and lowers power manufacturing and usage costs. This chip can be applied in data centers and 48V voltage conversion systems for electric vehicles, and shows great potential in power supplies for robotic servomotors.

Low-voltage products (15V/30V/40V)

For low-voltage products, the Group continues to achieve application miniaturization through product high-frequency optimization based on its existing product lines, meeting the extensive demands of current downstream applications and emerging applications such as AI. During the Reporting Period, the Group launched the industry's first 30V V-GaN chip, which replaces traditional silicon MOS solutions and is primarily used in overcurrent protection and load switch applications. The Group's 40V automotive-grade device commenced mass production during the Reporting Period. The product features small size, low energy loss, high frequency and high power, and is primarily applied to in-vehicle charging modules for mobile phones and laptops.

III. Product Application Review

In 2024, the Group accelerated the replacement of traditional silicon-based products with third-generation semiconductors, achieving breakthroughs in multiple fields driven by changes in structural demand.

- ***Automotive electronics*:** The Group focuses on the diversified needs of intelligent driving systems. During the Reporting Period, the Group achieved design-ins from a number of domestic and foreign automotive OEMs and deepened cooperation with large global manufacturers to develop automotive-grade GaN chips. These efforts aim to simplify the topology design of power devices, improve the overall energy efficiency of automobiles, reduce vehicle manufacturing costs, extend mileage, and realize the next generation of intelligent and lightweight electric vehicles.

MANAGEMENT DISCUSSION AND ANALYSIS

- ***Data centers*:** The Group has mass-produced and delivered chips for server power supply to multiple global manufacturers and is actively promoting the application of GaN chips in GPU DC power conversion. Benefiting from the strong demand for high-efficiency and high-power-density power solutions in data centers, the Group has launched 650V and 100V GaN power devices, which can be applied to server power supplies and high-power-density power supplies for 48V to 12V conversion on motherboards in data centers. The application of GaN significantly enhances the efficiency and power density of the power supply chain in data centers, achieving more efficient and energy-saving power conversion. High-efficiency power conversion can reduce energy waste and heat generation, thereby lowering the operational costs of AI computing and improving the reliability and stability of servers.

- ***Consumer electronics*:** Driven by consumer preferences and market competition, downstream consumer electronics manufacturers increasingly favor more integrated, intelligent and cost-effective power chips. Building on its market advantages in mobile phones, laptops and small household appliances, the Group further expanded its applications in niche markets during the Reporting Period. During the Reporting Period, the Group developed chips applied in air conditioner motors for a globally renowned household appliance manufacturer, reducing the use of traditional heat-dissipating aluminum materials, thereby saving energy and costs for the manufacturer, and reducing air conditioner motor noise to provide consumers with a more comfortable, aesthetically pleasing and energy-efficient experience. Additionally, the Group's 100V GaN products for audio systems have been mass-produced and delivered.

- ***Renewable energy and industrial applications*:** The Group has continually delivered power modules to major global new energy manufacturers and served the energy-saving and consumption-reduction needs of industries such as lithium batteries and photovoltaics, while continuing to develop new power chips and solutions. By the end of 2024, the cumulative delivery volume of chips for renewable energy and industrial applications reached 33.0 million, highlighting the Group's strong capabilities and positive growth trajectory in this field.

- ***Humanoid robots*:** In 2024, humanoid robot applications demonstrated strong growth momentum. The properties of GaN devices provide significant advantages in humanoid robot applications, enabling more precise control, reduced switching losses and smaller sizes. These features meet the demands for high efficiency, high reliability and miniaturization in robots. GaN motor drive technology is expected to dominate the humanoid robot field, driving robot design towards higher energy efficiency, greater stability and superior intelligence. During the Reporting Period, the Group actively expanded its presence in robot applications, launching a whole series of GaN products, primarily including 150V and 100V GaN power devices. These products can be widely applied to robot charging, battery power management, internal power conversion modules and joint motor drives. The Group has completed the development of relevant reference solutions and is actively collaborating with industry customers on project development.

In addition, to further meet the expectations of downstream manufacturers in data centers, automotive electronics and robotics for more comprehensive power solutions during the adoption of GaN to replace silicon chips, the Group launched multiple GaN driver products during the Reporting Period. These product launches enrich and complete the GaN downstream application ecosystem, enhancing the convenience and reliability for downstream manufacturers in applying GaN chips.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. Iteration of the Process Technology Platform

Based on its 8-inch GaN-on-Si technology and leveraging its forward-looking development of core technologies and key processes, as well as long-term continual investments, the Group has established a globally leading mature process technology platform. During the Reporting Period, building on the existing mass-produced process platform, the Group developed its new third-generation high- and low-voltage process technology platform, as well as new device platforms for automotive-grade, bidirectional conduction and encapsulated ICs. The iteration of the new process technology platform will expand the product voltage range, optimize device performance and enhance product frequency. Furthermore, the third-generation process technology platform significantly improves wafer output efficiency compared to the existing mass-produced process platform, increasing chip output per wafer by over 30% and further optimizing the key performance indicators of chips.

Meanwhile, based on the existing mass-produced process technology platform, the Group continues to optimize device design and production processes, reducing the number of processes, lowering raw material costs, and improving equipment utilization efficiency. These efforts further reduce chip production costs, enhance the cost-effectiveness of chips, and expand market competitiveness and leading advantages.

V. Production and Supply Chain Management

The Group controls the entire process from chip design, wafer manufacturing, packaging and testing, to sales and delivery, with each process closely coordinated to fully utilize production capacity. By the end of 2024, the Group's production capacity reached 13,000 wafers per month.

To improve product yield, the Group focuses on enhancing process stability, increasing process efficiency and controlling defect occurrence. Specific measures include implementing standardized operating procedures, strengthening process monitoring and defect detection, and conducting regular employee training and equipment maintenance. In 2024, the overall yield rate exceeded 95%.

During the Reporting Period, the Group implemented multi-dimensional cost reduction and efficiency enhancement strategies, achieving rapid revenue growth and a virtuous cycle of efficient supply chain operations. On one hand, the Group deepened stable collaboration with core partners while simultaneously strengthening the supplier management system and procurement pricing mechanism. The Group also actively expanded diversified supply channels, significantly reducing procurement costs through advancements in the evaluation of domestic supply substitutes. On the other hand, leveraging cross-departmental technical efforts, the Group focused on process optimization and equipment upgrades and replacements, reducing material loss rates in production and improving energy utilization efficiency, thereby saving manufacturing costs. In addition, the Group utilized IT systems to optimize inventory management, closely coordinating logistics and material control to reduce costs in relation to inventory and enhance operational efficiency.

MANAGEMENT DISCUSSION AND ANALYSIS

VI. Sales and Marketing

During the Reporting Period, the Group strived to expand overseas markets, deepen customer cooperation and seize the opportunity of surging downstream market demand.

Overseas market

In the overseas market, the Group has established strategic partnerships with several major traditional power chip manufacturers in Europe and the United States to jointly promote the large-scale application of GaN chips in fields including consumer electronics and automotive electronics, thereby enhancing the GaN ecosystem. Meanwhile, the Group closely collaborates with leading global silicon MOS power semiconductor companies to facilitate the transition of downstream users to GaN chips, meeting the power supply transformation needs of industries such as data centers and automotive electronics. During the Reporting Period, the Group's revenue from sales overseas reached RMB126.4 million, accounting for 15.3% of total revenue and achieving a year-on-year growth of 118.1%.

Customer Collaboration

The Group primarily engages in technology-driven marketing, enhancing customer service quality through the improvement of technical solutions. During the Reporting Period, the Group successively released comprehensive GaN solutions for data centers and household appliances, gaining widespread recognition from major customer groups. In addition, the Group actively acquired customers through direct sales and distributor channels. During the Reporting Period, the Group achieved 471 design-ins, acquiring 21 new direct sales customers and 13 new distributors.

The Group also actively participates in industry exhibitions, forums and technical seminars to expand business application scenarios. In February 2024, under the theme "Fill the World with GaN", the Group showcased its full range of new products and advanced application solutions at the Applied Power Electronics Conference (APEC), demonstrating the application value of its GaN products in various scenarios.

MANAGEMENT DISCUSSION AND ANALYSIS

VII. Business Outlook and Operation Strategies

Expanding application areas: In 2025, the Group will continue to improve the layout of GaN in the consumer electronics sector and increase market penetration. In the field of data center and automotive electronics, it will promote the launch of new products, complete customer design-ins and application mass production. The Group will actively deepen technical cooperation with customers in new application fields such as robots and drones. In terms of products, the Group plans to continue to invest in R&D to enrich its existing product portfolio and usher in large-scale growth in 2025.

Conducting global strategic cooperation: The Group will establish in-depth cooperation with global leading semiconductor companies to jointly promote the layout of GaN in the global power market and accelerate the penetration speed of GaN market, thus promoting the global power semiconductor technology revolution.

Increasing production capacity and optimizing process: In terms of process technology, the Group's third-generation process technology platform will gradually undertake mass production of chips for consumer electronics. For production and supply chain management, the Group plans to expand its production capacity to 20,000 wafers per month, continually improving capacity utilization and yield rate. The Group will also continue to optimize the supply chain, persistently reducing costs and enhancing efficiency. For market sales, the Group will further expand into overseas markets, focusing on key customer groups. The Group will deepen strategic cooperation with major traditional power chip manufacturers abroad, commence mass production and shipments, and actively respond to customized customer needs.

Looking forward, InnoScience will continue to leverage its technological leadership and large-scale manufacturing capabilities to become a global leader in GaN power device solutions. By empowering the global green technology revolution with third-generation semiconductor technology, it aims to support global energy transition and sustainable development. Focusing on technological innovation and industrialization, the Group will drive the semiconductor industry towards more efficient and environmentally friendly transformations, creating a smarter and lower-carbon future for humanity.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS

Revenue

The total revenue of the Group increased by 39.8% from RMB592.7 million in 2023 to RMB828.5 million in 2024. The increase was primarily due to the increased sales of products driven by market demand in 2024, while demand for the Group's products has also been rapidly increasing in overseas markets.

In particular:

- Revenue from the sales of GaN discrete chip and GaN IC products increased by 87.8% from RMB192.1 million in 2023 to RMB360.8 million in 2024, primarily due to the continued market penetration of GaN products, and the Group's capturing market opportunities in application scenarios with expanded demand. In 2024, the Group continued to launch new products for various downstream applications, with product applications continuing to expand in the field of consumer electronics, while achieving rapid growth in industrial applications and automotive electronics.

- Revenue from the sales of GaN wafers increased by 34.4% from RMB208.7 million in 2023 to RMB280.5 million in 2024, primarily due to the Group's deep collaboration with existing clients leading to higher transaction volumes, and successful acquisition of new clients. The Group maintained its leadership in the GaN wafer sector and continued to introduce competitive products. As the overall GaN market expands, the sales of the Group have continued to grow.

- Revenue from the sales of GaN modules remained relatively stable at RMB190.4 million in 2023 and RMB183.9 million in 2024.

Cost of Sales

The cost of sales of the Group increased by 3.7% from RMB954.8 million in 2023 to RMB989.9 million in 2024. Although material costs have increased alongside the growth of revenue and product sales, the production utilization rate of the Group has improved significantly driven by the economies of scale in production and the Group's production process optimization, and unit production costs have declined with cost reduction and efficiency enhancement measures, resulting in a year-on-year growth of cost of sales much lower than the year-on-year growth of revenue.

Gross Loss and Gross Loss Margin

As a result of the foregoing, the gross loss of the Group decreased by 55.4% from RMB362.1 million in 2023 to RMB161.4 million in 2024. The gross loss margin decreased from 61.1% in 2023 to 19.5% in 2024. The decrease in gross loss and gross loss margin mainly reflected the increase in production and operating efficiency of the Group resulting from the production scale effects and production process improvement during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Net Income

The other net income increased by 11.2% from RMB65.0 million in 2023 to RMB72.2 million in 2024, primarily due to (i) an increase in government grants, which primarily consisted of subsidies for the Group's R&D activities; and (ii) an increase in net foreign exchange gain, which corresponded with the increased revenues from overseas.

Selling and Marketing Expenses

The selling and marketing expenses increased by 8.7% from RMB90.1 million in 2023 to RMB97.9 million in 2024, primarily due to an increase in employee expense, which was primarily due to the share-based payment expenses related to the RSU Scheme.

Administrative Expenses

The administrative expenses increased by 82.6% from RMB247.1 million in 2023 to RMB451.2 million in 2024, primarily due to (i) an increase in employee expenses, which is primarily due to the increase in share-based payment expenses related to the RSU Scheme; and (ii) an increase in fees paid for professional legal and compliance services.

Research and Development Costs

The research and development costs decreased by 7.4% from RMB348.7 million in 2023 to RMB323.0 million in 2024, primarily due to (i) a significant decrease in the unit cost of engineering tests with expanded scale of production; and (ii) a decrease in employee expenses, primarily due to the Group's optimization of R&D team structure to increase efficiency.

Finance Costs

The finance costs decreased by 29.3% from RMB118.9 million in 2023 to RMB84.1 million in 2024, primarily due to a decrease in interest in loans and borrowing as a result of repayment of existing loans, with new loans primarily being low-interest working capital loans. Also, the decline in the Loan Prime Rate in 2024 led to a reduction in the actual interest rates on the outstanding loans.

Loss for the Year

As a result of the foregoing, the Group's loss for the year decreased by 5.1% from RMB1,101.9 million in 2023 to RMB1,045.7 million in 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Capital Resources

The Group's policy is to regularly monitor liquidity requirements and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet the liquidity requirements in the short and longer term.

As of December 31, 2024, the Group had RMB1,525.0 million in cash and cash equivalents, as compared to RMB329.0 million as of December 31, 2023. The Group's cash and cash equivalents primarily consist of cash at banks and on hand denominated in HK$, RMB and USD.

The Group's net outflow of cash flow from operating activities in 2024 was RMB336.3 million. The net outflow of cash flow from operating activities is calculated by adjusting the loss before taxation of RMB1,045.3 million by non-cash and other items to arrive at an operating loss before changes in working capital of RMB176.6 million.

INDEBTEDNESS AND FINANCIAL RATIOS

Loans and Borrowings

As of December 31, 2024, the Group had total loans and borrowings of RMB1,923.9 million (as of December 31, 2023: RMB2,054.6 million), which were denominated in RMB.

Lease Liabilities

As of December 31, 2024, the Group recognized total lease liabilities, including current and non-current lease liabilities, of RMB70.5 million, as compared to that of RMB37.4 million as of December 31, 2023, primarily because of new leases for production equipment during the Reporting Period.

Financial Ratios

Current ratio

The Group's current ratio (calculated as current assets divided by current liabilities as of the relevant period end) increased from 1.2 as of December 31, 2023 to 2.5 as of December 31, 2024, primarily due to an increase in cash and cash equivalents from the proceeds of global offering.

Quick ratio

The Group's quick ratio (calculated as current assets less inventories divided by current liabilities as of the relevant period end) increased from 0.8 as of December 31, 2023 to 2.0 as of December 31, 2024, primarily due to an increase in cash and cash equivalents from the proceeds of global offering.

MANAGEMENT DISCUSSION AND ANALYSIS

Net Gearing Ratio

The Group's net gearing ratio (calculated as total borrowings less cash and cash equivalents divided by the total equity as of the end of the respective period and multiplied by 100%) decreased from 87.9% as of December 31, 2023 to 13.4% as of December 31, 2024 due to an increase in cash and cash equivalents and an increase in total equity.

TREASURY POLICY

The Group's management performs the treasury functions and continues to monitor its cash requirements from time to time. If the Group's cash requirements exceed the liquidity it hold at the time, the Group may seek credit facilities and external borrowings or issue securities as it considers necessary and appropriate.

PLEDGE OF ASSETS

The Group's pledged bank deposits decreased from RMB8.8 million as of December 31, 2023 to RMB6.3 million as of December 31, 2024, primarily attributable to a decrease in customs deposits.

Apart from the above, the Group did not have any other pledge of assets as of December 31, 2024.

CONTINGENT LIABILITIES

As of December 31, 2024, certain subsidiaries of the Group are respondents in several legal dispute cases – EPC California Case, Infineon California Case and Infineon Germany Case in relation to claims of alleged infringement of intellectual property rights, for details, please refer to the section headed "Business – Legal Proceedings and Compliance – Legal Proceedings" in the prospectus of the Company dated December 18, 2024. While certain litigations are still ongoing and the future development cannot be estimated with certainty, the Directors of the Company, having given due consideration to the legal advice and the relevant facts and circumstances, are of the opinion that the Group is more likely than not to prevail in those cases and it is not probable that the Group will need to make payments to the claimants. Therefore, no provision has been made in respect of those cases as of December 31, 2024.

As of December 31, 2024, except for the aforementioned contingencies associated with the legal disputes, the Group did not have any material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL EXPENDITURES

For the year ended December 31, 2024, the Group's capital expenditures were RMB171.8 million (for the year ended December 31, 2023: RMB331.3 million). The Group's capital expenditures were primarily used for the construction of production and R&D bases.

CAPITAL COMMITMENTS

The Group's capital commitments as of December 31, 2023 and 2024 were related to property, plant and equipment. As of December 31, 2024, the Group's capital commitments were RMB39.8 million (as of December 31, 2023: RMB85.1 million).

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed in this annual report, the Company had no other significant investments and/or material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended December 31, 2024.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of December 31, 2024, save as disclosed in the Prospectus under the section headed "Future Plans and Use of Proceeds", the Group did not have any future plans for material investments or capital assets.

NON-HKFRS MEASURE

To supplement its consolidated financial statements, which are presented in accordance with HKFRS, the Group also use adjusted net loss (non-HKFRS measure) as an additional financial measure, which is not required by, or presented in accordance with HKFRS. The Group believes this non-HKFRS measure facilitates comparisons of operating performance from period to period by eliminating potential impacts of items.

The Group believes that this measure provides useful data to investors and others in understanding and evaluating its consolidated results of operations in the same manner as it helps its management. However, the Group's presentation of adjusted net loss (non-HKFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of this non-HKFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, the results of operations or financial condition as reported under HKFRS. In addition, the non-HKFRS measure may be defined differently from similar terms used by other companies.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group defines adjusted net loss (non-HKFRS measure) as loss for the year/period adjusted by adding back (i) equity-settled share-based payment expenses; and (ii) listing expenses, which relate to the Global Offering. The adjustments were consistently made during the Track Record Period. The following table sets forth the reconciliations of the Group's adjusted net loss (non-HKFRS measure) for the years ended December 31, 2023 and 2024 to the nearest measure prepared in accordance with HKFRS:

	Year ended December 31,	
	2024	2023
	(RMB in thousands)	
Reconciliation of loss for the year to adjusted loss for the year (non-HKFRS measure):		
Loss for the year	**(1,045,677)**	(1,101,946)
Add:		
– Equity-settled share-based payment expenses [(1)]	**166,940**	86,363
Listing expenses	**42,994**	–
Adjusted net loss (non-HKFRS measure)	**(835,743)**	(1,015,583)

Note:

(1) Equity-settled share-based payment expenses is non-cash in nature and mainly represents the arrangement that the Group receives services from employees as consideration for its equity instruments. Equity-settled share-based payment expenses is not expected to result in future cash payments.

RISK MANAGEMENT

The Group's results of operations have been, and are expected to continue to be, materially affected by a number of factors, many of which are outside of its control, including (i) overall economic growth and conditions; (ii) development and prosperity of the global semiconductor industry, in particular the power semiconductor industry, as well as the penetration of GaN in power semiconductor industry; (iii) conditions of the downstream markets of the semiconductor industry and the resulting fluctuations in customer demand; (iv) technology development and competition in the semiconductor industry; and (v) relevant laws and regulations, government policies and initiatives.

The management regularly manages and monitors the financial risks of the Group, including credit risk, liquidity risk, interest rate risk and exchange rate risk, to ensure appropriate measures are implemented in a timely and effective manner.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in a financial loss to our Group. The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents and pledged bank deposits is limited because the counterparties are state-owned banks or reputable commercial banks which the Group considers to have low credit risk.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity Risk

The Group's policy is to regularly monitor liquidity requirements and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from cash at bank, pledged bank deposits and interest-bearing borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

During the Reporting Period, the Group did not use any interest rate swap contracts or other financial instruments to hedge against its interest rate risk.

Currency Risk

The Group is exposed to currency risk primarily through purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Hong Kong dollars, United States dollars and European Monetary Unit.

As of December 31, 2024, the Group did not hold any financial instruments for hedging purposes.

Fair Value Measurement

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of each reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations:	Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
Level 2 valuations:	Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
Level 3 valuations:	Fair value measured using significant unobservable inputs

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has a team performing valuations for the financial instruments categories into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer. Valuation assessment with analysis of changes in fair value measurement is prepared by the team at each reporting date and is reviewed and approved by the chief financial officer. In 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognize transfers between levels of the fair value hierarchy at the end of each reporting period in which they occur. See Note 27 to the Independent Auditor's Report.

HUMAN RESOURCES

As of December 31, 2024, the Group had a total of 1,147 employees and the majority of its employees were based in mainland China. The following table sets forth the number of our full-time employees by function as of December 31, 2024:

	Year ended December 31, 2024	
	Number of employees	**Percentage of total employees (%)**
Supply and manufacturing	557	48.6
Research and development	323	28.2
General and administrative	198	17.3
Sales and marketing	69	6.0
Total	1,147	100.0%

To streamline human resource management, the Group established a comprehensive set of internal management measures, outlining the procedures and criteria for recruitment, training, internal referrals, among others. The Group uses various recruitment methods, including campus recruitment, online recruitment, other external recruitment channels as well as internal referrals and transfers. In addition to salaries and benefits, the Group generally provides performance-based bonuses for the full-time employees. The Group has established a comprehensive system for employee training and development, including general trainings covering corporate culture, employee rights and responsibilities, workplace safety, data security and other logistics aspects, as well as specific trainings that improve employee knowledge and expertise in certain important areas related to the Group's business. The Group is committed to making continual efforts to provide an engaging working environment for the employees.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Dr. Weiwei Luo, aged 55, is our founder, chairperson of the Board and executive Director. She joined the Group on July 17, 2017 and was appointed as a Director and the chairperson of the Board, and was appointed as an executive Director on May 21, 2024. She is responsible for overall business development and strategic planning of the Group. Dr. Luo has held various positions in several subsidiaries of the Group, including as the chairperson of the board of directors of Inno Suzhou and Inno Shenzhen since October 2017 and November 2020, respectively.

Dr. Luo is a world-class scientist and visionary entrepreneur with extensive experience. Prior to founding the Company, Dr. Luo has been engaged in scientific research, project management and entrepreneurship for years. Dr. Luo is also currently the director of Stark Semiconductor Co., Ltd. (星鑰半導體有限公司), which is primarily engaged in the research and development of display and micro-screen technology.

Dr. Luo received a doctorate degree in applied mathematics from the Massey University in New Zealand.

Mr. Jay Hyung Son, aged 63, is our executive Director. He joined the Group on July 17, 2017 and was appointed as a Director, and was appointed as an executive Director on May 21, 2024. He is responsible for business development of the Group. Prior to serving as a Director, Mr. Son served as the general manager of Inno Suzhou from October 2017 to October 2023.

Mr. Son has extensive leadership and entrepreneurship experience in field of semiconductors. Mr. Son received a bachelor's degree of science from the Faculty of the College of Engineering from the University of California, Berkeley in the United States in August 1987.

Dr. Wu Jingang (吳金剛博士), aged 58, is our executive Director and chief executive officer. He joined the Group on November 5, 2022 and was appointed as a Director on January 12, 2023, and was appointed as an executive Director on May 21, 2024. He is responsible for overall business development and operation of the Group.

Dr. Wu has extensive experience in semiconductor technology development. Prior to joining the Group, Dr. Wu worked at the Semiconductor Manufacturing International Corporation (中芯國際集成電路製造有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 00981) and the Shanghai Stock Exchange (stock code: 688981), from 2001 to July 2021 with his last position as the R&D vice president. Dr. Wu worked as the general manager of and was responsible for the management of Shandong Chanyan Microelectronics Technology Research Institute Co., Ltd. (山東產研微電子技術研究院有限公司) from July 2021 to November 2022.

Dr. Wu received a doctorate degree in physical chemistry from the Lanzhou Institute of Chemical Physics, Chinese Academy of Sciences (中國科學院蘭州化學物理研究所) in the PRC in September 1994.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Zhong Shan (鍾山先生), aged 53, is our executive Director and chief financial officer. He joined the Group on July 17, 2017 and was appointed as a Director, and was appointed as an executive Director on May 21, 2024. He is responsible for financial management, investment, and financing of the Group.

Mr. Zhong has extensive experience in corporate finance and financial markets. Prior to joining the Group, Mr. Zhong held various positions in Joincare Pharmaceutical Group Industry Co., Ltd. (健康元藥業集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600380), from 2001 to 2017 with his last position as the deputy general manager. Since June 2020, Mr. Zhong has been and is currently serving as an independent non-executive director of Smoore International Holdings Limited (思摩爾國際控股有限公司), which is a company listed on the Stock Exchange (stock code: 06969). Mr. Zhong was designated as a member of Association of Chartered Certified Accountants ("**ACCA**") Southern China Steering Team, a special committee to provide advice to the Guangzhou office of ACCA and promote ACCA's activities and operation in Southern China region, in May 2017.

In July 1993, Mr. Zhong received a bachelor's degree in applied chemistry from the Huaqiao University (華僑大學) in the PRC. He has been a member of the ACCA since August 1999.

Non-executive Directors

Dr. Wang Can (汪燦博士), aged 41, is our non-executive Director. He joined the Group on January 26, 2022 and was appointed as a Director, and was appointed as a non-executive Director on May 21, 2024.

Dr. Wang has extensive experience in private equity investment and financial services. Dr. Wang worked at China National Bluestar (Group) Co, Ltd (中國藍星(集團)股份有限公司) from July 2009 to April 2012 and served as the investment manager of Shenzhen Junfeng Entrepreneur Investment Fund Management Co., Ltd. (深圳市君豐創業投資基金管理有限公司) from August 2012 to July 2013. Since August 2013, Dr. Wang has been working at CMB International Capital Management (Shenzhen) Co., Ltd. (招銀國際資本管理(深圳)有限公司) and is currently serving as an executive director.

Dr. Wang received a bachelor's degree in materials chemistry from Peking University (北京大學) in the PRC in June 2004 and a doctorate degree in physical chemistry from the Peking University (北京大學) in the PRC in July 2009.

Ms. Zhang Yanhong (張彥紅女士), aged 44, is our non-executive Director. She joined the Group on January 26, 2022 and was appointed as a Director, and was appointed as a non-executive Director on May 21, 2024.

Ms. Zhang has extensive experience in private equity investment and financial services. Since September 2003, Ms. Zhang has successively served as a deputy manager, general manager, and the chairperson to the board of Orient State-Owned Capital Investment Operation Co., Ltd. (東方國有資本投資經營有限公司) (formerly Wujiang Orient State-owned Assets Operation Co. Ltd. (吳江市東方國有資產經營有限公司)). Ms. Zhang also served as the general manager of Suzhou Ronghu Industry Investment Development Co., Ltd. (蘇州市融湖產業投資發展有限公司) from June 2019 to September 2020.

Ms. Zhang received a master's degree in administrative management from the East China University of Science and Technology (華東理工大學) in the PRC in March 2010.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Cui Mizi (崔米子女士), aged 45, is our non-executive Director. She joined the Group on September 27, 2023 and was appointed as a Director, and was appointed as a non-executive Director on May 21, 2024.

Ms. Cui has extensive legal and compliance experience. From October 2008 to July 2009, Ms. Cui worked at the Beijing office of Jincheng Tongda & Neal Law Offices (金誠同達律師事務所). Ms. Cui worked at SK (China) Enterprise Management Co., Limited (愛思開(中國)企業管理有限公司) ("**SK China Enterprise**") from July 2009 to August 2014, and Xijie (China) Consulting Co., Ltd. (希傑(中國)諮詢有限公司) from January 2015 to February 2016. Ms. Cui served as the head of the legal and investment management office of SK China Enterprise from November 2016 to December 2024, and has been serving as the vice president of the investment management office since December 2024.

Ms. Cui received a bachelor's degree in law from Beijing Institute of Technology (北京理工大學) in July 2002 and a master's degree in law from Seoul National University in South Korea in August 2007.

Independent non-executive Directors

Mr. Wong Hin Wing, MH, JP **(黃顯榮先生,** 榮譽勳章, 太平紳士**)**, aged 62, is our independent non-executive Director. He joined the Group on May 21, 2024 and was appointed as our independent non-executive Director.

Mr. Wong has extensive experience in corporate management and governance, investment management and advisory as well as accounting and finance. From July 1985 to September 1996, Mr. Wong worked successively as an auditor in an international audit firm for four years and the chief financial officer of a Hong Kong listed company for seven years. Subsequently in 1997, Mr. Wong co-founded Silk Road International Capital Limited (formerly known as Legend Capital Partners, Inc.), a licensed corporation under the SFO, and led the company as an executive director and the responsible officer for 23 years. Since 2020, Mr. Wong has been serving as the partner of Hermitage Capital HK Limited, a private equity firm licensed under the SFO.

At present, Mr. Wong serves as an independent non-executive director of the following companies: (i) Zhaoke Ophthalmology Limited (兆科眼科有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 06622) since April 2021; (ii) Kingmaker Footwear Holdings Limited (信星鞋業集團有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 01170) since January 2023; (iii) C Cheng Holdings Limited (思城控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 01486) since April 2023; and (iv) YNBY International Limited (雲白國際有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 00030) since November 2023.

Mr. Wong served as an independent non-executive director of the following listed companies: (i) CRCC High-Tech Equipment Corporation Limited (中國鐵建高新裝備股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 01786) from November 2015 to October 2022; (ii) Wine's Link International Holdings Limited (威揚酒業國際控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 08509) from December 2017 to March 2023; (iii) Inner Mongolia Yitai Coal Co., Ltd. (內蒙古伊泰煤炭股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 900948) and delisted from the Hong Kong Stock Exchange in August 2023 (stock code: 03948) from May 2017 to May 2023; (iv) Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (廣州白雲山醫藥集團股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 00874) and Shanghai Stock Exchange (stock code: 600332) from June 2017 to May 2023; and (v) Jiangxi Bank Co., Ltd. (江西銀行股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 01916) from February 2018 to August 2024.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

In addition to the above, Mr. Wong has been a member of Anhui Provincial Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議安徽省委員會委員) since January 2013. He has also been a panel member of the Accounting and Financial Reporting Review Tribunal since October 2019, a member of the Betting and Lotteries Commission since August 2019, a member of the Medical Council of Hong Kong since January 2021, and a member of Advisory Committee on Enhancing Self-Reliance Through District Partnership (ESR) Programme since July 2022. Mr. Wong has also been a member of the board of directors of Ocean Park Corporation since July 2022.

Mr. Wong received a master's degree in Executive Business Administration (EMBA) from the Chinese University of Hong Kong in Hong Kong in December 1996. Mr. Wong has been a fellow member of the Hong Kong Institute of Certified Public Accountants since July 1995, a fellow member of the Association of Chartered Certified Accountants since July 1992, a fellow member of the Institute of Chartered Accountants in England and Wales since March 2015, a fellow member of the Hong Kong Institute of Directors since April 2002, a member of the Chartered Governance Institute since June 1995, a member of the American Institute of Certified Public Accountants since February 1991, and a chartered member of Chartered Institute for Securities and Investment since March 2011. Mr. Wong was awarded the Medal of Honour and appointed Justice of the Peace by the Government of the Hong Kong Special Administrative Region in July 2021 and July 2024 respectively.

Dr. Yi Jiming (易繼明博士), aged 57, is our independent non-executive Director. He joined the Group on May 21, 2024 and was appointed as our independent non-executive Director.

Dr. Yi has extensive academic and legal experience. Dr. Yi was a professor at the faculty of law of Huazhong University of Science and Technology (華中科技大學) in the PRC. He was also a visiting scholar and an Edwards Fellow of Columbia Law School in the United States from 2005 to 2006. Dr. Yi has been a professor at the faculty of law of Peking University (北京大學) since August 2011.

At present, Dr. Yi is serving and has served as an independent director of Huaneng Guicheng Trust Corp., Ltd. (華能貴誠信託有限公司) since May 2024 and Ping An Securities Company Limited (平安證券股份有限公司) since November 2022. Dr. Yi is currently serving as the Vice Chairman of the Fifth Council of China Trademark Association (中華商標協會) and Vice Chairman of the Eighth Council of the China Intellectual Property Research Society (中國知識產權研究會).

Dr. Yi received a master's degree in law and a doctorate degree in law from Peking University (北京大學) in the PRC in 1999 and 2002, respectively.

Dr. Yang, Simon Shi-Ning (楊士寧博士), aged 65, is our independent non-executive Director. He joined the Group on May 21, 2024 and was appointed as our independent non-executive Director.

Dr. Yang has extensive experience in the semiconductor industry. Dr. Yang is currently the chairman of the board of Wuhan Xinxin Integrated Circuit Manufacturing Holding Co., Ltd (武漢新芯集成電路股份有限公司). Prior to that, Dr. Yang served at a number of renowned semiconductor companies, including successively serving as the senior vice president of technology development and manufacturing, and the chief operating officer at Semiconductor Manufacturing International Corporation (中芯國際集成電路製造有限公司) (a company listed on both the Hong Kong Stock Exchange and the Shanghai Stock Exchange, stock code: 00981 and stock code: 688981, respectively), and the chief technology officer and senior vice president of Chartered Semiconductor Manufacturing, Inc.

Dr. Yang received a bachelor's degree from Shanghai University of Science and Technology (上海科學技術大學) in the PRC and a doctoral degree from Rensselaer Polytechnic Institute in the United States.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Dr. Chan, Philip Ching Ho (陳正豪博士), aged 75, is our independent non-executive Director. He joined the Group on May 21, 2024 and was appointed as our independent non-executive Director.

Dr. Chan has extensive semiconductor-related academic research experience. He commenced his career in University of Illinois, Urbana-Champaign and served as a visiting assistant professor from 1978 to 1981. From 1981 to 1991, he worked at Intel Corporation, a company listed on the NASDAQ Stock Market (ticker symbol: INTC), where he last served as a principal engineer and senior project manager. Dr. Chan joined the Hong Kong University of Science and Technology in April 1991 and served as a professor and the head of the Department of Electronic and Computer Engineering, the director of Nanoelectronics Fabrication Facility and the dean of the School of Engineering. From March 2010 to February 2020, he served as a deputy president and provost at the Hong Kong Polytechnic University. From his retirement in September 2020 to August 2021, he served as a senior advisor to the president and provost of the Hong Kong Polytechnic University and has served as a senior advisor to the deputy president and provost of the Hong Kong Polytechnic University since September 2021. From April 2023 to August 2024, he has been a team leader (special duty) at the Innovation and Technology Commission of the Hong Kong Government. Since September 2024, he has been a chairman of board of Microelectronics Research and Development Institute of the Hong Kong Government.

At present, Dr. Chan serves as an independent non-executive director of Solomon Systech (International) Limited (晶門半導體有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 2878), since December 2020. He is also the founder and non-executive director of APT Electronics Co., Ltd. (廣東晶科電子股份有限公司) a company listed on the Hong Kong Stock Exchange (stock code: 2551).

Dr. Chan received a bachelor of science in electrical engineering from University of California at Davis in June 1973 in the United States, his master of science in electrical engineering and doctor in electrical engineering both from University of Illinois at Urbana-Champaign in the United States in October 1975 and October 1978, respectively. He has been a fellow member of the Hong Kong Institution of Engineers since December 1995. He was qualified as a fellow of the Institute of Electrical and Electronics Engineering in January 2007 and a fellow of the Hong Kong Academy of Engineering Sciences in December 2013. He was awarded the Bronze Bauhinia Star by the Hong Kong Government in Hong Kong in July 2013. From October 2008 to October 2016, Dr. Chan served as a director of the Hong Kong Applied Science and Technology Research Institute. He currently also serves as a professor emeritus at the Hong Kong Polytechnic University and the Hong Kong University of Science and Technology.

SUPERVISORS

Dr. Huang Xi (黃喜博士), aged 41, has served as our Shareholders' representative Supervisor since September 2023.

Prior to joining the Group, Dr. Huang worked at the Alcatel-Lucent Shanghai Bell Co., Ltd. (上海貝爾股份有限公司) from July 2012 to November 2013 with his last position as research scientist, and served as a senior system architecture engineer of Huawei Technology Co., Ltd. (華為技術有限公司) from November 2013 to July 2018. Since July 2018, Dr. Huang has served as an executive director of Hainan Huaye Hope Investment Co., Ltd. (海南華業希望投資有限公司), a subsidiary of Shenzhen Huaye Tiancheng Investment Co., Ltd. (深圳華業天成投資有限公司).

Dr. Huang received a bachelor's degree in physics and a doctorate degree in electronic science and technology from the Huazhong University of Science and Technology (華中科技大學) in the PRC in June 2007 and June 2012, respectively.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Ren Weifeng (任衛峰先生), aged 54, has served as our Shareholders' representative Supervisor since April 2024.

Mr. Ren is currently the chairman of the board of directors of Wuhan Optics Valley New Technology Industry Investment Co., Ltd. (武漢光谷新技術產業投資有限公司) ("**Optics Valley Investment**"). He joined Optics Valley Investment as a deputy general manager in June 2016. Prior to joining Optics Valley Investment, Mr. Ren worked at Wuhan Aqualite Co., Ltd. (迪源光電股份有限公司).

Mr. Ren obtained a college degree in accounting (correspondence program) from Zhongnan University of Economics (中南財經大學) in the PRC in July 1991. Mr. Ren obtained a certification of accountant by the Ministry of Personnel of the People's Republic of China (中華人民共和國人事部) in May 1997.

Mr. Peng Xingguo (彭星國先生), aged 62, has served as our Shareholders' representative Supervisor since January 2021.

Prior to joining the Group, Mr. Peng worked at the Science and Technology Commission of Guangdong Province (廣東省科學技術委員會) from July 1988 to February 1998. Mr. Peng joined Guangdong Science and Technology Venture Capital Co., Ltd. (廣東省科技風險投資有限公司) in March 1998 and later served as the deputy general manager of its subsidiary Guangdong Technology Venture Capital Co., Ltd. (廣東省粵科風險投資集團有限公司) from September 2003 to June 2015. Since July 2015, Mr. Peng has been and is currently serving as chairperson of the board of Guangdong Publics Innovation and Venture Capital Management Co., Ltd. (廣東國民創新創業投資管理有限公司).

Mr. Peng received a bachelor's degree in physics from South China Normal University (華南師範大學) in July 1985 and a master's degree in engineering from South China University of Technology (華南理工大學) in the PRC in July 1988.

Ms. Lai Guangyi (賴廣禕女士), aged 47, our employees' representative Supervisor, joined our Group in February 2017 as our employee incentive affairs manager and was appointed as our employees' representative Supervisor in May 2024.

Prior to joining the Group, Ms. Lai served at Citi Data Processing (Shanghai) Co., Ltd. Zhuhai Branch (花旗數據處理(上海)有限公司珠海分公司) from March 2006 to July 2012 and Shanghai Citibank Data and Technology Services Company Zhuhai Branch (上海花旗數據與技術股務有限公司珠海分公司) from July 2012 to December 2013 with her last position as a customer service team leader of the operation department, and served at the East China Architectural Design Institute (華東建築設計研究院有限公司) as an administrative manager from April 2015 to February 2017.

Ms. Lai received a bachelor's degree in management (correspondence program) from Guangxi Minzu Academy (廣西民族學院) in the PRC in June 2003. Ms. Lai has obtained certifications including the Level 2 Human Resources Manager and Level 3 Psychological Counsellor awarded by the Ministry of Human Resources and Social Security (人力資源和社會保障部) in the PRC.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Ke Shanyong (柯善勇先生), aged 42, joined our Group in October 2020 as a sales director and was appointed as our employees' representative Supervisor in May 2024.

Prior to joining the Group, Mr. Ke served as a business manager of Power Integrations, Inc. (a company listed on the NASDAQ Stock Market (ticket symbol: POWI) from September 2012 to March 2016, a sales manager of Shenzhen Core Technology Co., Ltd. (深圳芯科科技有限公司), a subsidiary of Silicon Laboratories Inc. (a company listed on the NASDAQ Stock Market (ticket symbol: SLAB), from April 2016 to November 2016, and a senior marketing manager and sales manager of NXP (China) Management Co., Ltd. Shenzhen Branch (恩智浦(中國)管理有限公司深圳分公司), a subsidiary of NXP Semiconductors N.V. (a company listed on the NASDAQ Stock Market (ticket symbol: NXPI), from December 2016 to March 2019.

Mr. Ke received a master's degree in communication and information systems from Huazhong University of Science and Technology (華中科技大學) in the PRC in July 2007.

SENIOR MANAGEMENT

For details of the biographies of Dr. Wu Jingang and Mr. Zhong Shan, see "—Executive Directors."

Mr. Ni Jinghua (倪景華先生), aged 47, is our deputy general manager, responsible for R&D of the Group. Mr. Ni joined the Group in January 2023.

Mr. Ni has extensive experience in semiconductor technology industry. Prior to joining the Group, from June 2002 to June 2021, Mr. Ni served as the technical research and development director of Semiconductor Manufacturing (Shanghai) International Corporation (中芯國際集成電路製造(上海)有限公司). Mr. Ni served as the deputy general manager of process business department of Shandong Chanyan and Longshan Microelectronics from July 2021 to September 2022 and from September 2022 to December 2022, respectively.

Mr. Ni received a bachelor's degree in management engineering from Wuhan University of Technology (武漢理工大學) in June 2001, and a master's degree in software engineering from the Shanghai Jiao Tong University (上海交通大學) in the PRC in June 2008.

Mr. Li Xinhua (李新華先生), aged 45, is our deputy general manager, responsible for manufacturing of the Group. Mr. Li joined the Group in May 2020 and served in various positions, including as the factory director of Inno Zhuhai from May 2020 to November 2022.

Mr. Li has extensive experience in semiconductor technology industry. Prior to joining the Group, Mr. Li served at Semiconductor Manufacturing (Beijing) International Corporation (中芯國際集成電路製造(北京)有限公司) from June 2006 to April 2014 and Semiconductor Manufacturing North China (Beijing) Corporation (中芯北方集成電路製造(北京)有限公司) from May 2014 to April 2020 with his last position as the senior manager.

Mr. Li received a bachelor's degree in material science and engineering from the Shanghai Jiao Tong University (上海交通大學) in the PRC in July 2002, and a master's degree in software engineering domain engineering from the Peking University (北京大學) in the PRC in January 2015.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Chen Yulin (陳鈺林先生), aged 44, is our deputy general manager, responsible for product operations of the Group. Mr. Chen joined the Group in November 2017 as the marketing and sales deputy general manager of the Group. Since May 2021, Mr. Chen has been and is currently serving as our deputy general manager of product applications department.

Mr. Chen has extensive experience in the semiconductor industry. Prior to joining the Group, Mr. Chen worked at a number of companies in the field of power semiconductors, including serving as a field application engineer (FAE) senior manager of Efficient Power Conversion Corporation (宜普電源轉換公司).

Mr. Chen received a bachelor's degree in electrical engineering and automation (remote learning) from Hebei University of Engineering (河北工程大學) in the PRC in June 2015.

JOINT COMPANY SECRETARIES

Ms. Liu Lihua (劉麗華女士), aged 51, is our joint company secretary. Ms. Liu joined the Group in January 2024 as the secretary of the Board.

Ms. Liu has solid experience in corporate management and operations. From July 2006 to September 2018, she served as the director of the Investment Banking Department of China Merchants Securities Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600999), responsible for the equity capital markets practice. She also has successively served as the finance director, director, vice president and board secretary of Eastroc Beverage (Group) Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 605499), from October 2018 to December 2023.

Ms. Liu obtained a master's degree in business administration from Sichuan University (四川大學) in the PRC in June 2004, and obtained an executive master's degree in business administration from PBC School of Finance of the Tsinghua University (清華大學) in the PRC in December 2024.

Mr. Chung Ming Fai (鍾明輝先生), aged 46, is our joint company secretary. He has over 20 years of experience in corporate secretary, mergers and acquisitions, financial reporting and auditing. Mr. Chung served as an audit junior at Henny Wee & Co., CPA from March 2004 to October 2004, an audit semi-senior at K.W. Lau CPA Limited from November 2004 to January 2008. Mr. Chung then served at KPMG from January 2008 to August 2011 with his last position as an audit manager, and at Sandmartin International Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 00482), from September 2011 to October 2021 with his last position as the head of project management. Mr. Chung has been serving in the corporate secretarial department of SWCS Corporate Services Group (Hong Kong) Limited since June 2022, and is mainly responsible for managing the company secretarial and compliance work for companies listed on the Hong Kong Stock Exchange.

Mr. Chung is currently a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. He obtained his bachelor's degree in commerce from the Australian National University in December 2003.

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

Save as disclosed in this annual report, there has been no change in the information of Directors, Supervisors and chief executive required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the issue of the Prospectus.

CORPORATE GOVERNANCE REPORT

The Board hereby presents its report on corporate governance for the period ended December 31, 2024 from the Listing Date.

CORPORATE CULTURE

As the first company in the world to achieve mass production of 8-inch Gallium Nitride on Silicon ("GaN-on-Si") wafers and the only company that offers a full voltage spectrum of GaN-on-Si semiconductor products on industrial scale, we believe that corporate culture is an essential foundation for our continued growth, technology innovation and advancement, and the consolidation of our leading position in the gallium nitride semiconductor industry. The Group is committed to building a sound corporate culture and ensuring that it is highly aligned with the objectives, values and strategies of the Group. In our daily operation, we have established a scientific and effective incentive mechanism, using quarterly and annual communication meetings as a vehicle to reward outstanding employees who have made outstanding contributions to the Company's development and comply with the corporate culture. Through remuneration incentives and talent promotion, we make our employees feel that their efforts and contributions are recognized and valued. In terms of employee growth, we provide tailor-made learning and enhancement programmes and growth opportunities for employees during their employment, organize internal and external lecturers to teach and share, conduct regular training at the company and departmental levels, and organize tailor-made learning groups for specialized exchanges, so as to promote employees' continuous learning and progress during their employment. It is one of the important guarantees for the Company's long-term development for each employee to comply with legal requirements and ethical norms in the Company's business practices. Taking honesty and trustworthiness as the principle of work practice, all employees of the Company have built an excellent enterprise as good as our products, to continue to provide customers with high-quality products and high standards of services, thus engaging every customer with sincerity and creating moments that resonate.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance to safeguard the interests of Shareholders and enhance corporate value and accountability. The Company has adopted the Corporate Governance Code, setting out the principles of good corporate governance. To the best knowledge of the Directors, the Company has complied with all code provisions set out in Part 2 of the Corporate Governance Code for the period from the Listing Date up to December 31, 2024.

The Board will continue to review and monitor the Company's corporate governance practices to ensure compliance with the Corporate Governance Code and maintain high standards of corporate governance practices.

CORPORATE GOVERNANCE REPORT

THE BOARD

Composition of the Board

As of December 31, 2024 and as at the Latest Practicable Date, the Board comprises 11 Directors, including 4 executive Directors, 3 non-executive Directors and 4 independent non-executive Directors. The Directors serve a term of three years and are eligible for re-election. The members of the Board are set out below:

Executive Directors
Dr. Weiwei Luo *(Chairperson of the Board)*
Mr. Jay Hyung Son
Dr. Wu Jingang *(Chief executive officer)*
Mr. Zhong Shan *(Chief financial officer)*

Non-executive Directors
Dr. Wang Can *(with a term ending July 30, 2026)*
Ms. Zhang Yanhong *(with a term ending July 30, 2026)*
Ms. Cui Mizi *(with a term ending July 30, 2026)*

Independent non-executive Directors
Mr. Wong Hin Wing, MH, JP
Dr. Yi Jiming
Dr. Yang, Simon Shi-Ning
Dr. Chan, Philip Ching Ho

Biographical details of the Directors are set out in the section headed "Directors, Supervisors and Senior Management" in this annual report.

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on May 21, 2024 and May 28, 2024 (as the case may be), (ii) understands his or her obligations as a director of a listed issuer; and (iii) understands the requirements under the Listing Rules that are applicable to him or her as a director of a listed issuer under the Listing Rules and the possible consequences of making a false declaration or giving false information to the Stock Exchange. There are no other relationships (including financial, business, family or other material/relevant relationships) among members of the Board.

CORPORATE GOVERNANCE REPORT

Primary Duties of the Board

According to the Articles of Association, the primary duties of the Board include convening the general meetings and reporting on its work to the general meetings; implementing the resolutions passed in the general meetings; deciding on the Company's business plans and investment proposals; formulating the Company's proposed annual financial budget and final accounts; formulating the Company's profit distribution proposals and loss recovery proposals; formulating proposals for the increase or reduction of the Company's registered capital and the issuance of corporate bonds; preparing plans for the merger, division, dissolution and change in the form of the Company; formulating the Company's basic management system; and exercising any other power under the Articles of Association or authorized by the general meetings.

The Board is responsible for the leadership and control of the Company and oversees the business, strategic decisions and performance of the Group, and is jointly responsible for directing and supervising the affairs of the Company with a view to promoting its successful development. The Board, directly and indirectly through its committees, formulates strategies and oversees their implementation, provides guidance and direction to the management, oversees the operational and financial performance of the Group and ensures internal control and risk management systems are well-established. The day-to-day management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are reviewed regularly by the Board. The management is required to obtain the approval of the Board before entering into any material transactions.

All Directors (including non-executive Directors and independent non-executive Directors) bring extensive and valuable experience, expertise and professionalism to the Board, enabling it to operate efficiently and effectively. All Directors have full and timely access to all information of the Company and may seek independent professional advice where appropriate upon request, and any expenses incurred by the Directors in discharging their duties to the Company shall be born by the Company.

Chairperson of the Board and Chief Executive Officer

During the period from the Listing Date up to December 31, 2024, the chairperson of the Board and chief executive officer of the Company are held by different persons. The chairperson of the Board of the Company is Dr. Weiwei Luo and the chief executive officer is Dr. Wu Jingang. The chairperson of the Board leads the overall business development and strategic planning of the Group, as well as the day-to-day work of the Board, and supervises and reviews the implementation of Board resolutions, while the chief executive officer, under the leadership of the Board, presides over the overall business development and operation of the Group. The Articles of Association provides for a clear written division of responsibilities between the chairperson and the general manager. The Company has complied with provision C.2.1 of the Corporate Governance Code.

CORPORATE GOVERNANCE REPORT

Board Independence Mechanism

The Company recognises the independence of the Board is essential to good corporate governance and the effective operation of the Board. The Board has put in place a mechanism to ensure that the independent views and suggestions of any Director are communicated to the Board to enhance the objectivity and effectiveness of decision-making.

Directors are free to express their views at Board meetings and important decisions are made only after thorough discussions. Where the Directors consider it necessary to seek advice from independent professional organisations, they may, in accordance with the procedures, engage independent professional organisations at the Company's expense. Where a Director has an interest in a matter proposed by the Board, the relevant Director is required to abstain from discussion and voting on the relevant resolution, and he/she shall not be counted in the quorum for voting on the resolution. In addition, the independent non-executive Directors are required to give objective and impartial independent opinions on matters discussed by the Company. As the independent non-executive Directors of the Company do not hold any positions other than directorships in the Company or have any relationships with the Company and its substantial Shareholders that may influence their independent and objective judgement, nor have any business or financial interests in the Company and its subsidiaries, the participation of the independent non-executive Directors effectively ensures that the Board has a strong and sufficient element of independence. Relevant provisions on the Board decision-making mechanism to avoid conflicts of interest are set out in the Articles of Association.

During the period from the Listing Date up to December 31, 2024, the Board has complied with the above relevant requirements and the above mechanism has been effective in providing the Board with independent views and opinions. The Board will review the implementation and effectiveness of the above mechanism annually.

Independence of Independent Non-executive Directors

The Company has received confirmation from each of the independent non-executive Directors that (i) he/she is independent in respect of each of the factors set out in Rules 3.13(1) to (8) of the Listing Rules; (ii) as of the Latest Practicable Date, he/she had no past or present financial or other interest in the business of the Company's former subsidiaries or any connection with any of the Company's core connected persons pursuant to the Listing Rules; and (iii) there are no other factors that may affect their independence at the time of their appointment. The Company considers that all the independent non-executive Directors meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules and are independent.

Directors' Training and Professional Development

Pursuant to code provision C.1.4 of the Corporate Governance Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. The Company focuses on the continuous professional development of the Directors, and arranges adequate training programmes and encourages the Directors to participate in such training to ensure that they have a proper understanding of the business and operations of the Company as well as a full understanding of the duties and responsibilities of the Directors under the Listing Rules and relevant legal requirements.

During the Reporting Period, the Company organised training programmes given by qualified professionals/legal advisers to all Directors on topics including the duties and responsibilities of Directors and listing compliance. In addition, the Company has provided relevant reading materials including the duties and responsibilities of Directors and the relevant regulations for Hong Kong listed companies to all Directors for their reference and learning.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS AND GENERAL MEETINGS

The Company was listed on the Stock Exchange on December 30, 2024. During the period from the Listing Date up to December 31, 2024, the Company did not hold Board meetings and general meetings. The Board will disclose the relevant meetings in the next annual report as required by the Corporate Governance Code.

BOARD COMMITTEES

Our Company has formed three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authorities and duties. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

Audit Committee

The Audit Committee consists of three Directors, namely Mr. Wong Hin Wing, MH, JP, Dr. Yi Jiming and Dr. Chan, Philip Ching Ho, all being independent non-executive Directors, and the chairperson of the committee is Mr. Wong Hin Wing, MH, JP. Mr. Wong Hin Wing, MH, JP holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit Committee include, without limitation, the following:

(a) to be responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to deal with any issues related to its resignation or dismissal;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

(c) to develop and implement policy on engaging an external auditor to supply non-audit services;

(d) to monitor the Company's internal audit systems and ensuring the implementation of such systems;

(e) to facilitate communications between the internal audit department and the external auditor;

(f) to review the financial information and relevant disclosures of the Company; and

(g) to monitor the Company's financial reporting system, risk management and internal control systems.

The Company was listed on the Stock Exchange on December 30, 2024. During the period from the Listing Date up to December 31, 2024, no Audit Committee meeting was held. The Board will disclose the relevant meetings in the next annual report as required by the Corporate Governance Code.

The Audit Committee has reviewed the annual results and the annual report of the Company for 2024 and the audited consolidated financial statements for the year ended December 31, 2024 which was prepared in accordance with HKFRSs.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The Remuneration Committee consists of three Directors, namely Dr. Yang, Simon Shi-Ning, being an independent non-executive Director, Dr. Weiwei Luo, being an executive Director, and Dr. Chan, Philip Ching Ho, being an independent non-executive Director, and the chairperson of the committee is Dr. Yang, Simon Shi-Ning. Dr. Yang, Simon Shi-Ning serves as the chairperson of the Remuneration Committee. The primary duties of the Remuneration Committee include, without limitation, the following:

(a) to consider the assessment criteria of the Company's Directors and senior management, and conduct annual performance appraisal;

(b) to consider and review the remuneration policies and proposals of the Company's Directors and senior management in accordance with the corporate policies and objectives set by the Board and the positions, duties and scope of work of the Directors and senior management with reference to the remuneration levels of relevant positions in the same region, of the same industry or among the competitors;

(c) to monitor specific implementation of the Company's remuneration proposals;

(d) to make recommendations to the Board on the remuneration packages of individual executive directors, non-executive directors and senior management;

(e) to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules; and

(f) to handle other matters authorized by the Board.

The Company was listed on the Stock Exchange on December 30, 2024. During the period from the Listing Date up to December 31, 2024, no Remuneration Committee meeting was held. The Board will disclose the relevant meetings in the next annual report as required by the Corporate Governance Code.

CORPORATE GOVERNANCE REPORT

Nomination Committee

The Nomination Committee consists of three Directors, namely Dr. Weiwei Luo, being an executive Director, Dr. Yi Jiming and Dr. Yang, Simon Shi-Ning, both being independent non-executive Directors, and the chairperson of the committee is Dr. Weiwei Luo. Dr. Luo serves as the chairperson of the Nomination Committee. The primary duties of the Nomination Committee include, without limitation, the following:

(a) to review the structure, diversified size and composition of the Board at least annually in accordance with specific circumstances such as the characteristics of the shareholding structure of the Company;

(b) to consider the selection criteria and procedures for Directors and executives, to identify suitably qualified candidates and make recommendations to the Board;

(c) to identify qualified candidates for Directors and executives extensively;

(d) to assess the independence of independent non-executive Directors;

(e) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors (in particular chairperson and chief executive officer); and

(f) to handle other matters authorized by the Board.

The Company was listed on the Stock Exchange on December 30, 2024. During the period from the Listing Date up to December 31, 2024, no Nomination Committee meeting was held. The Board will disclose the relevant meetings in the next annual report as required by the Corporate Governance Code.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural and educational background, ethnicity and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board.

For the purpose of implementation of the board diversity policy, we have the following measurable objectives:

1. at least one third of the Directors shall be independent non-executive Directors;

2. at least one Director is female; and

3. the Nomination Committee must include at least one director of a different gender.

For the year ended December 31, 2024, all the measurable objectives have been fulfilled.

Our Board currently consists of eight male members and three female members, with four executive Directors, three non-executive Directors and four independent non-executive Directors, of ages ranging from 41 to 75. We consider that our Board has a balanced mix of skill-set including AI technology, healthcare, management, mathematics, accounting etc., experience, expertise, and diversity which enhances decision-making capability and the overall effectiveness of the Board in achieving sustainable business operation and enhancing shareholder value. In addition, our senior management team currently consists of two male members and one female member.

The Nomination Committee is responsible for reviewing the structure and diversity of the Board and selecting individuals to be nominated as Directors. The Nomination Committee will monitor and evaluate the implementation of the board diversity policy from time to time to ensure its continued effectiveness, and when necessary, make any revisions that may be required and recommend such revisions to our Board for consideration and approval.

WORKFORCE DIVERSITY

As of the end of the Reporting Period, the gender diversity of the Group's employees (including senior management) was generally balanced in the industry, with the gender ratio of 29.84% female to 70.16% male. The Group is committed to a fair, respectful and inclusive work environment, and strives to increase the proportion of female employees to 50%. Our decisions regarding hiring, training, promotion, dismissal and retirement policies do not consider age, gender, race, national origins, international origins, religion, marital status, family status or any other non-job-related factors. We will continue to strive to achieve the proper balance of diversity in our workforce. We pay attention to the mental health and development of every employee, as well as the physical and mental health of female employees and special groups, and organize a rich variety of social activities so as to enhance teamwork, communication and exchange and improve work efficiency and collective cohesion. We have established open and diversified communication channels and feedback mechanisms, set up feedback mailboxes, organized employee seminars, and conducted one-to-one interviews and satisfaction surveys, so that employees can freely express their ideas and suggestions. We will continue to endeavor to achieve an appropriate balance in employee diversity. During the Reporting Period, there were no unfavorable factors or circumstances that made it more challenging or impractical to achieve gender diversity in the workforce, including the Board, senior management and other employees.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as the code of conduct for securities transactions by Directors and Supervisors. As the Model Code is not applicable before the Listing Date, having made specific enquiry of all Directors and Supervisors, each of the Directors and Supervisors acknowledged that they had complied with the Model Code from the Listing Date and up to the end of the Reporting Period.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended December 31, 2024. The statement of the auditors regarding their responsibility for the financial statements is set out in the Independent Auditor's Report of this Annual Report.

The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubts upon the Company's ability to continue as a going concern.

AUDITOR'S REMUNERATION

The remuneration of KPMG, the Company's external auditor, in respect of audit and non-audit services for the year ended December 31, 2024 is as follows:

Type of services	**Fees paid/payable** (RMB in thousands)
Audit and audit related services	2,160
Non-audit services	0
Total	2,160

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

CORPORATE GOVERNANCE REPORT

Shareholders may submit proposals at a general meeting of the Company for consideration in accordance with the Articles of Association. Pursuant to Article 48 of the Articles of Association, Shareholders individually or jointly holding more than 10% of the Shares of the Company shall have the right to request the Board to convene an extraordinary general meeting and to include any proposed resolutions in the agenda of the meeting, which shall be submitted in writing to the Board, to require the Board to convene an extraordinary general meeting to deal with any matters specified in the relevant request. The Board shall, in accordance with the provisions of laws, administrative regulations and the Articles of Association, provide its feedback in writing on whether or not it agrees to convene the extraordinary general meeting within 10 days upon receipt of such request.

If the Board agrees to convene the extraordinary general meeting, a notice of the general meeting shall be given within 5 days after a resolution of the Board is approved, and any changes to the original request set out in the notice shall be subject to the consent of relevant Shareholders. If the Board disagrees to convene the extraordinary general meeting or fails to provide feedback within 10 days upon receipt of such request, Shareholders individually or jointly holding more than 10% of the shares of the Company shall have the right to propose to the Supervisory Committee to convene the extraordinary general meeting, and shall submit the request in writing to the Supervisory Committee.

If the Supervisory Committee agrees to convene the extraordinary general meeting, a notice of the general meeting shall be given within 5 days upon receipt of such request, and any changes to the original request set out in the notice shall be subject to the consent of relevant Shareholders. If the Supervisory Committee fails to give a notice of the general meeting within the prescribed period, the Supervisory Committee shall be deemed to be failing to convene and preside over the general meeting, and Shareholders individually or jointly holding more than 10% of the Shares of the Company for more than 90 consecutive days may convene and preside over the meeting on their own.

Pursuant to Article 52 of the Articles of Association, the Board, the Supervisory Committee and Shareholders individually or jointly holding more than 1% of the Shares of the Company have the right to put forward proposals to the Company.

Shareholders individually or jointly holding more than 1% of the Shares of the Company may put forward an interim proposal and submit it in writing to the convener no later than 10 days prior to the date of the general meeting. The convener shall issue a supplemental notice of the general meeting within 2 days upon receipt of such proposal to announce the content of the interim proposal. For the issuance of the supplemental notice of the general meeting, if the securities regulatory rules of the place where the Company's Shares are listed specify otherwise, the provisions thereof shall prevail provided that they do not contravene the Company Law and the Securities Law. In the event that the general meeting has to be postponed due to the issuance of the supplemental notice of the general meeting in accordance with the securities regulatory rules of the place where the Company's Shares are listed, the general meeting shall be postponed in accordance with the securities regulatory rules of the place where the Company's Shares are listed.

Shareholders may also at any time send their written enquiries by post together with their contact details, such as receiving address or email address, to the Company's registered office at No. 98 Xinli Road, Beishe, Lili Town, Wujiang District, Suzhou City, Jiangsu Province, the PRC, or by email to the Company via its email address at boardoffice@innoscience.com.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company believes effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies.

The Company discloses information and publishes periodic reports and announcements to the public on the Stock Exchange's website in a timely manner in accordance with the Listing Rules, the relevant laws and regulations. The primary focus of the Company is to ensure information disclosure is timely, fair, accurate, truthful and does not contain any material omission, thereby enabling Shareholders, investors as well as the public to make rational and informed decisions.

The Company has established a Shareholders' communication policy and the policy aims at promoting effective communication with Shareholders and other stakeholders, encouraging Shareholders to engage actively with the Company and enabling Shareholders to exercise their rights as Shareholders effectively. The Board shall review it on a regular basis to ensure its effectiveness. The Company communicates with the Shareholders and/or potential investors mainly in the following ways: (i) the Company has set up an investor relations section on its website, where investors can make timely enquiries on the regular reports and announcements of the Company, and be updated with the business dynamics and major developments of the Company; (ii) the Company has also set up a special mailbox boardoffice@innoscience.com to receive enquiries from investors and provides timely feedback on its business development information; and (iii) the management and investor relations department of the Company maintain smooth communication with Shareholders through regular results analysis meetings, investor researches and other communication activities.

The Company has reviewed and considered the implementation of the Shareholders' communication policy to be effective during the period from the Listing Date and up to the end of the Reporting Period due to the measures taken by the Company to establish various channels for Shareholders' communication and to respond to Shareholders' enquiries, if any.

ARTICLES OF ASSOCIATION

The Articles of Association is available at the Company's website and the website of Hong Kong Stock Exchange. From the Listing Date and up to the end of the Reporting Period, the Company has not made any changes to the Articles of Association.

RISK MANAGEMENT AND INTERNAL CONTROL

We have in place a robust risk management and internal control system. We adopted and continually improve our internal control mechanisms to ensure the compliance of our business operations. Furthermore, the Board acknowledges it is responsible for the risk management and internal control systems and reviewing the adequacy and effectiveness the risk management and internal control systems of the Company, which are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, facilitate effective and efficient operations, provide reasonable assurance regarding the reliability of financial reporting and compliance with applicable laws and regulations and safeguard the assets of the Company. The Board can only give reasonable and not absolute assurance against material misrepresentation or loss. We regularly and at least annually review and examine the implementation of risk management policies and internal controls to ensure that they are effective and adequate.

CORPORATE GOVERNANCE REPORT

We are dedicated to upholding the legal compliance of our operations and management, safeguarding assets and ensuring the accuracy and completeness of financial reports and related information. Our commitment extends to enhancing operational efficiency and effectiveness, thereby fostering the achievement of the Company's strategic development goals. We established an internal audit department tasked with independent audit and supervision of the business operations and internal control of the Company and its subsidiaries in accordance with laws, rules and regulations and the Articles of Association, and under the principles of objectivity, impartiality and prevention.

To monitor the ongoing implementation of our risk management policies and identify, assess and manage significant risks, the Audit Committee reviews and oversees our financial reporting process and internal control systems on an ongoing basis to ensure that our internal control systems are effective in identifying, managing and mitigating the risks involved in our business operations. Our internal audit department is responsible for reviewing the effectiveness of internal controls and reporting on issues identified, and continually identifying internal control failures and deficiencies to improve our internal control systems and procedures. The internal audit department reports any significant issues identified to the Audit Committee and the Board in a timely manner.

For the purpose of the Reporting Period, the Board, through the Audit Committee, conducted a review of the risk management and internal control systems of the Company and received confirmation from the management of the Company on the effectiveness of our risk management and internal control systems. Based on the above review and confirmation, the Board considered that the risk management and internal control systems of the Company were effective and adequate.

Operational Risk Management

Operational risk refers to the risk of direct or indirect financial loss resulting from incomplete or problematic internal processes, personnel mistakes, IT system failures or external events. We have established a series of internal procedures to manage such risk.

We take a comprehensive approach with regard to operational risk management and implement a mechanism with detailed and decentralized responsibilities and clear rewards and punishment systems. Our information technology, human resources, finance and operations departments are collectively responsible to ensure the compliance of our operations with internal procedures. In the event of a material adverse event, the matter will be escalated to our chief executive officer to take appropriate measures. Through effective operational risk management, we expect to control operational risks within a reasonable range by identifying, measuring, monitoring and containing operational risks to reduce potential losses.

Compliance Risk Management

Compliance risk refers to the risk of being subject to legal and regulatory sanctions, and the risk of major financial and reputational losses as a result of our failure to comply with relevant laws, regulations, rules and guidelines.

Compliance risk management refers to the dynamic management processes by which we effectively identify and manage compliance risks and proactively prevent the occurrence of risk events. We have established sound compliance risk management procedures to achieve effective identification and management of compliance risk, and ensure that our operations are in compliance with applicable laws and regulations.

CORPORATE GOVERNANCE REPORT

In accordance with such procedures, our legal department carefully reviews the contracts we enter into with customers and suppliers. Before entering into any contracts or business arrangements, our legal department reviews the contract terms and examines related documents, including all necessary due diligence materials and licenses and permits obtained by the other party to fulfill its obligations under the relevant contract.

In addition, we continually monitor changes in relevant laws and regulations as well as the regulatory environment to ensure compliance in our business operations. We delegate the responsibility of monitoring compliance in specific business areas to representatives from those areas. In addition, we have an internal control department that continuously supervises compliance efforts within departments and reports to our chief executive officer. We also have an internal audit department that regularly evaluates and supervises our compliance efforts and reports to our general manager and the Board.

Intellectual Property Risk Management

As a knowledge- and technology-intensive company, we have been and may continue to be subject to claims from companies holding patents or other intellectual property rights, alleging infringement of such rights or otherwise asserting their rights and urging us to obtain licenses in the course of our operations. To ensure proper management of our intellectual property and avoid litigation concerning intellectual property infringement, we have implemented various internal policies and established an internal intellectual property management system:

- We have developed and enacted robust internal policies for the management of intellectual property rights. These include the measures on the management of intellectual property acquisition and maintenance, the measures on the management of intellectual property implementation, licensing and transfer, the measures on the management of intellectual property information research, as well as the requirements and job responsibilities for positions related to intellectual property management. These policies delineate the responsibilities of each department in safeguarding intellectual property rights, thereby enhancing our capability to protect our intellectual property rights effectively. In addition, we routinely conduct comprehensive reviews of the existing intellectual property system to ascertain its ongoing pertinence and efficacy.

- To facilitate effective management of our intellectual property, we utilize an internal intellectual property management system for the full lifecycle management of our proprietary intellectual property. This system is used for, among others, patent application, maintenance and valuation.

- To safeguard against potential infringements on both our intellectual property rights and those of others, our legal department, responsible for intellectual property management, conducts thorough searches and analyses of our R&D outcomes upon the completion of scientific research projects and technology development. This process includes determining any possible infringements and preparing detailed inspection reports to ensure compliance and prevent infringement.

- We require employees to adhere to confidentiality obligations for technical secrets, sign confidentiality contracts and non-compete agreements, and follow an internal confidentiality system outlining specific employee responsibilities. Additionally, new employees are required to sign an export control employment compliance commitment letter and a declaration confirming no conflicts of interest or non-competition issues. They also complete a self-check form to ensure they are not involved in patented technologies with infringement risks.

CORPORATE GOVERNANCE REPORT

Investment Risk Management

We invest in or acquire businesses that are complementary to our business and aligned with our overall growth strategies, such as businesses that can expand our service offerings and strengthen our technological capabilities. In general, we intend to hold our investments for the long term in forms of preferred shares or ordinary shares with preference rights. In order to manage potential risks associated with investments, we generally obtain minority protection rights from our investment portfolio companies.

Our investment department is primarily responsible for our investment project sourcing, screening, execution and post-investment monitoring. The investment department searches for investment projects based on our business strategy, and conducts thorough due diligence with the finance and legal departments to assess the risks and potential of the investment projects.

Information Security and Data Privacy Risk Management

In recent years, data privacy and cybersecurity have emerged as critical governance priorities for companies worldwide. This is particularly pertinent as the PRC legislature and government authorities regularly introduce new cybersecurity, data security and privacy laws and regulations. Consequently, our practices regarding the collection, use, storage, disclosure and transmission of various types of data may come under increased administrative scrutiny.

In the course of our business operations, we collect, store and process business data and transaction data. Given that we only make transactions with enterprises, our business generally does not involve the collection or processing of customers' personal information.

We develop our information security management systems in compliance with the requirements of ISO/IEC 27001 standard for information security management systems, so as to achieve our commitment to maintaining the integrity, availability and confidentiality of data.

To reinforce our data security and protection measures, we established comprehensive internal policies. These policies facilitate our data management and provide detailed requirements in relation to the classification, storage, access, transmission, encryption and disposal of data.

Moreover, we implemented a robust information backup management system, which sets forth the guiding principles, detailed procedures and mechanisms for data recovery. In addition, we formulated a manual on information security management to set out the general guidance and principles of our information security management, under which we established a series of policies and procedures, including among others, policies on system operation management, password management and corporate trade secret protection and procedures on document control and confidentiality management. These systems, policies and procedures collectively form a solid framework that safeguards our data and upholds our stringent standards for information security.

CORPORATE GOVERNANCE REPORT

Anti-corruption Risk Management

Anti-corruption risk refers to the risk of using cheating, bribery or other illegal means for (i) the pursuit of improper personal benefits at the expense of our Company's economic interests and (ii) the pursuit of improper interests of the Company. We have established an anti-corruption risk management policies prohibiting any corruption activities by our employees, either for the pursuit of improper personal benefits or improper interests of the Company. We have maintained a whistleblower mechanism for employees to anonymously report any incidents of bribery and corruption to the Audit Committee (or any designated committee comprising a majority of independent non-executive Directors). Our internal audit department bears the sole responsibility for the audit and anti-corruption endeavors of the Company and provides regular reports to the Audit Committee of the Board. We will impose corresponding administrative disciplinary sanctions on persons responsible for corruption incidents. Suppliers, distributors and customers found to engage in corruption incidents shall receive formal warnings, face restrictions on supply or sales, and, where deemed necessary, be placed on a prohibited list. We provide internal training to our employees and ensure that our stakeholders, including customers, distributors, suppliers and shareholders, are informed of our anti-corruption policies and practices.

DISCLOSURE OF INSIDE INFORMATION

With regard to the procedures and internal controls for the handling and dissemination of inside information, the Group has strict internal policies and procedures prohibiting the unauthorized use of inside information and has informed all employees of the same; the Board is aware of its obligation to disclose any inside information in accordance with the Listing Rules and make reference to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission of Hong Kong in June 2012 in discharging its obligations on the disclosure of inside information. In addition, only Directors and appointed officers may act as spokespersons for the Group and respond to external enquiries on the affairs of the Group.

DIVIDEND POLICY

The declaration and payment of dividends of the Company will be determined by the Board and shall be subject to the Articles of Association and the PRC Company Law, and will depend on a number of factors including, but not limited to, the Group's profitability and financial position, operating requirements, capital requirements and any other conditions that the Directors may deem relevant. In any event, we will pay dividends out of our profit after tax only after we have made the following allocations:

(a) recovery of accumulated losses, if any;

(b) allocation to the statutory common reserve fund an amount of 10% of our profit after tax, as determined under the Accounting Standards for Business Enterprises issued by the Ministry of Finance (the "**PRC GAAP**") until such fund has reached more than 50% of our registered capital; and

(c) allocation, if any, to a discretionary common reserve fund an amount approved by the Shareholders in a general meeting.

CORPORATE GOVERNANCE REPORT

Payment of dividends is subject to PRC laws. Under PRC laws, dividends may be paid only out of distributable profits. Distributable profits are our net profit, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make.

JOINT COMPANY SECRETARIES

Ms. Liu Lihua and Mr. Chung Ming Fai are joint company secretaries of the Company. To assist the Directors in the proper discharge of their duties, all Directors may seek advice from the joint company secretaries.

Ms. Liu Lihua is the primary contact person of joint company secretary Mr. Chung Ming Fai, who cooperates and communicates with Ms. Liu Lihua on the Company's corporate governance matters.

For the year ended December 31, 2024, Mr. Chung Ming Fai has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules. Since the Company was only listed on the Stock Exchange on December 30, 2024, Ms. Liu Lihua undertakes to attend not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules in 2025 and each year thereafter. The biographies of Ms. Liu Lihua and Mr. Chung Ming Fai are set out in the section headed "Directors, Supervisors and Senior Management" of this annual report.

DIRECTORS' REPORT

The Board is pleased to present the Directors' Report and the audited consolidated financial statements of the Group for the year ended December 31, 2024.

LIST OF DIRECTORS

The Directors of the Company during the Reporting Period and up to the date of this annual report are as follows:

Dr. Weiwei Luo *(Executive Director and chairperson of the Board)*
Mr. Jay Hyung Son *(Executive Director)*
Dr. Wu Jingang *(Executive Director and chief executive officer)*
Mr. Zhong Shan *(Executive Director and chief financial officer)*
Dr. Wang Can *(Non-executive Director)*
Ms. Zhang Yanhong *(Non-executive Director)*
Ms. Cui Mizi *(Non-executive Director)*
Mr. Wong Hin Wing, MH, JP *(Independent non-executive Director)*
Dr. Yi Jiming *(Independent non-executive Director)*
Dr. Yang, Simon Shi-Ning *(Independent non-executive Director)*
Dr. Chan, Philip Ching Ho *(Independent non-executive Director)*

Biographical details of the Directors are set out in the section headed "Directors, Supervisors and Senior Management" of this annual report.

PRINCIPAL ACTIVITIES

As a world-leading third-generation semiconductor – Si-based GaN power device IDM enterprise, the Company is committed to the development, design, manufacturing and sales of full voltage spectrum products, covering core areas such as chip design, epitaxial growth, wafer manufacturing, packaging and testing. Centered on 8-inch wafer mass production technologies, the Company focuses on high-voltage and high-power as well as medium – and low-voltage and high-frequency products, which are widely applied in high-growth sectors such as automotive electronics, data centers and consumer electronics. With the largest capacity and industrial stability in the world, the Company continues to empower downstream intelligent and energy-saving transformation, and promote the deep penetration of GaN technology in efficient energy conversion and global green technology revolution.

BUSINESS REVIEW AND ANALYSIS OF KEY INDICATORS OF FINANCIAL PERFORMANCE

Please refer to the section headed "Management Discussion and Analysis" in this annual report.

DIRECTORS' REPORT

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group maintains a good relationship with its employees, customers and suppliers.

We collaborate with a broad base of reputable domestic and international customers across various applications, including consumer electronics, renewable energy and industrial applications, automotive electronics and data centers. Our customers comprise leading providers of semiconductor manufacturing services, high-tech companies specializing in renewable energy technology as well as Tier-1 suppliers of automotive OEMs. We have achieved breakthroughs in multiple subfields of GaN applications, positioning us as one of the leading Chinese GaN semiconductor chip company with supply collaborations with major companies worldwide, according to Frost & Sullivan. During the year ended December 31, 2024, we provided our GaN products to approximately 96 customers in China and overseas, primarily including Asia and Europe, with revenue from our top five customers accounting for 41.4% of our revenue during the period, and revenue from our single largest customer accounting for 22.0% of our revenue during the period.

We procure from suppliers a variety of materials necessary for the manufacturing of our GaN products, including monocrystalline silicon substrates, photoresists, cleaning fluids, sputtering targets and special gases. In order to maintain the stability of our supply chain, we started to procure more raw materials from domestic suppliers due to their cost-effectiveness. We typically engage experienced and reputable suppliers to ensure the quality of our products. Factors that may affect our selection mainly include technological expertise, infrastructure and equipment, product quality, qualifications and credentials, reputation and price. We require our raw material suppliers to obtain ISO9001 certifications in relation to quality management systems. Additionally, in our commitment to meet the IATF16949 standards for automotive-grade quality and safety management system, we consistently oversee the advancement of our suppliers' quality management systems. During the year ended December 31, 2024, purchases from our top five suppliers accounted for 41.80% of our total purchases during the period, and purchases from our single largest supplier accounted for 12.82% of our total purchases during the period.

During the Reporting Period, none of our Directors or (to the knowledge of our Directors) their respective close associates or any Shareholders who own more than 5% of our issued share capital (excluding Treasury Shares) has any interest in any of our top five customers or suppliers.

SEGMENT INFORMATION

An analysis of the results of the Group during the year by business segment is set out in note 4 to the financial statements.

RESULTS

The results of operations of the Group for the Reporting Period are set out in the consolidated statement of profit or loss on page 81 of this annual report.

DIRECTORS' REPORT

SHARES ISSUED

Details of the movements in the share capital of the Company during the year are set out in note 26(d) to the financial statements.

DIVIDENDS

No dividend had been paid or declared by us during the year ended December 31, 2024.

RESERVES

During the year ended December 31, 2024, details of the movements in the reserves of the Group and the Company are set out in note 26 to the financial statements respectively.

DISTRIBUTABLE RESERVES

As of December 31, 2024, the Group has no distributable reserves.

PROPERTY, PLANT AND EQUIPMENT

During the year ended December 31, 2024, details of the movements in the property, plant and equipment of the Company and the Group are set out in note 11 to the financial statements.

BANK LOANS AND OTHER BORROWINGS

Details of the Group's bank loans and other borrowings as at December 31, 2024 are set out in note 22 to the financial statements.

DEBENTURE ISSUED

During the year ended December 31, 2024, the Group did not issue any debentures.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the period from the Listing Date to December 31, 2024, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company (including sale or transfer of Treasury Shares). As at December 31, 2024, the Company or its subsidiaries did not hold any Treasury Shares.

USE OF PROCEEDS FROM LISTING

The Shares of the Company were listed on the Main Board of the Stock Exchange on December 30, 2024. The following table sets out the use of the net proceeds of the Company up to 31 December 2024 and the planned schedule for the full utilization of the net proceeds. The proceeds from the listing will be utilized in accordance with the plans disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus, namely:

Item	Percentage	Proceeds for related purpose (HK$ million)	Net proceeds from the global offering of the Company as of December 30, 2024 (HK$ million)	Utilized proceeds during the Reporting Period (HK$ million)	Unutilized proceeds as of the end of the Reporting Period (HK$ million)	Expected timetable for the fully utilizing of unutilized proceeds
Expand our production capacity of the 8-inch GaN wafer from 12,500 wafers per month as of June 30, 2024 to 70,000 wafers per month over the next five years, purchase and upgrade equipment and machinery for production and recruit manufacturing personnel	60.0%	781.48	781.48	–	781.48	By the end of 2029
R&D and expansion of our product portfolio to increase the penetration rate of GaN products in end markets, such as consumer electronics, renewable energy and industrial applications, automotive electronics and data center	20.0%	260.49	260.49	–	260.49	By the end of 2029
Expand the global distribution network of our GaN products	10.0%	130.25	130.25	–	130.25	By the end of 2029
Working capital and other general corporate purposes	10.0%	130.25	130.25	–	130.25	By the end of 2029
Total	100%	1,302.46	1,302.46	–	1,302.46	

After December 31, 2024, as disclosed in the over-allotment announcement dated January 22, 2025, upon partial exercise of the over-allotment option, the Company received additional net proceeds of approximately HK$49.5 million, after deduction of estimated offering expenses payable by the Company in connection with the partial exercise of the over-allotment option. The Company intends to utilize the additional net proceeds on a pro rata basis for the purposes as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

We have placed the unutilized net proceeds in short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions, and will apply the amount unutilized in accordance with the intended purposes as stated in the Prospectus. We will comply with the law of China in relation to foreign exchange registration and remittance of the proceeds.

EMPLOYEE SHARE INCENTIVE SCHEME

The Group adopted an employee share incentive scheme prior to the listing (the "**Pre-IPO Share Plan**").

The Company granted and allotted to qualified participants an aggregate of 50,559,342 Shares under the Pre-IPO Share Plan, representing approximately 5.75% of the share capital in issue of the Company upon its initial public offering. No further Shares will be granted by the Company under the Pre-IPO Share Plan after listing and the terms of the Pre-IPO Share Plan are not subject to the provisions of Chapter 17 of the Listing Rules.

The following is a summary of the principal terms of the Pre-IPO Share Plan as amended and approved by us on April 7, 2024.

Purposes: The purposes of the Pre-IPO Share Plan are to promote the Company's core value of "growth and sharing", establish an excellent value distribution system, and motivate and regulate the Group's employees. This enables employees to share in the benefits of the Company's growth and strengthens team cohesion.

Types of awards: The Pre-IPO Share Plan governs the award of restricted share units (the "**Awards**").

Participants: Persons eligible to participate in the Pre-IPO Share Plan (the "**Participants**") include key management personnel, core staff, and other significant employees who have major value and impact on the Group's development, as well as other individuals who have made significant contributions to the Group's growth.

Maximum number of Shares: The maximum number of Shares underlying the Pre-IPO Share Plan is 71,678,760 Shares, representing approximately 8.14% of the share capital in issue of the Company as at the date of this report. No further Awards will be granted by the Company under the Pre-IPO Share Plan after Listing.

Administration: The Pre-IPO Share Plan is managed by an internal department or candidate (the "**Administrator**") authorized by the Board of the Company. The Administrator has the power, among other things, (i) to interpret, revise, alter, or abolish the terms and implementation of the Pre-IPO Share Plan; (ii) to identify individuals with significant value and contribution to the development of the Group as the Participants under the Pre-IPO Share Plan; and (iii) to determine the allocation, grant, unlock, exercise, or termination of any incentive shares, along with their terms and conditions.

Service Period: In order to be eligible to participate in the Pre-IPO Share Plan, a Participant shall have at least served in the Group for no less than four years from the date on which the Participant signs the labour contract with the Group (the "**Service Period**").

Vesting Schedule: 75% of the Awards granted to a Participant shall be unlocked on the third anniversary of the service period commencement date, and the remaining 25% shall be unlocked on the fourth anniversary of the service period commencement date or over four years with every 25% shall be unlocked at each year end of the four years. Any Awards unlocked shall only be vested and exercised following the Company's listing.

Non-transferability of the Awards: Except as otherwise provided by the Administrator, no Award shall be transferred by a Participant. Without the prior written consent of the Administrator, a Participant shall not sell, transfer, assign, pledge, mortgage, gift, or otherwise dispose of incentive shares obtained and held under the Pre-IPO Share Plan (whether vested or not).

Lapse of the Awards: In the event of resignation, dismissal, retirement, death, disability, or other change in circumstances, the Administrator shall have the right (but not an obligation) to repurchase any Awards granted in accordance with the terms of the Pre-IPO Share Plan. The Administrator shall have the right (but not an obligation) to purchase, either on its own account or by a designated third-party employee, the employee's share of the employee shareholding platform under the terms of the Pre-IPO Share Plan if: (i) the employee resigns voluntarily, the Group requires termination of the employment relationship, the employment contract expires and is not renewed, or the employee and the Group mutually agree to terminate the employment contract; (ii) the employee resigns or is dismissed due to misconduct; or (iii) the employee is unable to continue working for the Group due to death, disability, or retirement before the Listing.

Details of the Awards Granted: The following table sets out the number of Awards not vested under the Pre-IPO Share Plan, the share of Awards not vested as at the Listing Date and December 31, 2024, and the movement in such share from the Listing Date to December 31, 2024 (the "**Relevant Period**"):

Name of the grantees	Position held in our Group	Date of complete grant of Awards	Awards not vested as at the Listing Date	Granted during the Relevant Period	Vested during the Relevant Period	Cancelled during the Relevant Period	Lapsed during the Relevant Period	Awards not vested as at December 31, 2024
Dr. Wu Jingang (吳金剛博士)	Executive Director and chief executive officer	January 1, 2024	10,001,142	–	–	–	–	10,001,142
Mr. Zhong Shan (鍾山先生)	Executive Director and chief financial officer	September 4, 2017	9,200,000	–	9,200,000	–	–	0
Ms. Lai Guangyi (賴廣禕女士)	Employees' representative Supervisor	June 1, 2023	100,000	–	60,000	–	–	40,000
Mr. Ke Shanyong (柯善勇先生)	Chairperson of the supervisory committee and employees' representative Supervisor	July 7, 2023	300,000	–	120,000	–	–	180,000
Mr. Yang Zhen (楊震先生)	Director of the Company's subsidiary	September 8, 2023	80,000	–	–	–	–	80,000
Mr. Wu Lei (吳磊先生)	Director of the Company's subsidiary	July 8, 2023	400,000	–	–	–	–	400,000
Mr. Heng Luo	Chief operating officer of the Company's subsidiary	May 2, 2018	630,000	–	630,000	–	–	0
Subtotal of employee Participants other than Directors or Supervisors			29,848,200	–	10,010,000	–	–	19,838,200
Total			50,559,342	–	19,094,350	–	–	31,464,992

Note: The purchase price of the Awards the Pre-IPO Share Plan is RMB1 per Share.

For further details on the Pre-IPO Share Plan, please refer to the Prospectus.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at December 31, 2024, the interests and short positions in the Shares, underlying Shares and debentures of our Company or any of its associated corporation (within the meaning of Part XV of the SFO) held by the following Directors, Supervisors and chief executive of the Company which shall be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which shall be recorded in the register required to be kept by our Company under Section 352 of the SFO, or which shall be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code are as follows:

(a) Interests in our Company

Name	Position in our Company	Capacity/Nature of interest	Number of Shares held[(1)]	As of December 31, 2024 Approximate percentage of shareholding in the relevant class of Shares[(2)] (%)	Approximate percentage of shareholding in the total share capital of our Company[(2)] (%)
Domestic Unlisted Shares					
Dr. Luo	Founder, chairperson of the Board, executive Director	Beneficial owner	24,604,652 (L)	6.32	2.80
		Interests in controlled corporations[(3)]	96,300,985 (L)	24.72	10.95
		Others[(4)]	22,818,868 (L)	5.86	2.60
Mr. Son	Executive Director	Beneficial owner[(4)]	22,818,868 (L)	5.86	2.60
Mr. Wu Jingang	Executive Director and chief executive officer	Beneficial owner[(5)]	5,000,571 (L)	1.28	0.57
Mr. Zhong Shan	Executive Director and chief financial officer	Beneficial owner[(5)]	4,600,000 (L)	1.18	0.52
H Shares					
Dr. Luo	Founder, chairperson of the Board, executive Director	Beneficial owner	24,604,653 (L)	5.03	2.80
		Interests in controlled corporations[(3)]	96,300,986 (L)	19.67	10.95
		Others[(4)]	22,818,868 (L)	4.66	2.60
Mr. Son	Executive Director	Beneficial owner[(4)]	22,818,868 (L)	4.66	2.60
Mr. Wu Jingang	Executive Director and chief executive officer	Beneficial owner[(5)]	5,000,571 (L)	1.02	0.57
Mr. Zhong Shan	Executive Director and chief financial officer	Beneficial owner[(5)]	4,600,000 (L)	0.94	0.52

Notes:

(1) "L" denotes long positions.

(2) As at December 31, 2024, the Company had 389,559,466 Domestic Unlisted Shares and 489,592,787 H Shares, with a total of 879,152,253 Shares in issue.

(3) Dr. Luo is (i) the controller of Inno Holding, (ii) the ultimate general partner of Innocore, (iii) the controller of Inno HK, (iv) the ultimate general partner of Inno Youpeng, and (v) the general partner of Xinsheng Dapeng. Therefore, Dr. Luo is deemed to be interested in a total of 96,300,985 Domestic Unlisted Shares and 96,300,986 H Shares through Inno Holding, Innocore, Inno HK, Inno Youpeng and Xinsheng Dapeng for the purpose of the SFO.

(4) Dr. Luo and Mr. Son agreed on the written voting rights arrangement and voting rights proxy agreement on October 15, 2024 and November 24, 2024, respectively (the "**Voting Rights Arrangements**"). Mr. Son agreed, among others, to have acted and will continue to act pursuant to Dr. Luo's direction for all actions in relation to the voting rights attached to the shares of our Company and Inno Holding, in which he was or has been interested directly or indirectly pursuant to a written voting rights arrangement entered into between Dr. Luo and Mr. Son on October 15, 2021. Further, pursuant to the voting rights proxy agreement (the "**Voting Rights Proxy Agreement**") entered into between Dr. Luo and Mr. Son on November 24, 2024, Mr. Son confirmed that he has appointed and will appoint Dr. Luo as his true and lawful proxy to vote all shares of our Company and Inno Holding that Mr. Son has been and will be interested at any and all meetings of shareholders of our Company and Inno Holding (as the case may be), and on any and all actions taken by written consent of shareholders of our Company and Inno Holding (as the case may be). Prior to the Voting Rights Proxy Agreement, Mr. Son has acted pursuant to Dr. Luo's direction for all actions in relation to the voting rights attached to the shares of our Company and Inno Holding, in which he was or has been interested directly or indirectly. The Voting Rights Arrangements will remain valid until termination with mutual written consent of both parties.

(5) All Shares held by Mr. Wu Jingang and Mr. Zhong Shan are Shares granted under the Pre-IPO Share Plan.

Save as disclosed above, as at December 31, 2024, none of the Directors, Supervisors or chief executive of our Company had the interests and short positions in the Shares, underlying Shares and debentures of our Company or any of its associated corporation (within the meaning of Part XV of the SFO) which shall be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which shall be recorded in the register required to be kept by our Company under Section 352 of the SFO, or which shall be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code.

During the Reporting Period, none of the Directors, Supervisors and chief executive of the Company (including their spouses or children under the age of 18) were authorized by the Company the rights to subscribe for any Shares or debentures of the Company or any associated corporations.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at December 31, 2024, so far as the Directors are aware, the following persons (other than Directors, Supervisors or the chief executive of our Company) had the interests or short positions in the Shares or underlying Shares of our Company which shall be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or which shall be recorded in the register required to be kept by our Company under Section 336 of the SFO:

			As of December 31, 2024	
Name of Shareholders	**Capacity/Nature of interest**	**Number of Shares held[(1)]**	**Approximate percentage of shareholding in the relevant class of Shares[(2)]** (%)	**Approximate percentage of shareholding in the total share capital of our Company[(2)]** (%)
Domestic Unlisted Shares				
Inno Holding	Beneficial owner	43,001,465 (L)	11.04	4.89
Shenzhen CMB Growth No.17 Equity Investment Fund L.P. (深圳市招銀成長拾柒號股權投資基金合夥企業(有限合夥))	Beneficial owner[(3)]	48,902,412 (L)	12.55	5.56
China Merchants Bank Co., Ltd. (招商銀行股份有限公司)	Interests in controlled corporations[(3)]	65,880,676 (L)	16.91	7.49
CMB International Capital Management (Shenzhen) Co., Ltd. (招銀國際資本管理(深圳)有限公司)	Interests in controlled corporations[(3)]	65,880,676 (L)	16.91	7.49
CMB International Capital Holdings Corporation Limited (招銀國際金融控股有限公司)	Interests in controlled corporations[(3)]	65,880,676 (L)	16.91	7.49
CMB International Capital Corporation Limited (招銀國際金融有限公司)	Interests in controlled corporations[(3)]	65,880,676 (L)	16.91	7.49
CMB Finance Holding (Shenzhen) Co., Ltd. (招銀金融控股(深圳)有限公司)	Interests in controlled corporations[(3)]	65,880,676 (L)	16.91	7.49
Suzhou Wujiang Industrial Investment Co., Ltd. (蘇州市吳江產業投資有限公司)	Beneficial owner[(4)]	44,749,893 (L)	11.49	5.09
Suzhou Wujiang Dongfang State-owned Capital Investment and Management Co., Ltd. (蘇州市吳江東方國有資本投資經營有限公司)	Interests in controlled corporations[(4)]	44,749,893 (L)	11.49	5.09

Name of Shareholders	Capacity/Nature of interest	Number of Shares held[1]	As of December 31, 2024 Approximate percentage of shareholding in the relevant class of Shares[2] (%)	Approximate percentage of shareholding in the total share capital of our Company[2] (%)
State-owned Assets Supervision and Administration Office of Wujiang District Government of Suzhou	Interests in controlled corporations[4]	44,749,893 (L)	11.49	5.09
Shenzhen Huaye Tiancheng Investment Co., Ltd. (深圳華業天成投資有限公司) ("**Huaye Investment**")	Interests in controlled corporations[5]	33,967,323 (L)	8.72	3.86
Sun Yelin (孫業林)	Interests in controlled corporations[5]	33,967,323 (L)	8.72	3.86
H Shares				
Inno Holding	Beneficial owner	43,001,466 (L)	8.78	4.89
Shenzhen CMB Growth No.17 Equity Investment Fund L.P. (深圳市招銀成長拾柒號股權投資基金合夥企業(有限合夥))	Beneficial owner[3]	48,902,412 (L)	9.99	7.49
China Merchants Bank Co., Ltd. (招商銀行股份有限公司)	Interests in controlled corporations[3]	65,880,674 (L)	13.46	7.49
CMB International Capital Management (Shenzhen) Co., Ltd. (招銀國際資本管理(深圳)有限公司)	Interests in controlled corporations[3]	65,880,674 (L)	13.46	7.49
CMB International Capital Holdings Corporation Limited (招銀國際金融控股有限公司)	Interests in controlled corporations[3]	65,880,674 (L)	13.46	7.49
CMB International Capital Corporation Limited (招銀國際金融有限公司)	Interests in controlled corporations[3]	65,880,674 (L)	13.46	7.49
CMB Finance Holding (Shenzhen) Co., Ltd. (招銀金融控股(深圳)有限公司)	Interests in controlled corporations[3]	65,880,674 (L)	13.46	7.49
SK China Company Limited	Beneficial owner[6]	48,479,039 (L)	9.90	5.51
SK Inc.	Interests in controlled corporations[6]	48,479,039 (L)	9.90	5.51

Notes:

(1) "L" denotes long positions.

(2) As at December 31, 2024, the Company had 389,559,466 Domestic Unlisted Shares and 489,592,787 H Shares, with a total of 879,152,253 Shares in issue.

(3) Each of the general partners of Shenzhen CMB Growth No.17 Equity Investment Fund L.P. (深圳市招銀成長拾柒號股權投資基金合夥企業(有限合夥)) ("**CMB Growth No.17**"), Shenzhen CMB No.1 Equity Investment L.P. (深圳市招銀壹號股權投資合夥企業(有限合夥)) ("**CMB No.1**") and Shenzhen CMB Langyao Growth Equity Investment Fund L.P. (深圳市招銀朗曜成長股權投資基金合夥企業(有限合夥)) ("**CMB Langyao**") is CMB Shenzhen, which is ultimately controlled by China Merchants Bank Co., Ltd. (招商銀行股份有限公司). CMB Growth No.17, CMB No.1 and CMB Langyao (collectively, the "**CMB Investors**") are therefore considered as a group of shareholders. Therefore, China Merchants Bank Co., Ltd. (招商銀行股份有限公司) is deemed to be interested in the interests of our Company through CMB Growth No.17, CMB No.1 and CMB Langyao for the purpose of the SFO.

(4) Suzhou Wujiang Industrial Investment Co., Ltd. (蘇州市吳江產業投資有限公司) is a wholly-owned subsidiary of Suzhou Wujiang Dongfang State-owned Capital Investment and Management Co., Ltd. (蘇州市吳江東方國有資本投資經營有限公司), which is wholly-owned by the State-owned Assets Supervision and Administration Office of Wujiang District Government of Suzhou (蘇州市吳江區人民政府國有資產監督管理辦公室). Therefore, the State-owned Assets Supervision and Administration Office of Wujiang District Government of Suzhou is deemed to be interested in the interests of Suzhou Wujiang Industrial Investment Co., Ltd. in our Company for the purpose of the SFO.

(5) Each of the general partners of Shenzhen Tongchuang Zhuoyue Investment L.P. (深圳同創卓越投資合夥企業(有限合夥)) ("**Tongchuang Zhuoyue**"), Hunan Huaye Tiancheng Venture Capital Investment L.P. (湖南華業天成創業投資合夥企業(有限合夥)) ("**Huaye Tiancheng**"), Xiamen Huaye Qirong Venture Capital Partnership L.P. (廈門華業啟融創業投資合夥企業(有限合夥)) ("**Huaye Qirong**") and Shenzhen Gongchuang Future Investment Partnership L.P. (深圳共創未來投資合夥企業(有限合夥)) ("**Gongchuang Future**") is ultimately managed by Huaye Investment, which is ultimately controlled by Mr. Sun Yelin (孫業林). Therefore, each of Mr. Sun Yelin (孫業林) and Huaye Investment is deemed to be interested in the interests of Tongchuang Zhuoyue, Huaye Tiancheng, Huaye Qirong and Gongchuang Future in our Company for the purpose of the SFO.

(6) SK China Company Limited is ultimately controlled by SK Inc. (a company incorporated in Korea and listed on the Korea Exchange, stock code: 034730.KS). Therefore, SK Inc. is deemed to be interested in the interests of SK China Company Limited in our Company for the purpose of the SFO.

Save as disclosed above, as at December 31, 2024, the Directors were not aware of any other person (other than Directors, Supervisors or the chief executive of our Company) who had the interests or short positions in the Shares or underlying Shares of our Company which shall be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or which shall be recorded in the register required to be kept by our Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended December 31, 2024, none of the Directors or their respective associates has an interest in any business which competes or is likely to compete (whether directly or indirectly) with the business of the Group, which would require disclosure under Rule 8.10 of the Listing Rules.

INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTION, ARRANGEMENT OR CONTRACT

During the year ended December 31, 2024, no Director, Supervisor or any entity connected with them had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Company to which the Company or any of its subsidiaries or fellow subsidiaries was a party.

RIGHTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed in the section headed "Employee Share Incentive Scheme" above, none of the Company, its holding company or any of its subsidiaries was a party to any arrangement enabling the Directors, Supervisors and chief executive to acquire benefits by means of the acquisition of shares or debt securities (including debentures) of the Company or any other body corporate at any time during the Reporting Period.

REMUNERATIONS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of remunerations of Directors, Supervisors, senior management and the five highest paid individuals are set out in note 8 and note 9 to the consolidated financial statements respectively. According to code provision E.1.5 of the Corporate Governance Code, the remuneration for members of the senior management for the year ended December 31, 2024 within the following bands is set out below:

None of the Directors waived or agreed to waive any remuneration and there were no remunerations paid by the Group to any of the Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

None of the Directors or Supervisors has entered into any director or supervisor service contract with any member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

CONNECTED TRANSACTIONS

Non-Exempt Continuing Connected Transactions

The Company has conducted the following transactions in the ordinary and usual course of business, which will constitute continuing connected transactions of the Company subject to the annual reporting, announcement and independent Shareholders' approval (as the case may be) requirements under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules (where applicable).

1. Financial Services Framework Agreement

On December 10, 2024, our Company entered into a financial services framework agreement (the "**Financial Services Framework Agreement**") with China Merchants Bank Co., Ltd. Suzhou Branch (招商銀行股份有限公司蘇州分行) ("**CMB Suzhou**"), the branch company of CM Bank. CM Bank is a licensed bank regulated by the China Banking and Insurance Regulatory Commission and headquartered in Shenzhen, the PRC. It has branches and sub-branches (the "**Branch Banks**") in different locations in PRC where it operates and provides financial and commercial banking services. As at the Latest Practicable Date, Shenzhen CMB Growth No.17 Equity Investment Fund L.P. (深圳市招銀成長拾柒號股權投資基金合夥企業(有限合夥)), Shenzhen CMB No.1 Equity Investment L.P. (深圳市招銀壹號股權投資合夥企業(有限合夥)) and Shenzhen CMB Langyao Growth Equity Investment Fund L.P. (深圳市招銀朗曜成長股權投資基金合夥企業(有限合夥)) (collectively, the "**CMB Investors**") were interested in a total of approximately 14.99% of our Company's issued share capital. CMB Suzhou is a branch company of CM Bank. CM Bank is holding company of CMB Shenzhen, which is the general partner of each of the CMB Investors. Therefore, CMB Suzhou is an associate of the CMB Investors, therefore our Company's connected person. The initial term of the Financial Services Framework Agreement shall commence on the Listing Date until December 31, 2026, subject to renewal by mutual consent.

Pursuant to the Financial Services Framework Agreement, from time to time, the Branch Banks will provide the following services to our Group:

(a) ***Deposits with Branch Banks***: Our Group may from time to time deposit cash into Branch Banks. In return, Branch Banks will provide deposit services and pay deposit interest to our Group on such deposits. The deposit interest to be paid by the Branch Banks to our Company shall not be lower than the deposit interest rate of the same level as promulgated by the People's Bank of China;

(b) ***Loan services and other commercial banking services***: Branch Banks may provide loan services and other commercial banking services including but not limited to foreign exchange, payment settlement, receivables collection and letter of guarantee to our Group while our Group will pay loan interests and service fees to Branch Banks. In accordance with the relevant law and regulations as well as the internal rules, Branch Banks will support the application of loans and other commercial banking services by our Group. These services will be provided at interest and fee rates on normal commercial terms or better to our Group; and

(c) ***Wealth management products***: Our Group may purchase wealth management products placed at Branch Banks and may receive investment return. The investment return and consideration in respect of the wealth management products to be purchased from the Branch Banks will be determined and calculated pursuant to the contractual terms of such products.

Reasons for the transactions

Leveraging on CM Bank's broad geographical coverage and its sound market reputation, Branch Banks could provide stable and consistent services to our subsidiaries located in different locations in PRC. Our Group has been cooperating with Branch Banks since the establishment of our Company to satisfy our needs in the ordinary and usual course of business. The Group and Branch Banks have established a long-term and stable business relationship, and Branch Banks have acquired a comprehensive understanding of our business and operational requirements. Taking into consideration above, we believe it is in the best interest of the Group and our shareholders to enter into the Financial Services Framework Agreement.

Pricing Policies

Any deposit, loan, financial services and products made with Branch Banks under the Financial Services Framework Agreement will bear the same interest or service fee rate, adopt the same pricing mechanism and be on the same terms and conditions as would apply to a similar deposit, loan, financial service and/or products made by any other customer of Branch Banks.

Listing Rules Implications

In respect of the Financial Services Framework Agreement, as the highest applicable percentage ratio for each of the three years ending December 31, 2024, 2025 and 2026 calculated for the purpose of Chapter 14A of the Listing Rules is expected to be exceed 5% on an annual basis, it shall be subject to the annual reporting, announcement and independent Shareholders' approval requirements under the Listing Rules.

Implementation of such connected transaction during the Reporting Period

During the Reporting Period, the total transaction amount under the Financial Services Framework Agreement, the proposed annual caps as of December 31, 2024 and the actual total transaction amount incurred are as follows:

	Proposed annual caps for the year ended December 31, 2024 (RMB in millions)	**Actual transaction amount as of December 31, 2024 (RMB in millions)**	Proposed annual caps for the year ending December 31, 2025 (RMB in millions)	Proposed annual caps for the year ending December 31, 2026 (RMB in millions)
Deposits with Branch Banks				
Maximum daily balance of the deposit	2,450.00	**556.93**	2,360.13	1,607.38
Deposit interest (excluding investment return of wealth management products)	27.18	**1.37**	39.68	25.19
Loan services and other commercial banking services				
Maximum daily balance of loan	410.65	**110.65**	763.67	1,245.48
Loan interest and service fee	15.01	**3.60**	27.73	49.32
Wealth management products				
Maximum daily balance of the principal of the products	200.00	**15.00**	500.00	500.00
Investment return	6.00	**0.09**	15.00	15.00

For details of the above transactions, please refer to the section headed "Connected Transactions" in the Prospectus.

CONFIRMATION BY INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors have reviewed the above non-exempt continuing connected transactions, and confirmed that such continuing connected transaction has been entered into in the ordinary and usual course of business of the Group and on normal commercial terms or better, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and the proposed annual caps for such non-exempt continuing connected transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

AUDITOR'S LETTER

In accordance with Rule 14A.56 of the Listing Rules, the Company has engaged its auditor, KPMG, to report on the Group's continuing connected transactions in accordance with Hong Kong Standards on Assurance Engagements 3000 (Revised) and with reference to Practice Note 740 (Revised) issued by the Hong Kong Institute of Certified Public Accounts. Based on its work, KPMG has provided the Board with a letter confirming that, with respect to the aforesaid continuing connected transactions:

(a) nothing has come to KPMG's attention that causes it to believe that such disclosed continuing connected transactions have not been approved by the Board;

(b) in relation to the transactions involving products and services supplied by the Group, nothing has come to KPMG's attention that causes it to believe that such transactions have not followed the Group's pricing policy in any material aspect;

(c) nothing has come to KPMG's attention that causes it to believe that such transactions have not been carried out in any material aspect in accordance with the agreements relating to such transactions; and

(d) in relation to the aggregate amounts for each of the aforesaid continuing connected transactions, nothing has come to KPMG's attention that causes it to believe that the amount of such continuing connected transactions has exceeded the annual cap determined by the Company.

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2024, save as disclosed in the section headed "Connected Transactions" in this annual report, none of the related party transactions as disclosed in note 30 to the financial statements constituted a connected transaction under Chapter 14A of the Listing Rules.

PERMITTED INDEMNITY PROVISION

The Company has taken out Directors' liability insurance to protect the Directors of the Company against any loss they may incur as a result of their factual or alleged misconduct.

During the Reporting Period and up to the Latest Practicable Date, permitted indemnity provision (as defined in section 9 of the Companies (Directors' Report) Regulation (Chapter 622D of the Laws of Hong Kong)) was and is being in force to provide appropriate insurance cover for the Directors.

CONTRIBUTION RETIREMENT PLANS

Details of the contribution retirement plans are set out in note 6(b)(i) to the financial statements.

MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Group was not engaged in any litigation or arbitration that would have a material effect on its operating activities.

PUBLIC FLOAT

Based on information publicly available to the Company and so far as the Directors are aware, 31.22% of the issued Shares of the Company was held by the public as at the Latest Practicable Date, which was in compliance with the requirements of the Listing Rules.

MAJOR SUBSIDIARIES

Details of the names, principal places of business, places of incorporation and issued share capital of the Company's major subsidiaries are set out in note 15 to the financial statements.

ENVIRONMENTAL PROTECTION

The Company's business operations comply with the Law of the People's Republic of China on the Prevention and Control of Air Pollution, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, the Law of the People's Republic of China on Energy Conservation and various present laws and regulations on environmental protection promulgated by the government of the PRC which have material effects on our operations.

The Company adheres to environmental policies that emphasize earth care, energy saving, consumption reduction, clean production and green environmental protection. The Company complies with laws and regulations and are committed to continual improvement, with the aim of minimizing the negative impact of its operating activities on the environment and ensuring that its environmental protection efforts are legal and compliant. The Company adopted the Environmental Health and Safety Management Manual as the foundational document for its environmental and occupational health and safety management, guiding its internal environmental management practices and signifying its commitment to external stakeholders. The Company also formulated a suite of internal environmental protection management guidelines, including the Control Procedure for Environmental Operation, the Control Procedures for Identification and Assessment of Environmental Factors, the Management Procedures for Environment Monitoring and Measurement and the Planning and Management Procedures for the Realization of Environmental and Occupational Health and Safety Objectives. Inno Zhuhai and Inno Suzhou, our subsidiaries, obtained the ISO14001 environmental management system certification.

During the Reporting Period, the Company employed a set of metrics, targets and measures to assess and manage the environmental risks impacting our business. These efforts are aimed at reducing the consumption of electricity, water, and natural gas, thereby mitigating the environmental footprint of our operations.

During the Reporting Period, in terms of electricity consumption and density, the Company's electricity consumption and density per million revenue were 108.54 million kWh and 0.13 million kWh/million revenue, respectively, representing a decrease of 1.73 million kWh and 0.05 million kWh/million revenue compared to 2023 levels, successfully achieving the target of a 10% reduction in electricity consumption per million revenue compared to 2023. To achieve this target, the Company has initiated several energy-saving projects, including the reduction of speed in Fan Filter Units ("**FFU**"), improvements in air-cooled chillers, and the implementation of energy-saving lighting protocols. Additionally, the Company utilized SAP, BPM, and PCCS systems for intelligent online material management to enhance warehouse operations, thereby reducing operational time and increasing efficiency. The Company also optimized operational procedures to lower energy consumption, and enforced measures such as maintaining optimal air conditioning temperatures, rational use of lifts, and promoting the use of energy-efficient appliances.

During the Reporting Period, in terms of water consumption and density, the Company's water consumption and density per million revenue were 757.52 thousand tonnes and 0.91 thousand tonnes/million revenue, respectively, representing a decrease of 62.59 thousand tonnes and 0.47 thousand tonnes/million revenue compared to 2023 levels, successfully achieving the target of a 13% reduction in water consumption per million revenue compared to 2023. To achieve this target, the Company has implemented water-saving projects and utilized storage systems to recycle and reuse water. A dedicated wastewater recycling system has been established by the Company to treat water from acid and alkali pools, which is then reused in cooling towers. Additionally, the Company also turned off water valves in less frequented public areas, and posted water-saving signs to encourage reduced water usage.

During the Reporting Period, in terms of natural gas consumption and density, the Company's natural gas consumption per million revenue were 257.61 thousand m^3 and 0.31 thousand m^3/million revenue, respectively, representing a decrease of 76.07 thousand m^3 and 0.25 thousand m^3/million revenue compared to 2023 levels, successfully achieving the target of a 15% reduction in natural gas consumption per million revenue compared to 2023. To meet this target, the Company has adjusted the temperature and humidity control methods of Make-up Air Units ("**MAU**") to reduce natural gas consumption. The Company also optimized heat usage without affecting ammonia nitrogen wastewater discharge standards and enhanced equipment maintenance to improve natural gas efficiency and prevent gas leaks.

HUMAN RESOURCES AND REMUNERATION POLICY

Human resources are particularly important to achieve the long-term sustainable development of the Company. We uphold the principle of valuing moral character as the foremost quality, alongside competence and integrity. We are committed to creating a diverse, equal, personality-respecting, positive and self-transcending work environment and development platform for our employees.

We offer our executive Directors, Supervisors and senior management members, who are also the Company's employees, compensation in the form of fees, salaries, retirement benefit scheme contributions, discretionary bonus, housing allowances and other benefits in kind in accordance with industry practice and result performance. Our independent non-executive Directors receive compensation with reference to their respective positions and duties, including being a member or the chairperson of Board committees.

As required under PRC laws and regulations, we participate in various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury, maternity and unemployment benefit plans, under which we make contributions at specific percentages of the salaries of our employees.

Our Company grants share options as incentives and rewards to eligible participants who contribute to the success of our operations. Our employees (including Directors) receive remuneration in the form of such share-based payments, whereby employees render services in exchange for equity instruments.

In addition to salaries and benefits, we generally provide performance-based bonuses for our full-time employees. We have established a comprehensive system for employee training and development, including general trainings covering corporate culture, employee rights and responsibilities, workplace safety, data security and other logistics aspects, as well as specific trainings that improve employee knowledge and expertise in certain important areas related to our business. We are committed to making continual efforts to provide an engaging working environment for our employees. The Group also adopted the Pre-IPO Share Plan prior to the listing. For further details on the Pre-IPO Share Plan, please see the section headed "Employee Share Incentive Scheme".

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, during the year ended December 31, 2024, the Company did not enter into any contract in respect of the management or administration of the whole or significant part of the business of the Company nor any such contract subsisted.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption to the holders of any securities of the Company as a result of their holding of such securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the PRC which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

CONTRACT OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" in this annual report, during the Reporting Period, (i) no contract of significance was entered into by, and/or subsisted between the Company or any of its subsidiaries with its controlling shareholder or any of its subsidiaries; and (ii) there is no contract of significance in relation to provision of services by the controlling shareholder or any of its subsidiaries to the Group.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group, or existed during the year ended December 31, 2024.

AUDITOR

During the year ended December 31, 2024, the Company's reporting accountants and independent auditor is KPMG. The financial statements set out in this annual report have been audited by KPMG. There has been no change in auditor of the Company in the preceding three years and since the Listing Date.

DONATION

During the year ended December 31, 2024, the donation expenditure of the Group was RMB0.

COMPLIANCE WITH LAWS AND REGULATIONS

The business operated by the Company is primarily regulated by the laws, rules and regulations of the PRC. During the Reporting Period, the Company has complied with the relevant laws, rules and regulations that have a material impact on the Company.

SUBSEQUENT EVENTS

Save as disclosed in this report, there were no significant subsequent events occurred to the Group since December 31, 2024 up to the Latest Practicable Date.

On behalf of the Board
InnoScience (Suzhou) Technology Holding Co., Ltd.
Dr. Weiwei Luo
Chairperson of the Board and Executive Director

Hong Kong, China, April 22, 2025

SUPERVISORS' REPORT

In 2024, in accordance with the relevant regulations and in the spirit of being responsible to all Shareholders, the Supervisory Committee earnestly performed its supervisory duties, ensured the implementation of the resolutions of the general meetings, safeguarded the legal rights of Shareholders, fulfilled the responsibilities authorized under the Articles of Association and by the general meetings, and played a good role in the standardized operation and sustainable development of the Company.

I. MEETINGS OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

No.	Date	Session	Attendance	Issues for Discussion and Resolutions for Consideration
1	April 7, 2024	Second Meeting of the First Session of the Supervisory Committee	3	Resolution on Election of Non-employees' Representative Supervisors of the First Session of the Supervisory Committee of InnoScience (Suzhou) Technology Holding Co., Ltd.
2	May 10, 2024	Third Meeting of the First Session of the Supervisory Committee	5	Resolution on Election of Chairperson of the First Session of the Supervisory Committee of InnoScience (Suzhou) Technology Holding Co., Ltd.
3	May 21, 2024	Fourth Meeting of the First Session of the Supervisory Committee	5	1. Resolution on the Company's Initial Public Offering of H Shares and Listing on The Stock Exchange of Hong Kong Limited; 2. Resolution on the Plan for the Company's Initial Public Offering of H Shares and Listing on The Stock Exchange of Hong Kong Limited; 3. Resolution on the Company's Conversion into a Joint Stock Company with Limited Liability through Overseas Share Offering and Listing; 4. Resolution on the Validity Period of the Resolution for the Company's Initial Public Offering of H Shares and Listing;

SUPERVISORS' REPORT

No.	Date	Session	Attendance	Issues for Discussion and Resolutions for Consideration
				5. Resolution on Matters relating to the Conversion of Domestic Unlisted Shares of the Company into Overseas Listed Shares and their Listing and Trading on The Stock Exchange of Hong Kong Limited; 6. Resolution on the Plan for the Use of Proceeds from the Company's Initial Public Offering of H Shares; 7. Resolution on the Plan for Distribution of Accumulated Profits and Assumption of Unrecovered Losses before the Company's Initial Public Offering of H Shares; 8. Resolution on Amending the Articles of Association (Draft) to Take Effect upon the Issue and Listing of H Shares and Formulating Relevant Rules of Procedure in Relation to the Issue of H Shares; 9. Resolution on Engaging an Auditor for the Issue and Listing of H Shares and an Auditor for the First Financial Year after Listing.

SUPERVISORS' REPORT

II. WORK OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

During the Reporting Period, the Supervisory Committee faithfully performed its supervisory functions by carefully monitoring the Company's finances, the implementation of resolutions of the general meeting by the Board, the management's operational decisions, the Company's operation in accordance with laws, and the Company's internal control and compliance, etc., and the Supervisory Committee is of the opinion that:

1. There was no violation of the Company Law, national laws and regulations, the Articles and internal systems in the Company's operating activities in 2024.

2. The general meeting and the Board exercised their powers and functions in strict compliance with the Company Law, national laws and regulations, the Articles and the internal system, and the procedures for convening, holding, voting and adopting resolution at meetings were following laws and regulations and met standards. All Directors and senior management performed their duties with due diligence, strictly implemented the resolutions of the general meeting and the Board, exercised their powers and functions correctly and diligently, and were not been found any act in violation of laws, regulations, the Articles and internal systems or detrimental to the interests of the Company and Shareholders.

3. The accounting firm issued an unqualified audit report. It is concluded in such report that the financial statements of the Company give a true and fair view of the financial position and results of operations of the Company.

The Supervisory Committee has full confidence in the prospects of the Company and will, as always, exercise effective supervision over the Company's operations to safeguard the interests of Shareholders and the Company as a whole.

Ke Shanyong
Chairperson of the Supervisory Committee
Suzhou, China

March 28, 2025

INDEPENDENT AUDITOR'S REPORT

KPMG

to the directors of InnoScience (Suzhou) Technology Holding Co., Ltd.
(incorporated in the People's Republic of China (the PRC") with limited liability)

OPINION

We have audited the consolidated financial statements of InnoScience (Suzhou) Technology Holding Co., Ltd. ("the **Company**") and its subsidiaries ("the **Group**") set out on pages 81 to 152, which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the **Code**") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

Revenue recognition

Refer to Note 4 to the consolidated financial statements and the accounting policies on pages 102 to 103.

The Key Audit Matter

The Group's revenue principally comprises sales of GaN Discrete Chips and GaN ICs, GaN Wafers and GaN Modules.

The Group recognises revenue from sales of GaN Discrete Chips and GaN ICs, GaN Wafers and GaN Modules at the point in time when control of the goods is transferred to the customer, which is the point when the goods are accepted by customers.

We identified the recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Group and there is an inherent risk that revenue may be recognised in the incorrect period or manipulated by management to meet targets or expectations.

How the matter was addressed in our audit

Our audit procedures to assess the recognition of revenue included the following:

- obtaining an understanding of and assessing the design, implementation and operating effectiveness of Group's key internal controls in relation to revenue recognition;
- inspecting, on a sample basis, customers contracts to identify terms and conditions and assessing the appropriateness of the Group's recognition of revenue with reference to the requirements of the prevailing accounting standards;
- inspecting, on a sample basis, sales contracts, invoices and underlying documents of control transfer ("**underlying documentation**") for revenue transactions recorded during the current year to assess whether the related revenue was recognised in accordance with the Group's revenue recognition accounting policies;
- inspecting, on a sample basis, underlying documentation for revenue transactions recorded before and after the financial year-end date to assess whether the related revenue had been recognised in the appropriate financial period;
- obtaining confirmations, on a sample basis, from customers to confirm the sales transactions during the year and, for unreturned confirmations, performing alternative procedures by comparing details of the transactions with underlying documentation; and
- inspecting underlying documentation for journal entries relating to revenue which meet specific risk-based criteria.

INDEPENDENT AUDITOR'S REPORT

Valuation of inventories

Refer to Note 16 to the consolidated financial statements and the accounting policies on page 97.

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2024, the carrying amount of the Group's inventories was RMB444,293,000, where inventories write-down of RMB241,437,000 was recognised as at 31 December 2024. Inventories are stated at the lower of cost and net realisable value. The Group maintains its inventories level based on customer orders and forecast demand. There is a risk that the net realisable value of inventories may fall below their costs due to changes in customer demand, product iteration and the consequent overstocking of inventories at the end of the reporting period. The estimation of inventories write-down involves significant management judgments based on consideration of key factors such as assessment of the physical condition of the inventories, inventory aging, future sales projection, and the estimation of the net realisable value of the inventories. We identified the valuation of inventories as a key audit matter because inventories are significant to the consolidated financial statements and there is significant degree of management judgement involved in determining the write-down of inventories.	Our audit procedures to assess the valuation of inventories included the following: • obtaining an understanding of and evaluating the design and implementation of the Group's key internal controls over the inventories write-down and write-down assessment process; • assessing whether the inventories write-down policy is appropriate with reference to the requirements of the prevailing accounting standards; • performing a retrospective review on the inventories write-down by comparing the actual sales of written down inventories during the year with the forecast made in the previous year, in order to assess if there is any indicator of management bias; • observing physical condition of inventories, on a sample basis, during attendance of inventory count to identify slow moving, damaged, or obsolete inventories, and inspecting the inventory financial records to ascertain whether write-down had been recognised for those inventories; • assessing, on a sample basis, whether items in the inventory ageing reports were classified within the appropriate ageing bucket by comparing individual items with goods received notes and stock-in reports; • assessing the reasonableness of the key parameters and assumptions used in the inventories write-down adopted by the management, taking into account the ageing for the inventories, the historical write down rate and the Group's current circumstances; in addition, for the net realisable value of inventories, comparing, on a sample basis, with sales prices subsequent to the end of the reporting period; and • recalculating the inventories write-down based on the Group's inventories write-down policy.

INDEPENDENT AUDITOR'S REPORT

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a 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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' 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 the Group'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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee 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 the Audit Committee 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 bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated 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.

The engagement partner on the audit resulting in this independent auditor's report is Au Yat Fo.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

28 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

(Expressed in RMB'000)

	Note	2024 RMB'000	2023 RMB'000
Revenue	4	**828,459**	592,717
Cost of sales		**(989,876)**	(954,785)
Gross loss		**(161,417)**	(362,068)
Other net income	5	**72,233**	64,962
Selling and marketing costs		**(97,905)**	(90,097)
Administrative expenses		**(451,160)**	(247,068)
Research and development costs		**(323,028)**	(348,749)
Loss from operations		**(961,277)**	(983,020)
Finance costs	6(a)	**(84,065)**	(118,912)
Loss before taxation	6	**(1,045,342)**	(1,101,932)
Income tax	7(a)	**(335)**	(14)
Loss for the year		**(1,045,677)**	(1,101,946)
Loss per share			
Basic and diluted (RMB)	10	**(1.28)**	(1.38)
Loss for the year		**(1,045,677)**	(1,101,946)
Other comprehensive income for the year			
Item that is or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of:			
– financial statements of overseas subsidiaries		**(1,723)**	(609)
Total comprehensive income for the year		**(1,047,400)**	(1,102,555)

The accompanying notes form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

(Expressed in RMB'000)

	Note	2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment	11	2,741,887	3,061,405
Right-of-use assets	12	116,841	85,026
Intangible assets	13	197,720	272,640
Other non-current assets	14	30,860	60,652
		3,087,308	3,479,723
Current assets			
Inventories	16	444,293	416,788
Trade and other receivables	17	484,388	337,013
Financial assets at fair value through profit or loss ("**FVPL**")	18	–	20,074
Pledged bank deposits	19	6,306	8,828
Cash and cash equivalents	20	1,524,954	328,978
		2,459,941	1,111,681
Current liabilities			
Trade and other payables	21	462,401	409,973
Loans and borrowings	22	522,426	508,489
Lease liabilities	23	11,157	7,927
		995,984	926,389

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024
(Expressed in RMB'000)

	Note	2024 RMB'000	2023 RMB'000
Net current assets		**1,463,957**	185,292
Total assets less current liabilities		**4,551,265**	3,665,015
Non-current liabilities			
Loans and borrowings	22	**1,401,470**	1,546,084
Lease liabilities	23	**59,342**	29,490
Deferred income	24	**119,435**	125,518
		1,580,247	1,701,092
NET ASSETS		**2,971,018**	1,963,923
Share capital	26(d)	**879,152**	800,711
Reserves	26(e)	**2,091,866**	1,163,212
TOTAL EQUITY		**2,971,018**	1,963,923

Approved and authorised for issue by the Board of Directors on 28 March 2025.

Weiwei Luo
Director

Zhong Shan
Director

The accompanying notes form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024
(Expressed in RMB'000)

	Note	Paid-in capital RMB'000 (Note 26(c))	Capital reserve RMB'000 (Note 26(e)(ii))	Share capital RMB'000 (Note 26(d))	Share premium RMB'000 (Note 26(e)(i))	Exchange reserve RMB'000 (Note 26(e)(iii))	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 January 2023		4,046,027	7,111,606	–	–	3,759	(8,201,277)	2,960,115
Loss for the year		–	–	–	–	–	(1,101,946)	(1,101,946)
Other comprehensive income		–	–	–	–	(609)	–	(609)
Total comprehensive income		–	–	–	–	(609)	(1,101,946)	(1,102,555)
Capital reduction and conversion to a joint stock company	26(c)	(4,046,027)	(6,749,263)	800,000	9,707,737	–	287,553	–
Capital injection from shareholders	26(d)	–	–	711	19,289	–	–	20,000
Equity-settled share-based transactions	25	–	86,363	–	–	–	–	86,363
Balance at 31 December 2023 and at 1 January 2024		**–**	**448,706**	**800,711**	**9,727,026**	**3,150**	**(9,015,670)**	**1,963,923**
Loss for the year		**–**	**–**	**–**	**–**	**–**	**(1,045,677)**	**(1,045,677)**
Other comprehensive income		**–**	**–**	**–**	**–**	**(1,723)**	**–**	**(1,723)**
Total comprehensive income		**–**	**–**	**–**	**–**	**(1,723)**	**(1,045,677)**	**(1,047,400)**
Issue of ordinary shares by initial public offering, net of issuance costs		**–**	**–**	**45,364**	**1,201,514**	**–**	**–**	**1,246,878**
Capital injection from shareholders	26(d)	**–**	**–**	**33,077**	**607,600**	**–**	**–**	**640,677**
Equity-settled share-based transactions	25	**–**	**166,940**	**–**	**–**	**–**	**–**	**166,940**
Balance at 31 December 2024		**–**	**615,646**	**879,152**	**11,536,140**	**1,427**	**(10,061,347)**	**2,971,018**

The accompanying notes form part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2024
(Expressed in RMB'000)

	Note	2024 RMB'000	2023 RMB'000
Operating activities:			
Cash used in operations	20(b)	(336,011)	(593,598)
Income tax paid		(335)	(14)
Net cash used in operating activities		(336,346)	(593,612)
Investing activities:			
Payment for the purchase of property, plant and equipment and intangible assets		(171,753)	(331,307)
Payments for acquisition of financial assets measured at FVPL		(338,019)	(1,493,324)
Payments for acquisition of financial assets measured at FVOCI		(451,158)	–
Proceeds from disposal of property, plant and equipment		17,648	25,130
Proceeds from disposal of financial assets measured at FVPL		359,567	2,137,697
Proceeds from disposal of financial assets measured at FVOCI		451,158	–
Interest of financial assets measured at FVOCI received		3,691	–
Net cash (used in)/generated from investing activities		(128,866)	338,196
Financing activities:			
Capital element of lease rentals paid	20(c)	(9,028)	(7,823)
Interest element of lease rentals paid	20(c)	(1,480)	(1,747)
Proceeds from loans and borrowings	20(c)	392,763	266,155
Repayment of loans and borrowings	20(c)	(521,501)	(298,112)
Capital contributions by investors	26(d)	640,677	20,000
Interest of loans and borrowings paid	20(c)	(87,753)	(105,270)
Proceeds from issuance of H shares, net of issuance costs		1,247,956	–
Net cash generated from/(used in) financing activities		1,661,634	(126,797)
Net increase/(decreased) in cash and cash equivalents		1,196,422	(382,213)
Effect of foreign exchange rate changes		(446)	350
Cash and cash equivalents at 1 January	20(a)	328,978	710,841
Cash and cash equivalents at 31 December	20(a)	1,524,954	328,978

The accompanying notes form part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

InnoScience (Suzhou) Technology Holding Co., Ltd.* (the "**Company**") (英諾賽科(蘇州)科技股份有限公司) was incorporated in Suzhou, Jiangsu Province, People's Republic of China (the "**PRC**") on 21 July 2017 as a limited liability company. In September 2023, the Company was converted from a limited liability company into a joint stock limited liability company. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 30 December 2024 (the "**Listing**").

The Company and its subsidiaries (together, "the **Group**") are principally engaged in design, research and development and manufacture of various types of Gallium Nitride ("**GaN**") power semiconductor products.

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2024 comprise the Company and its subsidiaries (together referred to as the "**Group**") and the Group's interest in associates and a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out in Note 2(e).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (Continued)

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Changes in accounting policies

The Group has applied the following new and amended HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKAS 1, *Presentation of financial statements – Classification of liabilities as current or non-current* (“**2020 amendments**”) and amendments to HKAS 1, *Presentation of financial statements – Non-current liabilities with covenants* (“**2022 amendments**”)

- Amendments to HKFRS 16, *Leases – Lease liability in a sale and leaseback*

- Amendments to HKAS 7, *Statement of cash flows and HKFRS 7, Financial instruments: Disclosures – Supplier finance arrangements*

None of these developments have had a material effect on how the Company’s results and financial position for the current or prior periods have been prepared or presented. The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(i)(ii)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

(e) Other investments in securities

The Group's policies for investments in securities, other than investments in subsidiaries are set out below.

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 27(e). These investments are subsequently accounted for as follows, depending on their classification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(e) Other investments in securities (Continued)

(i) Non-equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see Note 2(s)(ii)). Any gain or loss on derecognition is recognised in profit or loss.

– fair value through other comprehensive income (FVOCI) - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in other comprehensive income. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value through profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(f) Property, plant and equipment

Property, plant and equipment, are stated at cost less accumulated depreciation and any accumulated impairment losses (see Note 2(i)(ii)). If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(u)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment (Continued)

Any gain or loss arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write-off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. The estimated useful lives for the current and comparative periods are as follows:

–	Plant and buildings	5 – 20 years
–	Equipment and machinery	5 – 10 years
–	Vehicles	5 years
–	Office equipment and furniture	3 – 5 years
–	Leasehold improvements	Shorter of useful lives or lease term

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is stated at cost less impairment losses (see Note 2(i)(ii)). Capitalisation of construction in progress costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

(g) Intangible assets

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(i)(ii)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Intangible assets (Continued)

Amortisation is calculated to write-off the cost of intangible assets less their estimated residual values using the straight line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

The estimated useful life for non-patented technology and software were decided with reference to the shortest period among the expected service life, the expected beneficial life and the effective life stipulated by the applicable law. The estimated useful lives for the current and comparative periods are as follows:

Non-patented technology	10 years
Software	5 – 10 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(h) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less and leases of low-value items which, for the Group are primarily vehicles and staff dormitories. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(h) Leased assets (Continued)

(i) As a lessee (Continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2(i)(ii)). Depreciation is calculated using the straight-line method over the unexpired term of lease.

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost (see Notes 2(e)(i), 2(s)(ii) and 2(i)(i)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**"), if such modification is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statements of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

The Group presents right-of-use assets that do not meet the definition of investment property in "right-of-use assets" and presents lease liabilities separately in the statements of financial position.

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses ("**ECLs**") on financial assets measured at amortised cost (including cash and cash equivalents, pledged bank deposits, trade and other receivables).

Other financial assets measured at fair value are not subject to the ECL assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(i) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

– fixed-rate financial assets and other receivables: effective interest rate determined at initial recognition or an approximation thereof; and

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on the following bases:

– 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

– lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

– financial instruments that are determined to have low credit risk at the reporting date; and

– other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(i) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Significant increases in credit risk

When determining whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when (i) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due.

The Group considers a financial instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(i) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or being more than 90 days past due;

– the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

– it is probable that the debtor will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(i) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("**CGU**"s).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 2(i)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(j) Inventories and other contract costs

(i) Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(ii) Other contract costs

Other contract costs are the costs to fulfil a contract with a customer, which are not capitalised as inventory (see Note 2(j)(i)), property, plant and equipment (see Note 2(f)) or intangible assets (see Note 2(g)), are expensed as incurred.

(k) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(s)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognised (see Note 2(l)).

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. All receivables are subsequently stated at amortised cost (see Note 2(i)(i)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in Note 2(i)(i).

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(o) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with Note 2(u).

(p) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Share-based payments

The Company grant share options or restricted share units ("**RSUs**") as incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of such share-based payments, whereby employees render services in exchange for equity instruments ("**equity – settled transactions**").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(p) Employee benefits (Continued)

(ii) Share-based payments (Continued)

The cost of equity-settled transactions with employees is measured by reference to the fair value of the share options or restricted share units at the grant date. The fair value of share options or restricted share units granted is recognised as expenses with a corresponding increase in capital reserve within equity. The fair value is measured at grant date using the option or restricted share unit pricing model, taking into account the terms and conditions upon which the options or restricted share units were granted. Service and non-market performance conditions are not taken into account when determining the grant date fair value of options or restricted share units, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of options or restricted share units that will ultimately vest.

Where the grantees have to meet vesting conditions before becoming unconditionally entitled to the options or restricted share units, the total estimated fair value of the options or restricted share units is expensed over the vesting period, taking into account the probability that the options or restricted share units will vest. During the vesting period, the number of share options or restricted share units that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve.

On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of equity-settled share-based payments award that vest (with a corresponding adjustment to the capital reserve.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified and if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and it is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises costs for a restructuring.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(q) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income ("**OCI**").

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

– temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

– taxable temporary differences arising on the initial recognition of goodwill; and

– those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(q) Income tax (Continued)

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

(r) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(s) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods and the provision of services in the ordinary course of the Group's business.

The Group is the principal for its revenue transactions and recognises revenue on a gross basis, including the sale of products that are sourced externally. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods and provision of services

Sales of the Group's products are recognised as follows:

– Sale of GaN power semiconductor products

Revenue is recognised when the customer takes possession of and accepts the products and/or services.

– Revenue from rendering of services

Revenue from rendering of services is recognised over time by measuring the progress of that performance obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(s) Revenue and other income (Continued)

(ii) Interest income

Interest income is recognised using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(iii) Government grants

Government grants are recognised in the statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised initially as deferred income and amortised as income in the profit or loss on a straight-line basis over the useful life of the related asset.

(t) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions. Foreign currency differences are recognised in OCI and accumulated in the exchange reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(v) Related parties (Continued)

(b) (Continued)

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Notes 25 and 27(e) contains information about the assumptions and risk factors relating to fair value of equity-settled share-based transactions and other financial assets. Other key sources of estimation uncertainty are as follows:

(i) Allowance for impairment of trade and other receivables

The Group's management determines the loss allowance for expected credit losses on trade and other receivables based on an assessment of the present value of all expected cash shortfalls. These estimates are based on the information about past events, current conditions and forecasts of future economic conditions. The Group's management reassesses the loss allowance at each reporting period end.

(ii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Special consideration is given to estimate the selling price of those technically obsolete and/or slow-moving inventory items.

Management reassesses these estimations at the end of reporting period to ensure inventory is shown at the lower of cost and net realisable value.

(iii) Useful life of intangible assets and property, plant and equipment

Intangible assets are amortised and property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the respective assets, after taking into account the estimated residual values. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expenses to be recorded during the reporting period. The useful lives are based on the industry experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

(iv) Impairment of intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts have been determined based on the higher of value-in-use calculations and fair value less cost to sell. These calculations require the use of judgments and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related assets values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections and whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value in the impairment test and as a result affect the Group's financial position and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated statement of comprehensive income.

(v) Principal versus agent considerations

The Group determines whether the nature of its performance obligation is to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for the other party to provide those goods or services (i.e. the Group is an agent) based on the transaction model and its economic substance. The Group is a principal if it controls a promised goods or services before it transfers the goods or services to a customer. The Group recognises revenue at gross amount of consideration to which it expects to be entitled in exchange for those goods or services transferred. The Group is an agent if its performance obligation is to arrange for the provision of goods or services by another party. The Group recognises revenue at the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services.

The Group engages third-party subcontractors to assemble and test GaN modules to be sold by providing subcontractors with the Group's chips, designs as well as substantial involvement in the critical decisions of the assembly and testing activities of the subcontractors. While one of the Group's subcontractors was a subsidiary of the Group's customer of GaN modules, the Group has determined that the nature of its performance obligation has always been sales of GaN modules regardless of whichever subcontractor it chooses and that it has the ability to direct the critical decisions involved in the assembly and testing activities of the subcontractors in view of the nature of the designs and the frequent upgrade cycles of the products. The Group is fully exposed to the fulfilment risks related to sales of GaN modules considering the payment terms and pricing bases with the relevant parties. As a result, the Group recognises revenue on a gross basis, recognising the corresponding subcontracting fees as costs of sales.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

(vi) Share-based compensation expense

The Company's share-based payment uses the option or restricted share unit pricing model to estimate the fair value of options or restricted share units on the grant date. The option or restricted share unit pricing model requires highly subjective assumptions, including risk-free rate and the expected fluctuation of the share price. The fair value of the options or restricted share units are affected by assumptions and judgments. Further details on share-based compensation are disclosed in Note 25 to the consolidated financial statements.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products is as follows:

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products		
– Sales of GaN Discrete Chips and GaN ICs	**360,761**	192,066
– Sales of GaN Wafers	**280,499**	208,666
– Sales of GaN Modules	**183,946**	190,420
– Others	**3,253**	1,565
	828,459	592,717

Disaggregation of the Group's revenue from contracts with customers by the timing of revenue recognition is set out below:

	2024 RMB'000	2023 RMB'000
Point-in-time	**826,950**	592,717
Over-time	**1,509**	–
	828,459	592,717

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Revenue (Continued)

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date.

The Group has applied the practical expedient in paragraph 121(a) of HKFRS 15 to its sales contracts for GaN power semiconductor products that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of GaN power semiconductor products that had an original expected duration of one year or less.

(b) Segment reporting

HKFRS 8, *Operating Segments*, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group's chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the sales of GaN power semiconductor products.

(i) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the GaN power semiconductor products were sold.

	2024 RMB'000	2023 RMB'000
Mainland of the PRC	702,073	534,764
Overseas	126,386	57,953
	828,459	592,717

(ii) Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue during the year is set out below:

	2024 RMB'000	2023 RMB'000
Customer A	181,885	189,998

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 OTHER NET INCOME

	2024 RMB'000	2023 RMB'000
Bank interest income	**2,694**	14,046
Interest income from financial assets measured at FVOCI	**3,691**	–
Net gain on disposal of property, plant and equipment	**10,772**	9,112
Net gains on financial assets measured at FVPL	**1,474**	5,590
Government grants (Note)	**48,549**	38,834
Net foreign exchange gain/(loss)	**4,877**	(3,582)
Others	**176**	962
	72,233	64,962

Note: Government grants primarily comprise subsidies received from the government for the encouragement of research and development projects.

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs:

	2024 RMB'000	2023 RMB'000
Interest on		
– loans and borrowings	**85,814**	121,079
– lease liability	**1,480**	1,747
Less: interest expense capitalised into construction in progress (i)	**(3,229)**	(3,914)
Total interest expense	**84,065**	118,912

(i) The borrowing costs have been capitalised at a rate of 4.35% per annum (2023: 4.35% – 4.65%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 LOSS BEFORE TAXATION (CONTINUED)

(b) Staff costs:

	Note	2024 RMB'000	2023 RMB'000
Salaries, wages and other benefits		**400,712**	468,912
Contributions to defined contribution retirement plans (i)		**23,063**	27,603
Equity-settled share-based payment expenses	25	**166,940**	86,363
		590,715	582,878

(i) Defined contribution retirement plans

Employees of the Company and its subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Company and its subsidiaries contributes funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group's contributions made to the defined contribution retirement scheme are non-refundable and cannot be used to reduce the future or existing level of contribution of the Group should any forfeiture be resulted from the schemes.

The Group has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

(c) Other items:

	Note	2024 RMB'000	2023 RMB'000
Cost of inventories	16(b)	**989,494**	939,242
Depreciation:			
– owned property, plant and equipment	11	**425,514**	445,109
– right-of-use assets	12	**9,915**	9,631
Research and development expenses (i)		**323,028**	348,749
Amortisation of intangible assets	13	**80,519**	79,575
Auditors' remuneration		**2,160**	57

(i) During the years ended 31 December 2024, research and development expenses include staff costs, depreciation expenses and amortisation expenses of RMB277,526,000 (2023: RMB301,169,000), which amounts are also included in the respective total amounts disclosed separately above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income represents:

	2024 RMB'000	2023 RMB'000
Current tax:		
Provision for PRC income tax for the year	335	14
Deferred tax:		
Origination and reversal of temporary differences	–	–
	335	14

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2024 RMB'000	2023 RMB'000
Loss before taxation	(1,045,342)	(1,101,932)
Notional tax on loss before taxation, calculated at the rates applicable to the jurisdictions concerned (i)	(258,007)	(269,818)
Effect of preferential tax rate (ii)	62,412	85,233
Effect of additional deduction on research and development expenses (iii)	(31,576)	(39,681)
Tax effect of non-deductible share-based payment expenses	29,881	15,563
Tax effect of other non-deductible expenses	181	100
Effect of deferred tax assets in respect of temporary differences and tax losses not recognised	197,444	208,617
Actual tax expense	335	14

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

(b) Reconciliation between tax expense and accounting loss at applicable tax rates: (Continued)

(i) Pursuant to the Enterprise Income Tax (the "**EIT**") Law of the PRC (the "**EIT Law**"), the Company and it's subsidiaries established and operated in the PRC are liable to EIT at a rate of 25% unless otherwise specified.

The Company's subsidiary Innoscience Korea Inc. incorporated in South Korea is liable to South Korea Profits tax at progressive tax rates from 9% to 24% of annual taxable profits. The Company's subsidiary Innoscience America Inc. incorporated in the United States is liable to the federal corporate tax at a rate of 21% and the state income tax at a rate from 8% to 8.87%. The Company's subsidiary Innoscience Europe NV incorporated in Belgium is liable to the Belgium Profits tax at a rate of 25%.

(ii) According to the EIT Law and its relevant regulations, entities that qualified as high-technology enterprise are entitled to a preferential income tax rate of 15%. The Company's subsidiaries Innoscience (Zhuhai) Technology Co., Ltd. and Innoscience (Suzhou) Semiconductor Co., Ltd. obtained the certificate of high-technology enterprise in 2019 and 2022 respectively and Innoscience (Zhuhai) Technology Co., Ltd. renewed its certificate in 2022. Both subsidiaries are subject to income tax rate at 15% in 2024 and 2023.

(iii) Under the PRC EIT Law and its relevant regulations, 100% additional tax deduction is allowed for qualified research and development costs in the year.

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in Note 2(q), as at 31 December 2024, the Company and its subsidiaries have not recognised deferred tax assets in respect of their cumulative tax losses of RMB7,236,138,000 (2023:RMB6,143,556,000) and temporary differences of RMB504,359,000 (2023:RMB359,813,000) as they have been loss-making for years and it is not considered probable that taxable profits in foreseeable future will be available against which the tax losses can be utilised. The tax losses arising from operations in Mainland China can be carried forward to offset against taxable profits of subsequent years for up to ten years from the year in which they arose.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Year ended 31 December 2024

2024	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-Total RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
Executive directors							
Weiwei Luo	–	1,847	660	19	2,526	–	2,526
Jay Hyung Son	–	1,842	658	–	2,500	–	2,500
Jingang Wu (吳金剛)	–	3,400	1,400	48	4,848	59,447	64,295
Shan Zhong (鍾山)	–	1,575	660	46	2,281	–	2,281
Non-executive directors							
Can Wang (汪燦)	–	–	–	–	–	–	–
Yanhong Zhang (張彥紅)	–	–	–	–	–	–	–
Mizi Cui (崔米子)	–	–	–	–	–	–	–
Independent non-executive directors							
Hin Wing Wong (黃顯榮)	40	–	–	–	40	–	40
Jiming Yi (易繼明)	40	–	–	–	40	–	40
Simon Shi-Ning Yang (楊士寧)	40	–	–	–	40	–	40
Philip Ching Ho Chan (陳正豪)	40	–	–	–	40	–	40
Supervisors							
Xingguo Peng (彭星國)	–	–	–	–	–	–	–
Xi Huang (黃喜)	–	–	–	–	–	–	–
Weifeng Ren (任衛峰) (appointed in April 2024)	–	–	–	–	–	–	–
Guangyi Lai (賴廣禕) (appointed in May 2024)	–	309	32	30	371	201	572
Shanyong Ke (柯善勇) (appointed in May 2024)	–	671	300	51	1,022	929	1,951
	160	9,644	3,710	194	13,708	60,577	74,285

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 DIRECTORS' EMOLUMENTS (CONTINUED)

Year ended 31 December 2023

2023	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-Total RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
Executive directors							
Weiwei Luo	–	2,168	660	18	2,846	–	2,846
Jay Hyung Son	–	2,163	658	–	2,821	–	2,821
Jingang Wu (吳金剛) (appointed in January 2023)	–	4,004	2,191	43	6,238	26,405	32,643
Shan Zhong (鍾山)	–	1,859	660	46	2,565	–	2,565
Non-executive directors							
Zuoyi Wu (吳作義) (resigned in July 2023)	–	–	–	–	–	–	–
Yanhong Zhang (張彥紅)	–	–	–	–	–	–	–
Mizi Cui (崔米子) (appointed in September 2023)	–	–	–	–	–	–	–
Supervisors							
Xiaoqing Fei (費曉青) (resigned in July 2023)	–	300	22	23	345	–	345
Huajun Yang (楊華君) (resigned in July 2023)	–	–	–	–	–	–	–
Xingguo Peng (彭星國)	–	–	–	–	–	–	–
Shaolong Huang (黃少龍) (resigned in July 2023)	–	–	–	–	–	–	–
Gang Huang (黃罡) (resigned in July 2023)	–	–	–	–	–	–	–
Dianquan Jiao (焦殿權) (resigned in December 2023)	–	1,371	660	43	2,074	1,267	3,341
Xi Huang (黃喜) (in September 2023)	–	–	–	–	–	–	–
	–	11,865	4,851	173	16,889	27,672	44,561

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 DIRECTORS' EMOLUMENTS (CONTINUED)

Year ended 31 December 2023 (Continued)

Notes:

In May 2024, Hin Wing Wong (黃顯榮), Jiming Yi (易繼明), Simon Shi-Ning Yang (楊士寧) and Philip Ching Ho Chan (陳正豪) were appointed as independent non-executive directors which will be effective upon the date of the listing.

During the year, there were no amounts paid or payable by the Company to the directors or any of the five highest paid individuals set out in Note 9 below as an inducement to join or upon joining the Company or as compensation for loss of office.

These represent the estimated value of the share options or restricted share units (Note 25) granted to the directors of the Company under the Company's share options scheme or restricted share units scheme. The value of these share options or restricted share units is measured according to the Group's accounting policy for share-based payment transactions as set out in Note 2(p)(ii). The details of the share options or restricted share units, including the principal arrangements are disclosed in Note 25.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2023: one) are directors whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other four (2023: four) individuals are as follows:

	2024 RMB'000	2023 RMB'000
Salaries, allowance and benefits in kind	**7,771**	13,036
Discretionary bonuses	**622**	822
Retirement scheme contributions	**390**	474
Equity-settled share-based payments	**17,965**	11,223
	26,748	25,555

The emoluments of the individuals who are not director and with the highest emoluments are within the following bands:

	2024 Number of individuals	2023 Number of individuals
HK$		
5,000,001 – 5,500,000	**1**	1
6,000,001 – 6,500,000	**–**	1
6,500,001 – 7,000,000	**1**	1
7,000,001 – 9,500,000	**2**	–
9,500,001 – 10,000,000	**–**	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB1,045,667,000 (2023:RMB1,101,946,000) and the weighted average of 819,216,000 ordinary shares (2023: 800,004,000 shares) in issue or deemed to be in issue during the year.

As described in Notes 26(c) and 26(d)(i), the Company underwent a capital reduction and was converted into a joint stock company with limited liability in September 2023. 800,000,000 shares with a nominal value of RMB1 each were issued upon the conversion into a joint stock company. For the purpose of computing basic loss per share, the weighted average number of ordinary shares deemed to be in issue before the Company's conversion into a joint stock company was determined assuming the capital reduction and conversion into a joint stock company had occurred since 1 January 2023.

Weighted average number of ordinary shares:

	2024 '000	2023 '000
Ordinary shares in issue/deemed to be in issue at 1 January	800,711	800,000
Effect of ordinary shares issued under capital injection from shareholders (Note 26(d))	24,395	4
Effect of ordinary shares issued under initial public offering (Note 26(d))	124	–
Effect of unvested restricted share units (Note 25(b))	(6,014)	–
Weighted average number of ordinary shares at 31 December	819,216	800,004

(b) Diluted loss per share

For the year ended 31 December 2024 and 2023, share options as disclosed in Note 25(a) and restricted share units as disclosed in Note 25(b) were not included in the calculation of diluted loss per share, as their effect would have been anti-dilutive. Accordingly, diluted loss per share were the same as basic loss per share for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 PROPERTY, PLANT AND EQUIPMENT

	Plant and Buildings	Equipment and machinery	Office equipment and furniture	Vehicles	Construction in progress	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:							
1 January 2023	1,642,552	1,958,195	71,363	3,913	222,695	34,400	3,933,118
Additions	22,508	30,380	2,491	53	209,453	3,875	268,760
Transfer	17,310	70,997	2,424	43	(101,628)	4,299	(6,555)
Disposals	–	(18,465)	(57)	–	–	–	(18,522)
Exchange adjustments	–	25	9	–	–	6	40
At 31 December 2023 and 1 January 2024	1,682,370	2,041,132	76,230	4,009	330,520	42,580	4,176,841
Additions	8,875	742	242	265	98,586	3,733	112,443
Transfer	259,821	66,035	7,484	–	(320,688)	(12,652)	–
Disposals	(16,633)	(15,667)	(199)	–	–	–	(32,499)
Exchange adjustments	–	(154)	(7)	–	–	(53)	(214)
At 31 December 2024	**1,934,433**	**2,092,088**	**83,750**	**4,274**	**108,418**	**33,608**	**4,256,571**
Accumulated depreciation:							
At 1 January 2023	(164,385)	(472,283)	(20,727)	(2,248)	–	(13,176)	(672,819)
Charge for the year	(82,067)	(339,991)	(13,449)	(506)	–	(9,096)	(445,109)
Written back on disposals	–	2,481	23	–	–	–	2,504
Exchange adjustments	–	(7)	(3)	–	–	(2)	(12)
At 31 December 2023 1 January 2024	(246,452)	(809,800)	(34,156)	(2,754)	–	(22,274)	(1,115,436)
Charge for the year	(88,926)	(330,096)	(13,269)	(484)	–	7,261	(425,514)
Written back on disposals	13,818	12,210	170	–	–	–	26,198
Exchange adjustments	–	54	8	–	–	6	68
At 31 December 2024	**(321,560)**	**(1,127,632)**	**(47,247)**	**(3,238)**	**–**	**(15,007)**	**(1,514,684)**
Net book value:							
At 31 December 2024	**1,612,873**	**964,456**	**36,503**	**1,036**	**108,418**	**18,601**	**2,741,887**
At 31 December 2023	1,435,918	1,231,332	42,074	1,255	330,520	20,306	3,061,405

Property, plant and equipment with net book value of RMB1,830,085,000 was pledged as security for bank loans (see Note 22(c)(i)) as at 31 December 2024 (2023: RMB1,735,254,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 RIGHT-OF-USE ASSETS

	Land use rights (a)	Office building (b)	Equipment and machinery	Passenger vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:					
At 31 December 2022 and 1 January 2023	58,154	16,719	34,584	747	110,204
Additions	–	1,623	737	–	2,360
Disposals	–	(1,221)	–	–	(1,221)
Exchange adjustments	–	75	–	3	78
At 31 December 2023 and 1 January 2024	58,154	17,196	35,321	750	111,421
Additions	–	7,208	34,902	–	42,110
Disposals	–	(323)	–	(750)	(1,073)
Exchange adjustments	–	(12)	–	–	(12)
At 31 December 2024	**58,154**	**24,069**	**70,223**	**–**	**152,446**
Accumulated depreciation:					
At 31 December 2022 and 1 January 2023	(6,490)	(6,597)	(4,696)	(152)	(17,935)
Charge for the year	(1,358)	(4,546)	(3,544)	(183)	(9,631)
Written back on disposals	–	1,221	–	–	1,221
Exchange adjustments	–	(46)	–	(4)	(50)
At 31 December 2023 and 1 January 2024	(7,848)	(9,968)	(8,240)	(339)	(26,395)
Charge for the year	(1,358)	(4,932)	(3,589)	(36)	(9,915)
Written back on disposals	–	323	–	375	698
Exchange adjustments	–	7	–	–	7
At 31 December 2024	**(9,206)**	**(14,570)**	**(11,829)**	**–**	**(35,605)**
Net book value:					
At 31 December 2024	**48,948**	**9,499**	**58,394**	**–**	**116,841**
At 31 December 2023	50,306	7,228	27,081	411	85,026

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 RIGHT-OF-USE ASSETS (CONTINUED)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2024 RMB'000	2023 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Land use rights	(1,358)	(1,358)
Properties leased for own use	(4,932)	(4,546)
	(6,290)	(5,904)
Interest on lease liabilities (Note 6(a))	1,480	1,747
Expense relating to short-term leases	1,984	2,655

During the years ended 31 December 2024, additions to right-of-use assets of the Group were RMB42,110,000 (2023: RMB2,360,000). This amount was primarily related to the capitalised lease payments payable under new tenancy agreements and lease of machines and equipment.

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in Notes 20(d), 23 and 27(b), respectively.

(a) Land use rights

Land in respect of land use rights are all located in the PRC with a lease period of 30 to 50 years when granted.

Land use rights with net book value of RMB48,948,000 are pledged as security for bank loans (see Note 22(c)(i)) as at 31 December 2024 (2023: RMB50,306,000).

(b) Properties and land leased for own use

The Group has obtained the right to use properties and land through tenancy agreements. The leases typically run for an initial period of 2 to 10 years.

Some leases include an option to terminate the lease before the end of the contract term. The Group considers it reasonably certain not to exercise the option to early terminate at lease commencement date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 INTANGIBLE ASSETS

	Non-patented technology RMB'000	Software RMB'000	Total RMB'000
Cost:			
At 1 January 2023	700,000	51,165	751,165
Additions	–	474	474
Transfer from construction in progress	–	6,555	6,555
At 31 December 2023 and 1 January 2024	700,000	58,194	758,194
Additions	–	5,599	5,599
At 31 December 2024	**700,000**	**63,793**	**763,793**
Accumulated amortisation:			
At 1 January 2023	(396,667)	(9,312)	(405,979)
Charge for the year	(70,000)	(9,575)	(79,575)
At 31 December 2023 and 1 January 2024	(466,667)	(18,887)	(485,554)
Charge for the year	(70,000)	(10,519)	(80,519)
At 31 December 2024	**(536,667)**	**(29,406)**	**(566,073)**
Net book value:			
At 31 December 2024	**163,333**	**34,387**	**197,720**
At 31 December 2023	233,333	39,307	272,640

14 OTHER NON-CURRENT ASSETS

	2024 RMB'000	2023 RMB'000
Prepayments for property, plant and equipment	**20,002**	46,757
Deposits for leaseback assets	**10,858**	13,895
	30,860	60,652

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the group. The class of shares held is ordinary unless otherwise stated.

Company name	Place and date of incorporation/ establishment	Particulars of registered and paid-up capital	Proportion of ownership interest: Directly held by the Company	Proportion of ownership interest: Indirectly held by the Company	Principal activities/Place of Principal business
Innoscience (Suzhou) Semiconductor Co., Ltd.* 英諾賽科(蘇州)半導體有限公司	The PRC, limited liability company 23 October 2017	RMB3,700,000,000/ RMB3,700,000,000	100.00%	–	Design, manufacture, research and development of Wafer/the PRC
Innoscience (Zhuhai) Technology Co., Ltd.* 英諾賽科(珠海)科技有限公司	The PRC, limited liability company 17 December 2015	RMB3,000,000,000/ RMB3,000,000,000	100.00%	–	Design, manufacture, research and development of Wafer/the PRC
Innoscience (Shanghai) Technology Semiconductor Co., Ltd.* 英諾賽科(上海)半導體科技有限公司	The PRC, limited liability company 13 July 2017	RMB182,000,000/ RMB182,000,000	100.00%	–	Design, research and development of technology/the PRC
Suzhou Xuyao Technology Co., Ltd.* 蘇州煦垚科技有限公司	The PRC, limited liability company 7 December 2021	RMB35,000,000/ RMB35,000,000	100.00%	–	Investment holding/the PRC
Innoscience (Nanjing) Technology Co., Ltd.* 英諾賽科(南京)科技有限公司	The PRC, limited liability company 23 November 2023	RMB20,000,000/ RMB20,000,000	100.00%	–	Distribution of Chip and development of application/the PRC
Shuidi (Guangzhou) Semiconductor Co., Ltd.* 水滴(廣州)半導體有限公司	The PRC, limited liability company 30 December 2022	RMB15,000,000/ Nil	100.00%	–	No substantial business activities
Innoscience (Shenzhen) Semiconductor Co., Ltd.* 英諾賽科(深圳)半導體有限公司	The PRC, limited liability company 9 November 2020	RMB10,000,000/ RMB10,000,000	100.00%	–	Distribution of Chip and development of application/the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Company name	Place and date of incorporation/ establishment	Particulars of registered and paid-up capital	Proportion of ownership interest Directly held by the Company	Proportion of ownership interest Indirectly held by the Company	Principal activities/Place of Principal business
Innoscience (Guangdong Hengqin) Technology Co., Ltd.* 英諾賽科(廣東橫琴)科技有限公司 (i)	The PRC, limited liability company 23 August 2021	RMB5,000,000/ Nil	100.00%	–	No substantial business activities
Innoscience (Wuhan) Technology Co., Ltd.* 英諾賽科(武漢)科技有限公司	The PRC, limited liability company 29 March 2024	RMB20,000,000/ RMB5,000,000	100.00%	–	Design, manufacture, research and development of Wafer/the PRC
Innoscience America Inc.	United States, limited company 1 July 2021	USD22,067,419/ USD22,067,419	–	100.00%	Distribution of Chip/United States
Innoscience Korea Inc.	Korea, limited company 14 January 2022	USD6,200,000/ USD6,200,000	–	100.00%	Distribution, research and development of Chip/Korea
Innoscience Europe NV	Belgium, limited company 21 October 2021	EUR400,000/ EUR400,000	–	100.00%	Distribution of Chip/Europe

Note:

(i) In October 2023, the subsidiary was de-registered.

* The English translation of all above companies is for reference only. The official names of the companies established in the PRC are in Chinese.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INVENTORIES

(a) Inventories in the statements of financial position comprise:

	2024 RMB'000	2023 RMB'000
Raw materials	25,766	33,317
Semi-finished products and WIP	270,128	202,156
Finished products	148,399	181,315
	444,293	416,788

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2024 RMB'000	2023 RMB'000
Carrying amount of inventories used	873,344	941,210
Write-down/(reversal) of inventories	116,150	(1,968)
	989,494	939,242

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 TRADE AND OTHER RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables, net of loss allowance	362,319	215,236
Prepayments	76,399	49,877
VAT recoverable	36,175	46,368
Other receivables and deposits, net of loss allowance	9,495	25,532
	484,388	337,013

All of trade and other receivables are due from third parties and are expected to be recovered or recognised as expenses within one year.

As of the end of each reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables) based on the invoice date and net of loss allowance, is as follows:

	2024 RMB'000	2023 RMB'000
Within 1 year	362,319	215,208
Over 1 year but less than 2 years	–	28
	362,319	215,236

Details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 27(a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 FINANCIAL ASSETS MEASURED AT FVPL

	2024 RMB'000	2023 RMB'000
Wealth management products	–	20,074

The Group's wealth management products were purchased from banks in the PRC with variable interest rate during the year.

19 PLEDGED BANK DEPOSITS

	2024 RMB'000	2023 RMB'000
Pledged bank deposits	6,306	8,828

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2024 RMB'000	2023 RMB'000
Cash at bank and on hand	1,524,954	328,978

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of loss before taxation to cash generated from operations:

	Note	2024 RMB'000	2023 RMB'000
Loss before taxation		**(1,045,342)**	(1,101,932)
Adjustments for:			
– Depreciation of property, plant and equipment	6(c)	**425,514**	445,109
– Depreciation of right-of-use assets	6(c)	**9,915**	9,631
– Amortisation of intangible assets	6(c)	**80,519**	79,575
– Net gain on disposal of property, plant and equipment	5	**(10,772)**	(9,112)
– Write-down/(reversal) of inventories		**116,150**	(1,968)
– Finance costs	6(a)	**84,065**	118,912
– Interest income from financial assets measured at FVOCI	5	**(3,691)**	–
– Net gains on financial assets measured at FVPL	5	**(1,474)**	(5,590)
– Impairment loss on trade and other receivables		**1,544**	1,559
– Equity-settled share-based transactions		**166,940**	86,363
Changes in working capital:			
Increase in inventories		**(143,655)**	(32,754)
Decrease in pledged bank deposits		**2,522**	16,495
Increase in trade and other receivables		**(145,882)**	(189,014)
Increase/(decrease) in trade and other payables		**133,719**	(80,562)
(Decrease)/increase in deferred income		**(6,083)**	69,690
Cash used in operations		**(336,011)**	(593,598)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities:

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

	Loans and borrowings RMB'000 (Note 22)	Lease liabilities RMB'000 (Note 23)	Total RMB'000
At 1 January 2024	2,054,573	37,417	2,091,990
Changes from financing cash flows:			
Capital element of lease rentals paid	–	(9,028)	(9,028)
Interest element of lease rentals paid	–	(1,480)	(1,480)
Proceeds from loans and borrowings	392,763	–	392,763
Repayment of loans and borrowings	(521,501)	–	(521,501)
Interest of loans and borrowings paid	(87,753)	–	(87,753)
Total changes from financing cash flows	(216,491)	(10,508)	(226,999)
Other changes:			
Increase in lease liabilities from entering into new leases during the year (Note 12)	–	42,110	42,110
Interest expenses (Note 6(a))	85,814	1,480	87,294
Total other changes	85,814	43,590	129,404
At 31 December 2024	1,923,896	70,499	1,994,395

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities: (Continued)

	Loans and borrowings RMB'000 (Note 22)	Lease liabilities RMB'000 (Note 23)	Total RMB'000
At 1 January 2023	2,070,721	42,880	2,113,601
Changes from financing cash flows:			
Capital element of lease rentals paid	–	(7,823)	(7,823)
Interest element of lease rentals paid	–	(1,747)	(1,747)
Proceeds from loans and borrowings	266,155	–	266,155
Repayment of loans and borrowings	(298,112)	–	(298,112)
Interest of loans and borrowings paid	(105,270)	–	(105,270)
Total changes from financing cash flows	(137,227)	(9,570)	(146,797)
Other changes:			
Increase in lease liabilities from entering into new leases during the year (Note 12)	–	2,360	2,360
Interest expenses (Note 6(a))	121,079	1,747	122,826
Total other changes	121,079	4,107	125,186
At 31 December 2023	2,054,573	37,417	2,091,990

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2024 RMB'000	2023 RMB'000
Within operating cash flows	**1,984**	2,655
Within financing cash flows	**10,508**	9,570
	12,492	12,225

These amounts are related to lease rentals paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 TRADE AND OTHER PAYABLES

	2024 RMB'000	2023 RMB'000
Trade payables	122,248	89,376
Accrued payroll	74,917	67,130
Tax payable	20,601	10,820
Other payables and accruals	244,635	242,647
Trade and other payables	462,401	409,973

(a) All trade and other payables are due to third parties expected to be settled or recognised as income within one year or are repayable on demand.

(b) As of the end of each reporting period, the ageing analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

	2024 RMB'000	2023 RMB'000
Within 3 months	117,056	86,504
After 3 months but within 6 months	362	133
After 6 months but within 12 months	2,688	910
After 12 months	2,142	1,829
	122,248	89,376

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 LOANS AND BORROWINGS

(a) Loans and borrowings comprise:

	2024 RMB'000	2023 RMB'000
Bank loans	**1,884,096**	1,922,454
Other loans (i)	**39,800**	132,119
	1,923,896	2,054,573

(i) In April 2021 and May 2022, the Group signed sale and leaseback agreements with Xinxin Finance Leasing Co., Ltd. (hereinafter referred to as "**Xinxin Finance Leasing**") to sell and lease back certain machinery and equipment amounting to RMB75,000,000 and RMB200,000,000 to Xinxin Finance Leasing respectively. The rents will be paid in instalments within the next three years. It is considered as a mortgage loan in substance with an annual effective interest rate of LPR rate plus 137.5 basis points and LPR rate plus 130 basis points respectively.

(b) As of the end of each reporting period, loans and borrowings were repayable as follows:

	2024 RMB'000	2023 RMB'000
Within 1 year or on demand	**522,426**	508,489
After 1 year but within 2 years	**460,591**	400,812
After 2 years but within 5 years	**901,779**	1,063,080
More than 5 years	**39,100**	82,192
	1,401,470	1,546,084
	1,923,896	2,054,573

(c) As of the end of each reporting period, loans and borrowings were secured as follows:

	2024 RMB'000	2023 RMB'000
Secured bank loans (i)	**1,632,110**	928,819
Unsecured bank loans	**291,786**	1,125,754
	1,923,896	2,054,573

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 LOANS AND BORROWINGS (CONTINUED)

(c) As of the end of each reporting period, loans and borrowings were guaranteed and secured as follows: (Continued)

(i) Loans and borrowings of the Group were secured by the following assets of the Group:

	2024 RMB'000	2023 RMB'000
Property, plant and equipment	**1,830,085**	1,735,254
Right-of-use assets	**48,948**	50,306
	1,879,033	1,785,560

As at 31 December 2024, the Group has certain bank loan agreements that include covenants relating to requirements of specific financial performance indicators on the borrowers, such as debt-to-asset ratio, current ratio for each fiscal year. Failure to achieve the requirements may cause the lenders to demand immediate repayment of the loans.

As at 31 December 2024, the aggregate amount of bank loan balances with such covenants is RMB1,504,801,000, of which RMB324,948,000 will mature within 1 year, RMB362,491,000 will mature after 1 year but within 2 years, RMB778,262,000 will mature after 2 years but within 5 years and RMB39,100,000 will mature after 5 years.

There was no non-compliance with loan covenants as at 31 December 2024.

23 LEASE LIABILITIES

As of the end of each reporting period, the lease liabilities were repayable as follows:

	2024 RMB'000	2023 RMB'000
Within 1 year	**11,157**	7,927
After 1 year but within 2 years	**9,573**	7,520
After 2 years but within 5 years	**23,750**	11,434
After 5 years	**26,019**	10,536
	59,342	29,490
	70,499	37,417

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 DEFERRED INCOME

	2024 RMB'000	2023 RMB'000
Government grants	**119,435**	125,518

Government grants are related to assets which were obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets in relation to research and development projects.

25 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

(a) Share options schemes

54,861,000 share options were issued to employees of the Group on the date of respective employees joining the Group from 2016 until the end of 2023. On 1 January 2023, the shareholders of the Company approved an option scheme and authorised the Board of Directors and Chairman of the Board for further implementation. Following the shareholders' approval, certain modifications were made by the Board mainly to vesting conditions and exercise price of options granted and to be granted as detailed below.

In February 2024, all the 42,092,000 outstanding share options as at 31 December 2023 were replaced with 42,092,000 restricted share units of the Company under a new restricted share units (the "**RSU**") scheme adopted by the Group as detailed in Note 25(b).

(i) The terms and conditions of the grants are as follows:

	Number of options	Vesting conditions
Options granted to employees during:		
from 1 February 2016 to 31 December 2022	39,788,200	over four years with 75% vested at the end of the third year and 25% at the end of the fourth year, or over four years with every 25% vested at each year end of the four years
from 1 January 2023 to 31 December 2023	15,072,800	over four years with 75% vested at the end of the third year and 25% at the end of the fourth year
	54,861,000	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(a) Share options schemes (Continued)

(ii) The number and weighted average exercise prices of share options are as follows:

	2024 Number of options	2023 Number of options
Outstanding at the beginning of the year	42,092,200	34,719,400
Granted during the year	–	15,072,800
Forfeited during the year	–	(1,830,000)
Cancelled during the year	–	(5,870,000)
Replaced by RSUs during the year	(42,092,200)	–
Outstanding at the end of the year	–	42,092,200
Exercisable at the end of the year	–	23,371,100

(iii) Fair value of share options and assumptions

The fair value of services received in return for share options is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial tree model. Expectations of early exercise are incorporated into the binomial tree model.

Fair value of share options and assumptions	2024	2023
Fair value at measurement date	–	RMB16.09 to RMB25.88
Exercise price	–	RMB0.00/RMB 0.25
Expected volatility (expressed as weighted average volatility used in the modelling under binomial tree model)	–	51.30% to 53.47%
Expected dividend yield	–	0%
Average risk-free interest rate	–	2.55% to 2.85%

Share options were granted under a service condition. This condition has been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. The valuation of the options is based on the best estimates from Company by taking into account a number of assumptions and is subject to limitation of the valuation model. Changes in the subjective input assumptions could materially affect the fair value estimate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) Restricted Share Unit Scheme

In February 2024, the Group adopted a RSU scheme ("**the Scheme**") to replace the share options schemes for purpose of providing incentives to eligible employees of the Group. And this replacement was deemed as a modification as the type of equity instrument granted was modified from share options to RSU, the exercise price was increased and the service condition was revised as detailed below. The participant of the RSU Scheme invested in the Company by the way of acquiring share capital of the Company from the existing shareholder through an employee share purchase platform (the "**Platform**").

The Scheme contains certain service conditions and non-market performance conditions. The RSUs shall vest over four years with 75% at the end of the third year and 25% at the end of the fourth year or vest over the years before the completion of initial public offering ("**IPO**") of the Company subject to the later one of the two. If employments relationship of the grantees is terminated before the RSUs become vested, these employees have to transfer out their equity interests to the person designed by the general partner of the Platform at the initial purchase price paid by the grantees. Such term is a non-market condition and represents a service period over three or four years respectively.

(i) The number and weighted average exercise prices of RSUs are as follows:

	As at 31 December 2024 Number of RSUs
Outstanding at the beginning of the year	–
Share options replaced by RSUs during the year	42,092,200
Granted during the year	10,451,142
Forfeited during the year	(454,000)
Cancelled during the year	(1,530,000)
Outstanding at the end of the year	50,559,342

(ii) Fair value of RSUs

The fair value of services received in return for RSUs is measured by reference to the fair value of RSUs granted. The estimate of the fair value of the newly granted RSUs is measured based on an equity allocation model.

Fair value of RSUs and assumptions	Year ended 31 December 2024
Fair value at measurement date	RMB26.11 to RMB27.71
Exercise price	RMB1.00
Expected dividend yield	0%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Note	Paid-in capital RMB'000 (Note 26(c))	Capital reserve RMB'000 (Note 26(e)(ii))	Share capital RMB'000 (Note 26(d))	Share premium RMB'000 (Note 26(e)(i))	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 January 2023		4,046,027	7,158,006	–	–	(3,915,119)	7,288,914
Loss for the year		–	–	–	–	(59,175)	(59,175)
Total comprehensive income		–	–	–	–	(59,175)	(59,175)
Capital reduction and conversion to a joint stock company	26(c)	(4,046,027)	(6,749,263)	800,000	9,707,737	287,553	–
Capital injection from shareholders	26(d)	–	–	711	19,289	–	20,000
Equity-settled share-based transactions	25	–	321	–	–	–	321
Balance at 31 December 2023 and 1 January 2024		–	409,064	800,711	9,727,026	(3,686,741)	7,250,060
Loss for the year		–	–	–	–	(199,450)	(199,450)
Total comprehensive income		–	–	–	–	(199,450)	(199,450)
Issue of ordinary shares by initial public offering, net of issuance costs		–	–	45,364	1,201,514	–	1,246,878
Capital injection from shareholders	26(d)	–	–	33,077	607,600	–	640,677
Equity-settled share-based transactions	25	–	633	–	–	–	633
Balance at 31 December 2024		**–**	**409,697**	**879,152**	**11,536,140**	**(3,886,191)**	**8,938,798**

(b) Dividends

No dividends were paid or declared by the Company or any of its subsidiaries during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Paid-in capital

	Total RMB'000
Balance at 1 January 2023	4,046,027
Capital reduction and conversion into a joint stock company (Note 26(d))	(4,046,027)
Balance at 31 December 2023, 1 January 2024 and 31 December 2024	–

(d) Share capital

Issued and fully paid:

	Numbers of ordinary shares '000	Share capital RMB'000	Share premium RMB'000	Total RMB'000
Issued and fully paid				
At 1 January 2023	–	–	–	–
Issue of ordinary shares upon conversion into a joint stock company (i)	800,000	800,000	9,707,737	10,507,737
Capital injection from shareholders	711	711	19,289	20,000
At 31 December 2023 and 1 January 2024	800,711	800,711	9,727,026	10,527,737
Issue of ordinary shares by initial public offering, net of issuance costs (ii)	45,364	45,364	1,201,514	1,246,878
Capital injection from shareholders	33,077	33,077	607,600	640,677
At 31 December 2024	**879,152**	**879,152**	**11,536,140**	**12,415,292**

(i) The Company underwent a capital reduction at a ratio of 9.1592:1 on 30 June 2023. Accordingly, the weighted average number of ordinary shares has also been adjusted retrospectively from 1 January 2023 for such capital reduction.

In September 2023, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company under the PRC GAAP as of the conversion base date were converted into 800,000,000 ordinary shares at RMB1.00 each. The excess of net assets converted over nominal value of the ordinary shares was credited to the Company's share premium.

(ii) On 30 December 2024, the Company issued 45,364,000 H shares with par value of RMB1 each at a price of HK$30.86 per share by initial public offering. The proceeds of RMB45,364,000, representing the par value, were credited to the Company's share capital. The remaining proceeds of RMB1,201,514,000 (net of issuance costs) was recognized in share premium.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Nature and purpose of reserves

(i) Share premium

Under PRC rules and regulations, share premium is non-distributable other than in liquidation and may be utilised for business expansion or converted into ordinary shares by the issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by the shareholders.

(ii) Capital reserve

The capital reserve mainly comprises the following:

– the fair value of unexercised share options or restricted share units;

– the excess of the net contributions from the shareholders of the Company over the total paid-in capital issued;

(iii) Exchange reserve

The exchange reserve comprises the foreign exchange differences arising from the translation of the financial statements of foreign operations.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables.

The Group's exposure to credit risk arising from cash and cash equivalents and pledged bank deposits is limited because the counterparties are state-owned banks or reputable commercial banks for which the Group considers to have low credit risk.

Trade receivables

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 days to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. The trade receivables from the Group's five largest customers at 31 December 2024 and 2023 represented 37% and 39% of the total trade receivables respectively, while 22.17% and 15.91% of the total trade receivables were due from the largest single customer respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

Trade receivables (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	2024		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Within 1 year	**1%**	**365,930**	**3,611**
Over 1 year but less than 2 years	**5%**	**–**	**–**
		365,930	**3,611**

	2023		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Within 1 year	1%	217,274	2,066
Over 1 year but less than 2 years	5%	29	1
		217,303	2,067

Expected loss rates are based on actual loss experience over the past 12 months. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2024 RMB'000	2023 RMB'000
Balance at 1 January	**2,067**	508
Impairment losses recognised during the year	**1,544**	1,559
	3,611	2,067

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

Other receivables and deposits

Credit risk in respect of other receivables and deposits is limited since the balance mainly includes deposits to suppliers.

The Group measures loss allowances for other receivables and deposits at an amount equal to 12-month ECLs unless there has been a significant increase in credit risk since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs. The Group assessed that there is no significant loss allowance recognised in accordance with HKFRS 9 for other receivables and deposits as at 2024 and 2023.

(b) Liquidity risk

Individual operating entities within the group are responsible for their own cash management, including the short term investment of cash surpluses, participation in supplier finance arrangements with banks and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority.

The Group's policy is to regularly monitor liquidity requirements, and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (Continued)

As disclosed in Note 22(b), some of the group's banking facilities are subject to the fulfilment of covenants. Some of those relating to the group's financial metrics which are tested periodically, as are commonly found in lending arrangements with financial institutions. If the group were to breach the covenants the related loans would become payable on demand, The group did not identify any difficulties complying with the covenants. Information about the covenants for those bank loans classified as non-current at the end of the reporting period is set out below:

Loans	Carrying amount 2024 RMB'000	 2023 RMB'000	Covenant(s)	Timing to comply with the covenant(s)
Loan A	**626,794**	773,337	(i) Total debt to total asset ratio shall be less than 70% (ii) Current asset to current liability ratio shall be more than 100%	At the end of each financial year
Loan B	**774,588**	806,562	(i) Total debt to total asset ratio shall be less than 70% (ii) Current asset to current liability ratio shall be more than 100%	At the end of each financial year
Loan C	**63,493**	–	(i) Total debt to total asset ratio shall be less than 75% (ii) Current asset to current liability ratio shall be more than 100%	At the end of each financial year
Loan D	**39,926**	47,911	(i) Total debt to total asset ratio shall be less than 70% (ii) Current asset to current liability ratio shall be more than 100%	At the end of each financial year

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (Continued)

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Group can be required to pay.

	At 31 December 2024 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Loans and borrowings	**544,656**	**522,058**	**932,176**	**39,242**	**2,038,132**	**1,923,896**
Trade and other payables	**462,401**	**–**	**–**	**–**	**462,401**	**462,401**
Lease liabilities	**12,115**	**10,052**	**26,207**	**27,996**	**76,370**	**70,499**
	1,019,172	**532,110**	**958,383**	**67,238**	**2,576,903**	**2,456,796**

	At 31 December 2023 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Loans and borrowings	596,250	464,178	1,141,152	83,324	2,284,904	2,054,573
Trade and other payables	409,973	–	–	–	409,973	409,973
Lease liabilities	9,256	7,712	14,069	11,523	42,560	37,417
	1,015,479	471,890	1,155,221	94,847	2,737,437	2,501,963

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises primarily from cash at bank, pledged bank deposits and interest-bearing borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest-bearing financial instruments at variable rates as at 31 December 2024 and 2023 are primarily the cash at bank, and the cash flow interest rate risk arising from the change of market interest rate.

The Group's interest rate profile as monitored by management is set out below.

The Group's interest-bearing borrowings, lease liabilities, pledged bank deposits and cash and cash equivalents and interest rates at the end of each reporting period are set out as follows:

	At 31 December			
	2024 Effective interest rate	**2024 RMB'000**	2023 Effective interest rate	2023 RMB'000
Fixed rate instruments				
Bank loans	**3.50%-3.85%**	**(105,000)**	3.20% – 3.90%	(359,754)
Lease liabilities	**3.60% – 4.65%**	**(70,499)**	4.20% – 4.65%	(37,417)
		(175,499)		(397,171)
Variable rate instruments				
Pledged bank deposits	**0.10%**	**6,306**	0.20%	8,828
Cash and cash equivalents	**0.05%-1.15%**	**1,524,954**	0.0001% – 0.20%	328,978
Bank loans	**2.75%-4.25%**	**(1,779,096)**	3.56% – 4.65%	(1,562,700)
Other loans	**4.75%**	**(39,800)**	5.55% – 5.57%	(132,119)
		(287,636)		(1,357,013)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk (Continued)

(i) Sensitivity analysis

At 31 December 2024 and 2023, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's losses after tax and accumulated losses or retained profits as follows.

	Increase/ (decrease) in basis points	Increase/ (Decrease) in loss after tax for the year/period RMB'000	Increase/ (Decrease) in accumulated losses for the year/period RMB'000
At 31 December 2023			
Basis points	100	13,570	13,570
Basis points	(100)	(13,570)	(13,570)
At 31 December 2024			
Basis points	**100**	**2,876**	**2,876**
Basis points	**(100)**	**(2,876)**	**(2,876)**

(d) Currency risk

The Group is exposed to currency risk primarily through purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars, European Monetary Unit and Hong Kong dollars.

	Exposure to foreign currencies (expressed in RMB'000)				
	2024			2023	
	USD RMB'000	**EUR RMB'000**	**HKD RMB'000**	USD RMB'000	EUR RMB'000
Trade and other receivables	**43,168**	**146**	**–**	36,805	–
Cash and cash equivalents	**48,610**	**3,042**	**1,248,123**	12,478	1
Trade and other payables	**(72,969)**	**(1,018)**	**(357)**	(19,040)	(674)
	18,809	**2,170**	**1,247,766**	30,243	(673)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (Continued)

(i) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after tax (and accumulated losses) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	Increase/ (decrease) in foreign exchange rates	**(Increase)/ decrease in loss after tax and accumulated losses**
		RMB'000
At 31 December 2023		
US$ (against RMB)	3%	907
	– 3%	(907)
EUR (against RMB)	3%	(20)
	– 3%	20
At 31 December 2024		
US$ (against RMB)	3%	564
	– 3%	(564)
EUR (against RMB)	3%	65
	– 3%	(65)
HKD (against RMB)	3%	37,433
	– 3%	(37,433)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of each reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has a team performing valuations for the financial instruments categories into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer. Valuation assessment with analysis of changes in fair value measurement is prepared by the team at each reporting date and is reviewed and approved by the chief financial officer.

	Fair value at 31 December 2023	**Fair value measurements as at 31 December 2023 categorised into**		
		Level 1	**Level 2**	**Level 3**
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Financial assets at FVPL:				
– Wealth management products	20,074	–	–	20,074

During years ended 31 December 2023 and 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of each reporting period in which they occur. The Wealth management products have been fully redeemed during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Information about Level 3 fair value measurements

The fair values of wealth management products have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors of the Company to make estimates about the expected future cash flows including expected future interest return on maturity of the wealth management products. The directors of the Company believe that the estimated fair values resulting from the valuation technique are reasonable, and that they were the most appropriate values at the end of each of the reporting period.

Below is a summary of significant unobservable inputs to the valuation of these financial assets at FVPL together with a quantitative sensitivity analysis at the end of each of the reporting period:

31 December 2024

The financial assets at FVPL have been fully redeemed during the year.

31 December 2023

	Valuation techniques	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Wealth management products	Discounted cash flow method	Interest return rate	1.50% – 2.65%	0.5% increase/(decrease) in interest return rate would result in increase/(decrease) in fair value by RMB100,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Information about Level 3 fair value measurements (Continued)

The movement during the year in the balance of these Level 3 fair value measurements are as follows:

	2024 RMB'000	2023 RMB'000
At the beginning of the year	20,074	658,857
Purchase	789,177	1,493,324
Changes in fair value recognised in profit or loss during the year (Note 5)	1,474	5,590
Interest income from financial assets measured at FVOCI (Note 5)	3,691	–
Redemption	(814,416)	(2,137,697)
At the end of the year	–	20,074

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2024 and 2023.

28 COMMITMENTS

Capital commitments outstanding at 31 December 2024 and 2023 not provided for in the financial statements were as follows:

	2024 RMB'000	2023 RMB'000
Contracted for	39,844	85,091

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 CONTINGENT LIABILITIES

As of 31 December 2024, certain subsidiaries of the Group are respondents in several legal dispute cases-EPC California Case, Infineon California Case and Infineon Germany Case in relation to claims of alleged infringement of intellectual property rights. While the arbitrations are still ongoing and the future development cannot be estimated with certainty, the directors of the Company, having given due consideration to the legal advice and the relevant facts and circumstances, are of the opinion that the group is more likely than not to prevail in those cases and it is not probable that the Group will need to make payments to the claimants. Therefore, no provision has been made in respect of those cases as at 31 December 2024.

As of 31 December 2024, except for the aforementioned contingencies associated with those legal dispute cases, the Group did not have any material contingent liabilities.

30 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Group's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	2024 RMB'000	2023 RMB'000
Salaries, wages and other benefits	**16,435**	12,563
Discretionary bonuses	**4,000**	4,169
Contributions to defined contribution retirement plan	**503**	188
Equity-settled share-based payment expenses	**77,412**	29,913
	98,350	46,833

Total remuneration is included in staff costs (see Note 6(b)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2024 RMB'000	2023 RMB'000
Non-current assets			
Intangible assets		1,509	2,112
Investments in subsidiaries	15	7,707,479	5,957,134
Other non-current assets		22,976	1,210,088
		7,731,964	7,169,334
Current assets			
Trade and other receivables		75,925	3,146
Pledged bank deposits		11	–
Cash and cash equivalents		1,283,316	115,001
		1,359,252	118,147
Current liability			
Trade and other payables		152,418	37,421
Net current assets		1,206,834	80,726
Total assets less current liability		8,938,798	7,250,060
NET ASSETS		8,938,798	7,250,060
Share capital	26(d)	879,152	800,711
Reserves	26(e)	8,059,646	6,449,349
TOTAL EQUITY		8,938,798	7,250,060

32 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to 31 December 2024 which would materially affect the Group's operating results and financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2024

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2024 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.:

	Effective for accounting periods beginning on or after
Amendments to HKAS 21, *The effects of changes in foreign exchange rates – Lack of exchangeability*	1 January 2025
Amendments to HKFRS 9, *Financial instruments* and HKFRS 7, *Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments*	1 January 2026
Annual improvements to HKFRSs – Volume 11	1 January 2026
HKFRS 18, *Presentation and disclosure in financial statements*	1 January 2027
HKFRS 19, *Subsidiaries without public accountability: disclosures*	1 January 2027

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.