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(1) Financial statements with signatures and seals of the legal representative, the person in charge of accounting and the person in charge of accounting department (accounting supervisor);

(2) The originals of 2023 annual report signed by the legal representative of the Company;

(3) The originals of the auditor's report with the seal of accounting firm and the signature and seal of the certified public accountants;

(4) The originals of all company documents and announcements publicly disclosed in media designated by China Securities Regulatory Commission (CSRC) during the reporting period.

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of new smart hardware products and related precision components, and actively engage in new product directions to support the long-term and healthy development of the company's business.

From the perspective of the industry competition, the global technology and consumer electronics industries still show a centralized trend. Top enterprises with strong competitiveness and brand awareness demonstrate competitive advantages by possessing a large amount of technologies, talents, funds, brands and industrial ecosystem resources, keep investing in the field of smart hardware and AI, and continuously lead the product and technology innovation in the industry.

From the perspective of industry supply chain, on one hand, China still has advantages in terms of political/economic environment, infrastructure, industrial completeness, talent resources, and other aspects. The overall competitiveness of electronic manufacturing enterprises in China is improving, and continuously fulfill the demands of the global supply chain. On the other hand, considering the complicated international political and economic environment, these enterprises need to prudently tackle the challenges of setting up a global supply chain layout.

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

The Company's main business divides into three product segments: precision component, smart audio device and smart hardware. The precision components business focuses on acoustics, optics, microelectronics, structural components, and other precision components. The products include micro speakers/receivers, speaker modules, haptic components (actuators), wireless charging components, antenna, MEMS sensors, microsystem modules, VR/MR optical components and modules, AR optical components, micro/nano optical components, 3D structured light modules, AR optical engine modules, AR HUD modules, precision structural components, etc. The above products are widely used in a variety of consumer electronics, including smartphones, tablets, smart wireless earphones, VR, MR, AR, smart wearables, smart homes, and automotive electronics. Smart audio device business focuses on providing products related to audio, voice interaction, AI, and other technologies, such as wireless earphones (TWS), wired/wireless earphones, smart speakers, etc. Smart hardware business focuses on providing products related to entertainment, health and home security. The main products include VR, MR, AR, smart wearable products, gaming consoles and accessories, smart home products, etc. The Company continued to explore automotive electronics business opportunities during the reporting period and made progress in the fields of car sensors, optical components and modules of AR HUD, etc.

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

In the fourth quarter of 2023, the Company acquired 100% of the equity of Uphoton Technology (Shaoxing) Co., Ltd. This acquisition will further strengthen the Company's position in the fields of micro/nano optical components, projection/display modules, and 3D sensing technology. It will also effectively improve the Company's comprehensive competitiveness in the field of precision optics and support the long-term development of the Company's optical business.

During the reporting period, the global economic was in a weak recovery, and many major countries raised the interest rates, which suppressed the demand of consumer electronics products worldwide. For some smart hardware products, the shipment in the reporting period was lower than expected, and brought negative impacts to the Company's revenue and profitability. The Company also has experienced a short-term sales structure change caused by the rapid revenue growth of some lower-margin projects, which impacted the Company's overall gross margin. Due to the combined effects of the above factors, the Company's revenue and net profit experienced a decline in the reporting period. However, the Company's core competitiveness and industry position remain strong. The management and all employees are committed to seize the opportunities of the recovery of the consumer electronics industry and the development of new smart hardware products, to strive to improve the Company's operating performance in the near future, as well as to pursuit a long-term, sustainable development of the Company.

During the reporting period, the Company won multiple honors, including being ranked the 4th in the 2023 Top 100 Electronic Components Enterprises of China, 15th in the 2023 Top 100 Competitive Enterprises in China's Electronics Information Industry, 55th

and professionals from many international leading enterprises. At the same time, the Company has strengthened the echelon of its talent team, more and more young talents grow up into the Company's core management team through training and practice. The Company build

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The top five clients do not have associated relationship with the Company. The Company's directors, supervisors, senior management, core technicians, shareholders holding more than 5% of total shares, actual controllers and other related parties do not directly or indirectly own rights or interests in the major clients.

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Applicable Not applicable

The top five suppliers do not have associated relationship with the Company. The Company's directors, supervisors, senior management, core technicians, shareholders holding more than 5% of total shares, actual controllers and other related parties do not directly or indirectly own rights or interests in the major suppliers.

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In 2023, the development speed and market size growth of some emerging smart hardware products were slower than expected. This was due to both external objective factors, such as the weak global economic recovery, interest rate hikes in major European and American countries, and insufficient market demand, and internal industry factors, such as the need for further breakthroughs in key technologies for some products, the need for further development of product application scenarios, and the need for further enrichment of software applications and content. The development of emerging smart hardware products is still being actively promoted. Well-known technology and consumer electronics manufacturers continue to invest heavily in this field and continue to launch new representative products. Driven by the industry as a whole, and with the recovery of the macro economy and the consumer electronics industry, emerging smart hardware products are expected to continue to develop healthily in the next few years.

IDC predicts global shipments of VR and MR devices to reach 24.7 million units by 2028, with a compound annual growth rate of about 29.2% from 2023 to 2028. With the development of software and hardware technologies such as image sensing and spatial computing, the boundaries between VR and MR are further blurred, and MR products have gradually become the mainstream of the market. In the next few years, more well-known manufacturers in the industry are expected to follow this product technology trend. The exploration of application scenarios and software content for MR products is expected to accelerate and usher in explosive growth.

IDC predicts global AR device shipments to reach 10.9 million units by 2028, with a compound annual growth rate of about 87.1% from 2024 to 2028. AR products have the product characteristics of "blending the virtual and real worlds", the ability to seamlessly link with the mobile Internet content ecosystem, and the potential for integration with AI technology, showing huge future application potential and market potential. Well-known manufacturers in the industry continue to promote the development of related new technologies such as semiconductor chips, microdisplays, and optical waveguides. As the relevant technical bottlenecks are overcome, mature AR products are expected to be gradually introduced to the market in the next few years and usher in rapid development.

Canalys predicts global smart wearable shipments to reach 204 million units in 2024, with an approximate 10% YoY increase. As consumers pay more attention to exercise and health in the post-mobile era, high-precision and high-reliability vital signs monitoring technology, especially ECG, blood pressure monitoring, and non-invasive blood glucose monitoring technology, is currently the focus of innovation for hundreds of millions of patients with hypertension, diabetes, and subhealthy individuals around the world. Relevant technological breakthroughs in the above fields are expected to bring new explosive growth to smart wearable products.

In recent years, the development of AI technology, represented by large language models, has been remarkable. It is also expected to bring new development opportunities for the consumer electronics industry and emerging smart hardware products. On the one hand, the combination of AI and emerging smart hardware products will create a wide range of new product application scenarios, making smart hardware products more intelligent and user-friendly. This will improve the consumer experience of smart hardware products and create new market demand. AI has significant efficiency advantages in content creation. It can help solve the problem of insufficient software and content for VR and MR smart hardware products. This will promote consumer demand, enhance adhesiveness of user, and better support the innovation and development of business models. AI technology also has broad application prospects in the software/hardware development and intelligent manufacturing of smart hardware products.

The development of emerging smart hardware products and the accompanying increase in demand for precision optical components and modules, precision acoustic components, MEMS sensors and microsystem modules, haptic components, precision structural parts, and other related products will present new growth opportunities for the Company's emerging smart hardware and precision components businesses. Embracing the opportunities presented by the post-mobile era, the Company will actively respond, build on its existing advantages, continue to consolidate core competitiveness, actively expand existing business, and actively lay out new product and business directions to achieve sustained and healthy development of the Company.

In terms of industry competitive pattern, the concentration trend in the global technology and consumer electronics industries is expected to continue. In the post-mobile era, massive investment in technological innovation and R&D is required for the development of smart hardware products, for which the "soft power" of the ecosystem, such as developer base, user base, software applications, entertainment content, community loyalty and data monetization, becomes more and more important. The leading companies with capital, talent, technology and ecosystem advantages are expected to strengthen their competitive advantages, so as to lead technology and product innovation in the industry.

In terms of the supply chain, the electronic manufacturers in China are strengthening their overall competitiveness. These manufacturers are expected to better meet the needs of electronic product manufacturing in the post-mobile era and gain new opportunities of development. However, it should also be noted that the changes in international political and economic landscapes, especially the relationship between major countries, may have a significant impact to pattern of the industrial supply chain. To which, manufacturers need to pay more attention and respond carefully and scientifically.

2. Strategy for future development

Looking into the future, the Company will actively respond to the innovation-driven development strategy, promote the upgrade of industrial structure, strengthen technological innovation, and accelerate the development of a modern industrial system. It will seize

The competitive pattern of global technology and consumer electronics industry, along with the Company's business model and key account strategy, determined a relatively concentrated client structure. As a result, the business income from a few core clients accounts for a large proportion of the Company's overall income. Although the above clients are global industry leaders who have significant competitive advantages and market position, and have maintained long-term and stable cooperative relations with the Company, under some special circumstances, they may bring fluctuations and risks to the Company's business if their business activities fluctuate, or their relationship with the Company changes.

Risks of exchange rate fluctuation

Exports constitute a significant portion of the Company's total income. At the same time, the Company also imports a considerable number of raw materials, equipment and other products from overseas. These import and export businesses are primarily settled in US dollars. Although the Company has adopted appropriate risk hedging tools, the significant fluctuation of foreign exchange rates may still bring certain exchange rate risks to the Company.

Risks of loss of core technical talents

The technology and consumer electronics industry is a talent intensive industry. Therefore, the demand for core technical talents is strong, and the competition for talents is very fierce. Core technical talents are the key resources for the Company to continuously improve its core competitiveness and realize long-term development. For this reason, the Company will continue to improve various incentive and restraint mechanisms in order to retain core technical talents. Under fierce competition, there may still be the loss of core technical talents, which may put the Company at a disadvantage in the competition and affect the business development.

(3) Risks of management

In recent years, the Company's various product lines have expanded rapidly, leading to a larger business scale and a wider range of products. This has placed higher demands on the Company's overall operational and management capabilities. The Company implements the strategic plan of developing core client business and exploring new opportunities, which requires the Company's management to maintain excellent abilities of judgment, execution and management. If the Company's management fails to match the business growth, or fails to be improved to meet the needs of the Company's development, it may affect the execution of strategic planning and the delivery of business objectives, thus bringing management risks to the Company.

Applicable Not applicable

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Yes No

In line with the guidelines outlined in the conference of the Political Bureau of the Central Committee of the CPC and the State Council executive meeting to invigorate the market and boost investor confidence, and to safeguard the interests of all shareholders, the Company has formulated the *Action Plan for Improving Quality and Investor Returns*. The specific measures and progress of the Company's implementation are as follows:

1. Focus on the main business, create value for shareholders, and take actions to feedback the society

The Company's main businesses include precision components business, smart audio devices business, and smart hardware business. The Company serves the leading global clients in the technology and consumer electronics industry by providing them with vertically integrated products of precision components and smart hardware, as well as related design, R&D, and manufacturing services.

Driven by the mission of "A better life enriched by technology", the Company is committed to creating value for all shareholders and the society. After more than 20 years of development, the Company has built industry-leading precision manufacturing and intelligent manufacturing capabilities. In terms of internal management, the Company builds a strong management team that ensures efficient internal decision-making and maintains a high level of lean operations. In terms of external cooperation, the Company has long-term strategic cooperation with industry-leading clients and has stable relationships with them.

Looking into the future, the Company will focus on its main business, actively respond to the innovation-driven development strategy, actively track the development trends of advanced technologies such as 5G, AI, IoT, and cloud computing. It will continuously deepen its presence in the fields of emerging smart hardware and precision components, strengthen strategic partnerships with leading global clients, and fulfill its corporate economic and social responsibilities. Through the Company's stable and healthy growth, it will maximize enterprise value and shareholder returns. The Company will always strive to create value for its shareholders while feeding back the society.

2. Continue to strengthen technological innovation capabilities and build industry-leading core competitiveness

Technological innovation is the driving force behind business growth. It is at the forefront of the Company's agenda. The Company attaches great importance to the integration and cultivation of outstanding talents in the fields of acoustics, optics, microelectronics, wireless communication, precision manufacturing, automation, and other sectors around the world. The Company has set up a team of technical talents with profound technical strength and rich experience in product projects and has made long-term cooperation with many well-known universities and scientific research institutions, forming an open and comprehensive technology R&D platform in support of continuous innovation and R&D of technologies and products. As of December 31, 2023, the Company has totally applied for 32,209 patents, including 4,031 foreign patent applications and 17,896 invention patents applications; a total of 19,905 patents have been granted, including 6,809 invention patents.

Looking ahead, the Company will continue to invest in R&D and technological innovations centered on future strategic directions, and strengthen its technical capabilities in the fields of acoustics, optics, microelectronics, microdisplay, precision manufacturing, and intelligent manufacturing. The Company will integrate the managerial and technical talents globally, keep bringing in high-level talents, carry out solid efforts in the selection, cultivation, motivation and retention of talents, and to support the Company's strategic implementation and business development with high-quality talent echelon.

3. Continue to improve corporate governance, business management, and lean operation levels

The Company will continue to standardize the governance mechanisms of "General meeting, Board of Directors, Supervisory Board, and senior management" to improve the level of corporate governance, continuously improve the internal control system, and solidify the foundation of internal governance. The Company will clearly define its rights and obligations, as well as those of its shareholders to prevent the abuse of shareholder rights or the exploitation of the management's dominant position, which could harm the interests of minority investors. The Company will encourage the active participation of minority investors in general meetings, facilitate the involvement of various types of investors in decision-making on major matters, and enhance investors' influence and satisfaction. The Company will continue to strengthen its internal control system and enhance risk management to improve decision-making capabilities. This will create a virtuous cycle for the Company's development and provide strong protection for the legitimate rights and interests of the shareholders.

In the face of a complex and ever-changing market landscape and industry trends, the Company's management team will further enhance its operational management capabilities, uphold its client orientation approach, and strengthen business expansion to continuously cultivate new growth drivers. The Company will continuously enhance its lean operations capabilities to drive efficiency and support the achievement of its business objectives. The Company will continue to maintain a sound business strategy, strengthen risk awareness, and take the initiative to identify and resolve potential risks to ensure the sustainable development of its production and operational activities.

4. Actively repurchase shares to enhance investor confidence

Based on the unwavering confidence in the Company's future development and the recognition of its long-term value, the Company has initiated a share repurchase plan to further enhance its long-term incentive mechanism. This move aims to effectively align the interests of shareholders, the Company, and its core team, thereby fostering sustainable growth and reinforcing investor confidence.

On October 26, 2023, the Company's Board of Directors held the 10th meeting of the 6th Board of Directors. During the meeting, the *Proposal on the Repurchase of Company Shares through Continuous Trading Approach* was reviewed and approved. The Company is authorized to use its own funds to repurchase a portion of its outstanding A-shares through continuous trading approach. These

repurchased shares will be utilized for future employee stock ownership plans or stock option incentive plans. The total amount of funds allocated for the repurchase shall not be less than RMB 500 million (inclusive) and not exceed RMB 700 million (inclusive). The repurchase price per share shall not exceed RMB 25.49 (inclusive). The repurchase period shall extend for 12 months from the date of the Board of Directors' approval of the repurchase plan.

The Company initiated the above-mentioned stock repurchase on November 16, 2023, through continuous trading approach via the special securities repurchase account. As of December 31, 2023, the Company had repurchased a total of 9,632,700 shares through continuous trading approach with the specific securities repurchase account, representing 0.28% of the Company's total outstanding shares. The repurchase cost was RMB 177,637,427.00 (excluding transaction fees). As of the reporting date of this report, the Company has repurchased 34,205,700 shares through continuous trading approach via the specific securities repurchase account, accounting for 1.00% of the total share capital of the Company. The repurchase cost is RMB 596,685,920.70 (excluding transaction costs).

5. Increase cash dividends and enhance investor returns

Shareholder returns are a top priority for the Company. The Company has strictly implemented the *Shareholder Return Plan for the Next Three Years (2022-2024)*, and clarifies the standard, ratio, and the decision-making procedures of the distribution policy, which ensures the continuity and stability of the profit distribution policy, in order to fully protect the legitimate rights and interests of minority investors. From 2021 to 2023, the Company's cumulative cash dividends reached RMB 1.509 billion, accounting for 51.01% of the average annual net profit from 2020 to 2022. In addition, to demonstrate its confidence in long-term growth, the Company has conducted multiple share repurchases. Between 2021 and 2023, the total repurchase amount reached RMB 2.178 billion.

In 2024, the Company's proposed profit distribution plan for the year 2023 is as follows: based on the total share capital registered on the record date of equity distribution minus the repurchased shares in the Company's specific securities repurchase account, the Company will distribute cash dividend of RMB 1.00 (tax inclusive) for per 10 shares to all the shareholders, as well as 0 bonus shares (tax inclusive), and there is no conversion of capital surplus into share capital. Although the Company experienced a certain degree of decline in revenue and net profit during the reporting period, it continued its consistent cash dividend payout to enhance shareholder returns.

In the future, the Company will continue to prioritize investors, striving to enhance shareholder returns and fulfill its obligations as a publicly listed entity. It remains dedicated to the strategy of 'improving quality and investor returns,' focusing on main business, fostering sustainable growth, and elevating corporate governance standards. These efforts aim to bolster investor confidence and contribute positively to market stability and sentiment.

access to the information. The Company has formulated and continuously renewed the *Insider Information Management Rules*, further improved insider information management, strengthened the confidentiality of insider information, maintained the fair principle of information disclosure, and protected the legitimate rights and interests of investors. The Company has designated the Board Secretary as the person in charge of the Company's investor relations management, responsible for managing the Company's information disclosure and investor relations, as well as investor reception and consultations. The Company has designated *Securities Times*, *China Securities Journal*, *Shanghai Securities News*, *Securities Daily*, and *CNINFO (http://www.cninfo.com.cn)* as the Company's information disclosure media. In 2023, the Company disclosed over 160 announcements to reveal its financial statements, operating information and other significant matters to shareholders and the public in a timely manner. Meanwhile, the Company has launched a special column for investor relations on its official website and answers investors' questions through interactive platforms such as Hudongyi of the Shenzhen Stock Exchange (http://irm.cninfo.com.cn) and the Company's investors' hotline assisting the investors in understanding the Company, successfully establishing a fair and effective communication bridge between the Company, its investors, and the public.

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The Company has the capability of self-operation in its marketing, production, procurement, etc., and does not depend on major shareholders or affiliated enterprises. The ownership of the assets is clear and belongs to the Company. There is no mixed operation with major shareholders. The Company is completely separated from the controlling shareholders in terms of business, personnel, assets, organization, and finance. The Company has an independent and complete business, as well as the capability of self-operation.

1. Business independence: The Company had its own production, procurement and sales system, and was completely independent of controlling shareholder in terms of business.

2. Personnel separation: There is a department responsible for the Company's labor, personnel and salary management. Rules and regulations have been established for assessment of employees' performance. Personnel of the Company were independent from the controlling shareholder. The Senior Management of the Company did not hold any positions other than director and supervisor in the related shareholders and other entities with same or similar business.

3. Institutional independence: The Board os 4248Q q80.0. re W*n BT 90 595.2 re W*n BT 34(a)4(n)-6(600008r)-5.72(e)i /F2 9 Tf 1 0 0 1

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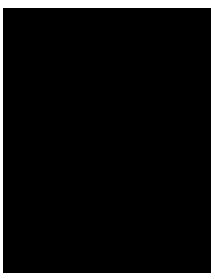

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The remuneration for the directors and senior management of the Company shall be proposed to the Board of Directors by the Remuneration and Assessment Committee; The remuneration for the senior management shall be deliberated and determined by the Board of Directors; The remuneration for directors shall be deliberated by the Board of Directors before being submitted to the general meeting of shareholders for determination;

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During the reporting period, the directors of the Company carried out work in strict accordance with *the Company Law*, *the Securities Law*, *Code of Corporate Governance for Listed Companies*, *Rules Governing the Listing of Shares on Shenzhen Stock Exchange*, *Self-Regulatory Guidelines No. 1 for Companies Listed on Shenzhen Stock Exchange - Normative Operation of Listed Companies on the Main Board*, *Articles of Association* and *Rules of Procedure of the Board of Directors*. They fulfilled their duty of due diligence by forming a consensus after full discussion on major governance and business matters of the Company, and resolutely supervising and driving the implementation of the board resolution, so as to ensure the decision-making process being scientific, timely and efficient, play a positive role in the sustained, healthy and stable development of the Company, and effectively safeguard the legitimate rights and interests of the Company and all shareholders.

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and promoting functional play, the Company fostered an organizational learning atmosphere, with a commitment to building a learning organization that comprehensively helps employees improve their abilities and grow.

In 2024, the Company, under the unified planning of the learning and development center, will deepen the integration of strategic business development and talents training by closely surrounding the talent strategy. Horizontally, the Company will expand the groups of trainees. Vertically, the Company will improve various types of training programs, strengthen the overall talent training system, and step up the training for strategic personnel such as cadres and digital talents to meet the Company's strategic needs for strategic talents. Simultaneously, the company will accelerate the digitization and informatization of training to enhance employees' learning experiences comprehensively. This initiative aims to bolster employees' capabilities and facilitate the development of a skilled workforce, thereby ensuring the Company's sustained growth.

Applicable Not applicable

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Applicable Not applicable

The Company has strictly implemented the *Shareholder Return Plan for the Next Three Years (2022-2024)*, and clarified the standard, ratio, and decision-making procedures of the distribution policy, which ensures the continuity and stability of the profit distribution policy, in order to fully protect the legitimate rights and interests of minority investors. The Company did not make changes to the profit distribution policy during the reporting period.

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On June 27, 2023, the Company convened the 6th meeting of the 6th Board of Directors and the 5th meeting of the 6th Supervisory Board, which approved *Proposal on Cancellation of Unexercised Stock Options at the Expiration of the First Exercise Period of the Initial Granted Stock Options in the 2021 Stock Option Incentive Plan*, *Proposal on Adjusting the Exercise Price of the Company's 2021 and 2022 Stock Option Incentive Plan*, *Proposal on the Adjustment of the List of Incentive Participants and the Number of Initial Granted Stock Option and the Cancellation of Some Stock Option in the 2021 Stock Option Incentive Plan*, and *Proposal on the Achievement of the Exercise Conditions of Initial Granted Stock Options for the Second Exercise Period in the 2021 Stock Option Incentive Plan.* Pursuant to the above resolutions, the Company canceled the unexercised stock options at the expiration of the first exercise period of the initial granted stock options in the Incentive Plan 2021, adjusted the exercise price of the initial and reserved granted stock options in the Incentive Plan 2021 in accordance with the authorization of the annual general meeting; At the same time, the Board of Directors determined that the exercise conditions of initial granted stock options for the second exercise period in the Incentive Plan 2021 had been fulfilled, and the incentive participants may exercise their rights upon completion of the exercise procedures to June 23, 2024.

On August 7, 2023, the Company completed the procedures related to the independent exercise of the initial granted stock options for the second exercise period and the granted reserved shares for the first exercise period in the Incentive Plan 2021 aforementioned in the China Securities Depository and Clearing Corporation Limited Shenzhen Branch. As of the end of the reporting period, the Company's initial granted stock options in 2021 were in the second exercise period, while the granted reserved stock option were in the first exercise period.

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

On July 8, 2022, the Company convened the 31st meeting of the 5th Board of Directors and the 25th meeting of the 5th Supervisory Board, which approved proposals such as *Proposal on the Deliberation of the 2022 Stock Option Incentive Plan (Draft) and Its Abstract of Goertek Inc.*etc. On July 26, 2022, the aforementioned proposals were ratified at the first extraordinary general meeting of 2022. The Incentive Plan 2022 was approved. The Board of Directors were authorized to handle relevant matters regarding the Incentive Plan 2022.

On June 27, 2023, the Company convened the 6th meeting of the 6th Board of Directors and the 5th meeting of the 6th Supervisory Board, which approved *Proposal on Adjusting the Exercise Price of the Company's 2021 and 2022 Stock Option Incentive Plan*. The exercise price of the initial and reserved granted stock options in the Incentive Plan 2022 was adjusted pursuant to the authorization given by the stockholders' meeting, as the Company implemented the 2022 Equity Allocation Plan.

On July 19, 2023, the Company held the 7th meeting of the 6th Board of Directors and the 6th meeting of the 6th Supervisory Board, which approved *Proposal on the Cancellation of the Grant of Reserved Equity Interests in the 2022 Stock Option Incentive Plan*. In accordance with the authorization from the stockholders' meeting, the Board of Directors decided to cancel the grant of reserved stock options in the Incentive Plan 2022. As of the end of the reporting period, the initial granted stock options in 2022 were in the exercise waiting period.

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

On July 19, 2023, the Company convened the 7th meeting of the 6th Board of Directors, whichrice of the initial anraw

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Applicable Not applicable

Applicable Not applicable

By the end of the reporting period, the Company's "Home No. 4" ESOP and "Home No. 5" ESOP have been sold out and the liquidation has been completed. The Company's "Home No. 6" ESOP held 67,338,040 shares, accounting for 1.97% of total shares, while the "Home No. 7" ESOP held 3,658,800 shares, accounting for 0.11% of total share capital.

During the reporting period, the ESOPs exercised the shareholders' rights to participate in cash dividend of 2022, but did not participate in voting of the general meeting of shareholders or exercise other shareholders' rights.

Applicable

annual self-evaluation of the Company's internal controls and discloses *Internal Control Self-Evaluation Report.* Simultaneously, the Company engages an accounting firm to conduct an internal control audit of the Company.

The Company consistently enhances its internal control in compliance with relevant laws, regulations, normative documents, and *Articles of Association*. During the reporting period, the Company optimized over 10 rules and regulations, including *Independent Directors' Work System*, and all work was performed in compliance with various systems. The Company manages its major internal controls and matters, including governance and organizational structure, internal supervision, human resources policies, corporate culture building, social responsibility, fund management, sales and procurement, R&D, engineering projects, asset management, related party transactions, external guarantees, investment management, use of raised funds, financial reports, information disclosure, and subsidiary control, in a strict, adequate and effective manner.

During the reporting period, the Company did not encounter any material deficiencies or significant deficiencies in its internal control over financial and non-financial reporting. The Company has maintained effective internal control in all significant areas, as required by the corporate internal control standard system and relevant regulations.

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Applicable Not applicable

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Section V Environmental and Social Responsibilities

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Yes No

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According to the Decision of the National Development and Reform Commission on Amending the Catalogue of Industrial Structure Adjustment (2019 version), all projects of Goertek Inc. are classified as encouraged projects, aligning with national industrial development policies. These projects also comply with the requirements outlined in the Opinions of the People's Government of Shandong Province on the Implementation of the "Three Lines and One List" Ecological Zoning Management Approach. The pollutants emitted by the projects strictly adhere to the standards stipulated in environmental assessments and emission permits.

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

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Goertek Inc. obtained the registration receipt of the pollution discharge permit in accordance with the Measures for the Management of Pollution Discharge Permits (Trial) (Revised in 2019). The registration number is 91370700729253432M004Y, and the certificate is valid from November 30, 2023 to November 29, 2028.

Yili Precision Manufacturing Co., Ltd. has applied for a pollution discharge permit as required. The certificate number is 91370784074404809 6001V, and the certificate is valid from July 7, 2022 to July 6, 2027.

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

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

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

Yili Precision Manufacturing Co., Ltd. has installed online equipment for monitoring COD, ammonia nitrogen, flow rate and PH value at the main wastewater discharge outlet, which is networked with the local department of environmental protection authorities. A third-party monitoring organization shall be entrusted to conduct monitoring of wastewater, waste gas, groundwater, and soil pollutants in

strict accordance with the requirements of the discharge permit and to issue an inspection report, and related information shall be disclosed as required.

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Goertek Inc., combined with the National Environmental Emergency Response Plan and the Guidelines to Develop Emergency Response Plan for Environmental Pollution Accidents, has formulated the Environmental Emergency Response Plan of Goertek Inc. based on various risk factors, and has reported the plan to the High-tech Branch of Weifang Municipal Ecology and Environment Bureau for recording (No. 370708-2022-036-L). Goertek also organizes relevant training and drills on a regular basis, in order to improve the emergency response ability of employees and achieve continuous improvement.

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

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The Company and its subsidiaries pay environmental protection tax as required, with a total of RMB 95,164.14 in 2023. All payments have been made as of the date of this Report.

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Applicable Not applicable

To actively respond to the national strategy of "peak carbon dioxide emissions and carbon neutrality", the Company adhered to the carbon reduction concept of "client orientation, differentiated control, and targeted satisfaction". The Company implemented refined carbon emission management that is tailored to client requirements, kept promoting its low-carbon transformation, and contributed to the construction of a green and low-carbon future society.

During the reporting period, the Company's manufacturing plants located in Weifang and Rongcheng in Shandong Province, Dongguan in Guangdong Province, and Bac Ninh Province in Vietnam emitted 49,184.5 tons of CO_2 equivalent in Scope 1 and 359,524.7 tons of CO_2 equivalent in Scope 2. The third-party certification authority verified in accordance with ISO 14064-1:2018 Greenhouse Gases - Part 1: Specification with Guidance at the Organization Level for Quantification and Reporting of Greenhouse Gas Emission and Removals and issued the greenhouse gas verification statement.

To reduce energy consumption during operations, the Company actively promoted energy conservation and carbon reduction efforts in accordance with the Energy Conservation Project Management System. During the reporting period, the Company achieved a cumulative reduction of 33,798.6 tons of CO_2 equivalent of greenhouse gas emissions through 160 energy-saving improvements such as air conditioning, air pressure, and lighting systems.

To optimize the energy structure, the Company implemented the construction of distributed photovoltaic power stations, market-oriented green electricity transactions, renewable energy certificate trading, and other methods to enhance the utilization of clean energy. During the reporting period, the Company's photovoltaic power plants had an installed capacity of 49.37 MW. The Company purchased 86,108 MWh of green power, 14,139 MWh of power with Chinese renewable energy certificates, and 212 MWh of power with international renewable energy certificates.

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None

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None

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None

During the reporting period, while the Company was committed to achieving its own development, it has also performed well in the protection of the rights and interests of shareholders, creditors, employees, suppliers, clients and consumers, as well as in environmental protection and sustainable development, public relations and social public welfare undertakings. For details, see the 2023 Environmental, Social and Governance (ESG) Report of Goertek Inc. released on "www.cninfo.com.cn" on March 28, 2024.

For details, see the 2023 Environmental, Social and Governance (ESG) Report of Goertek Inc. released on "www.cninfo.com.cn" on March 28, 2024.

Section VI Important Matters

Applicable Not applicable

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See Section X (V) 39 "Changes in significant accounting policies and accounting estimates" for details

Applicable Not applicable

During the reporting period, the Company acquired 3 subsidiaries through establishment. They are respectively Chongqing Goertek Auto Technology Co., Ltd., Goertek Smart Technology Vina Co.,Ltd., and GMI Technology GmbH. The Company's holding subsidiary, Goertek Optical Technology Co., Ltd., acquired 100% equity of Uphoton Technology (Shaoxing) Co., Ltd. The latter and its subsidiaries are included in the consolidated statements.

During the reporting period, the Company deregistered 1 subsidiary: Kunshan Goertek Electronics Co., Ltd.

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Yes No

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Applicable Not applicable

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

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In accordance with the requirements of laws and regulations, the Company has disclosed the significant matters that occurred during the reporting period on http://www.cninfo.com.cn, *Securities Times*, *China Securities Journal*, *Shanghai Securities News and Securities Daily*. Other than that, no other significant matters occurred.

Applicable Not applicable

On November 10, 2020, the Company held the 12th meeting of the 5th board of directors and the 10th meeting of the 5th Supervisory Board, which approved *The Proposal of Planning the Spin-off of the Holding Subsidiary*. It agreed to plan and prepare the spin-off of the Company's holding subsidiary Goertek Microelectronics Co., Ltd. For details, please see *The Informative Announcement of Goertek Inc. on Planning and Preparing the Spin-off of Holding Subsidiary* issued on November 11, 2020.

The 17th meeting of the 5th board of directors and the 12th meeting of the 5th Supervisory Board were held on March 1, 2021 to approve *The Proposal on the Introduction of External Investors of the Holding Subsidiary and Affiliate Transactions*. It agreed to accept a total of RMB 2,149.987749 million capital investment from 15 external investors, including Qingdao Microelectronics Innovation Center Co., Ltd., Mr. Tang Wenbo, Gongqingcheng Chunlin Equity Investment Partnership(L.P.), Qingdao Henghuitai Industry Development Fund Co., Ltd., and Goertek Group Co., Ltd., in exchange of 10.4075% of Goermicro's equity after above capital increase and share expansion. After the above investment, the percentage of shares of Goermicro held by the Company was diluted from 95.8773% to 85.8989%, which did not change the accounting consolidation scope of the financial statements of the Company. Details can be found in *The Announcement of Goertek Inc. on the Introduction of External Investors of the Holding Subsidiary and Affiliate Transactions* issued on March 2, 2021.

On April 21, 2021, the Company held the 20th meeting of the 5th Board of Directors and the 15th meeting of the 5th Supervisory Board, which approved The Proposal on '*Plan for the Spin-off of Goertek Microelectronics Inc., a subsidiary of Goertek Inc., for Listing on the Growth Enterprise Board*' and other related proposals. Details can be found in related announcements published in China Securities Journal, Securities Times, Shanghai Securities News, Securities Daily and http://www.cninfo.com.cnon April 22, 2021.

On November 8, 2021, the Company held the 24th meeting of the 5th Board of Directors and the 19th meeting of the 5th Supervisory Board, which approved The Proposal of '*Planning on the Spin-off of Goertek Microelectronics Inc. and Listing on the Growth Enterprise Board of Shenzhen Stock Exchange (Revised)*' and other related proposals. The above-mentioned proposals have been reviewed and approved by the Company's first extraordinary general meeting of shareholders in 2021. Details can be found in related

announcements published in *China Securities Journal*, *Securities Times*, *Shanghai Securities News*, *Securities Daily* and http://www.cninfo.com.cn on November 9, 2021 and November 26, 2021.

On December 28, 2021, Goertek Microelectronics Inc. received *The Notice of Acceptance of Application Documents for Initial Public Offering of Shares and Listing on GEM of Goertek Microelectronics Inc. (Shenzhen Stock Exchange (2021) No. 549)*. In accordance with related regulations, the Shenzhen Stock Exchange checked the application report and related application documents submitted by Goertek Microelectronics Inc. for initial public offering and listing on GEM, and decided to accept the application. Details can be found in *The Informative Announcement of Goertek on The Acceptance of Shenzhen Stock Exchange of The Application Documents of The Spin-off of Goertek Microelectronics Inc. and Listing on GEM* issued by the Company on December 29, 2021.

According to the Announcement on the Results of the 74th Review Meeting of the GEM Listing Committee in 2022 issued by the Shenzhen Stock Exchange on October 19, 2022, Goertek Microelectronics Inc. (IPO) meets the requirements for issuance, listing and information disclosure.

On March 31, 2023, as the financial information recorded in the IPO application documents of Goertek Microelectronics Inc. had expired, a supplementary submission was required. According to the relevant provisions of the Review Rules of Shenzhen Stock Exchange for Stock Issuance and Listing, the review for issuance and listing review was suspended.

On June 26, 2023, the Shenzhen Stock Exchange resumed its IPO audit in accordance with Article 61 of the Rules for the Examination of the Offering and Listing of Securities by Companies Listed on the Shenzhen Stock Exchange, following the completion of financial information updates by Goertek Microelectronics Inc.

In October 2023, the Company purchased the 1.8468% shares held by Jiang Long, a minority shareholder of the subsidiary Goertek Microelectronics Inc. using its own capital of RMB 23,273,750.00. After the transaction, the Company's shareholding in Goertek Microelectronics Inc. was changed from 85.90% to 87.75%.

So far, Goertek Microelectronics Inc. is in the process of registering with the China Securities Regulatory Commission, and the audit is proceeding as expected.

Section VII Share Changes and Shareholder Information

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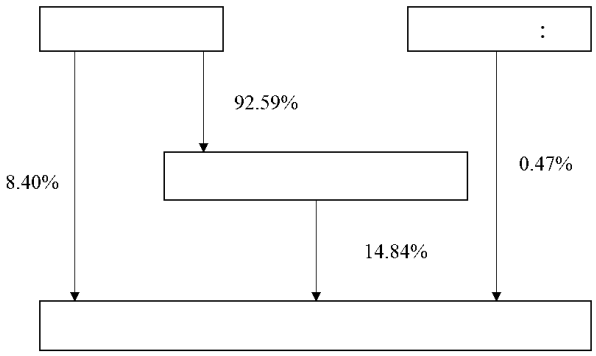

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Section VIII Preference Shares

Applicable Not applicable

Section IX Bonds

Applicable Not applicable

(3) Identified the risk in the commodity ownership and the contractual terms related to remuneration transfer, evaluated whether the accounting policies for revenue recognition in different modes were appropriate, and evaluated whether the time point for revenue recognition of the Company was consistent with the requirements in the Accounting Standards for Business Enterprises by checking the major sales contracts or orders, understanding the policies for receipt and return of goods, communicating with the management and other procedures;

(4) Selected samples to check the sales contracts or orders, sales invoices, shipping orders, declarations for exportation, waybills (receipt forms), bank slips and other supporting documents related to revenue recognition, and executed external confirmation procedures on a sampling basis;

(5) Selected samples to reconcile the shipping orders, declarations for exportation, waybills (receipt forms) and other supporting documents against the product sales revenue recognized before and after the balance sheet date to evaluate whether the revenue was recognized in the appropriate accounting period.

(II) Goodwill impairment

1. Description of the matters

For the provision for impairment of goodwill, please refer to the accounting policy of "26. Impairment of Long-term Assets" in "(V) Important accounting policies and accounting estimates" of notes to the financial statements for details. As of December 31, 2023, the book value of goodwill was RMB 605.03 million, which mainly resulted from the goodwill generated from the acquisition of the subsidiary Uphoton Technology (Shaoxing) Co., Ltd. in the current year, which amounted to RMB 588.17 million.

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

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

2. Audit measures

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

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

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

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

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

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

IV. Other Information

The Management of Goertek Inc. (the Management) is responsible for Other Information. Other Information includes information covered in the 2023 Annual Report of Goertek Inc. but excludes financial statements and auditor's reports.

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

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

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

V. Responsibilities of Management and Governance for the Financial Statements

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

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

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

VI. Auditor'

Zhongxi CPAs (Special General Partnership)	Certified Public Accountant in China (Engagement partner)	Du Yeqin
Beijing China	Certified Public Accountant in China:	Zhang Shuli

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

IEA, the predecessor of the Company, was a joint venture established by law on June 25, 2001. In May 2007, the Company was changed to a domestic enterprise with the approval of the document of Wei Wai Jing Mao Wai Zi (2007) No. 172.

Based on the resolution of the 2nd extraordinary general meeting of IEA in 2007, held on June 26, 2007, Weifang Yitonggong Electronics Co., Ltd (renamed as "Goertek Group Co., Ltd." in October 2016, hereinafter referred to as "Goertek Group") transferred its 29.40 million shares in IEA to 17 natural persons including Jiang Bin and Jiang Long, Langfang Development Zone Yongzhen Electronic Technology Co., Ltd. (hereinafter referred to as "Yongzhen Electronic") and Beijing Yirun Venture Capital Investment Co., Ltd (hereinafter referred to as "Yirun VCI").

On July 18, 2007, Goertek Group, Yongzhen Electronic, Yirun VCI and the 17 persons including Jiang Bin and Jiang Long jointly entered into an initiator agreement, changing IEA as a whole to Goertek Acoustic Inc. in the form of initiation, in which the audited net assets of IEA as of June 30, 2007, were taken as the capital contribution upon stock discount at a ratio of approximately 1:0.8

As reviewed and approved at the Company's annual general meeting of 2012 held on May 9, 2013, the Company's total share capital of 848,016,733 shares as of December 31, 2012, was taken as the basis for distributing cash dividends of RMB 1.5 (tax inclusive) for every 10 shares to all the shareholders, with cash dividends of RMB 127,202,509.95 in total. The Company also converted capital surplus to share capital, and 8 bonus shares for every 10 shares were converted to all shareholders, with a total of 678,413,386 shares converted. Upon such conversion, the total share capital of the Company was changed to 1,526,430,119 shares. The above change in the registered capital has been verified by Crowe Horwath Certified Public Accountants Co., Ltd. (Special General Partnership) which has issued the capital verification report (Guo Hao Yan Zi [2013] No. 408A0001). The registration of industrial and commercial change was completed on June 19, 2013.

On June 2, 2016, Goertek Acoustic Inc. changed its name to Goertek Inc. As the holder of the convertible bonds of the Company requested conversion of shares, the registered capital of the Company was changed to RMB 1,526,581,348. The scope of business was changed to development, manufacturing and sales of: Acoustic, optical and wireless communication technologies and related products, robots and automation equipment, intelligent electromechanical and information products, precision molds for electronic products, precision hardware, semiconductor products and MEMS products, consumer electronics, LED package and relevant application products; development and sales of the software related to the above products; services related to the above technologies and products; import and export of goods and technologies (excluding radio transmission and satellite receiving equipment, and excluding the items prohibited by the national laws and regulations). (For the items requiring approval by law, business activities may only be conducted in respect thereof upon approval of relevant departments)

As reviewed and approved at the Company's annual general meeting of 2016, held on April 14, 2017, the Company's total share capital of 1,538,642,707 shares as of April 27, 2017, on which the profit distribution equity of the Company was registered, was taken as the basis for the distribution of cash dividends RMB 1.5 (tax inclusive) for every 10 shares to all the shareholders, with a total of RMB 230,796,406.05 distributed. The Company also converted capital surplus to share capital, and 10 bonus shares per every 10 shares were converted to all shareholders.

According to the Proposal on Redemption of "Goertek Convertible Bonds" reviewed and approved at the 8th meeting of the 4th Board of Directors held by the Company on May 23, 2017, it was resolved to exercise the conditional redemption right of "Goertek Convertible Bonds" to redeem all the unconverted "Goertek Convertible Bonds" at the price of the par value of the bonds plus the accrued interest for the corresponding period. "Goertek Convertible Bonds" was no longer traded and converted from June 30, 2017. After the above change, the Company changed its registered capital to RMB 3,245,103,948, and completed the registration of industrial and commercial change on November 3, 2017.

According to the Proposal on Early Redemption of "Goertek Convertible Bonds No. 2" reviewed and approved at the 13th meeting of the 5th Board of Directors and the 11th meeting of the 5th Supervisory Board held by the Company on January 15, 2021, it was resolved to exercise the conditional redemption right of "Goertek Convertible Bonds No. 2" to redeem all the "Goertek Convertible Bonds No. 2", at the price of the par value of the bonds plus the accrued interest. As of March 3, 2021, "Goertek Convertible Bonds No. 2" was no longer traded and converted. After the above change, the Company changed its registered capital to RMB 3,416,321,036, and completed the registration of industrial and commercial change on June 22, 2021.

The Company's initial grant of certain stock options under the 2021 Stock Option Incentive Plan entered its first exercise period on June 24, 2022. Due to employees' exercise of the right, the Company issued 4,082,164 A-shares to the incentive targets. The share capital of the Company has been changed to RMB 3,420,403,200.

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

The main businesses of the Company and its subsidiaries (collectively referred to as the "Group") include precision components business, smart audio device business and smart hardware business which are categorized into the industry of the manufacturing of computers, communication, and other electronic equipment. The Company operates mainly in consumer electronics, automotive electronics and other industries, with the main products including acoustics, optics, microelectronics, structural components and other precision components, as well as smart hardware products such as virtual reality (VR)/mixed reality (MR)/augmented reality (AR) products, TWS smart earphones, smart wearable devices, gaming console and accessories, and smart home products.

These financial statements have been approved by the Board of Directors of the Company on March 27, 2024.

As of December 31, 2023, the Group has included a total of 68 subsidiaries into its scope of consolidation, and for details, please refer to Note X "Equity in Other Entities". In terms of consolidated scope, the Group gained 12 subsidiaries and disposed of 1 subsidiary in the current period compared with the previous year. For details, please refer to Note IX "Changes in the Scope of Consolidation"..

The Group has prepared the financial statements on a going concern basis, based on the actual transactions and matters in accordance with *The Accounting Standards for Business Enterprises - Basic Standards (issued by Order No. 33 of the Ministry of Finance and amended by Order No. 76 of the Ministry of Finance)* issued by the Ministry of Finance, 42 specific accounting standards, application guidelines of accounting standards for business enterprises, explanations on the accounting standards for business enterprises and other related regulations (hereinafter collectively referred to as "*Accounting Standards for Business Enterprises*") issued and amended on or after 15 February 2006, and *Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 - General Provisions on Financial Reports (2023 Revision)* issued by CSRC.

According to relevant provisions in the Accounting Standards for Business Enterprises, the Group's accounting is based on the accrual basis. These financial statements are prepared on the basis of historical cost, except for certain financial instruments. In case of asset impairment, the appropriate impairment provision shall be accrued according to relevant regulations.

The Company evaluated its ability to continue as a going concern for 12 months after the end of the current reporting period, without matters or circumstances causing significant doubt over the ability to continue as a going concern. Therefore, these financial statements were prepared on a going concern basis.

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The Group has formulated several specific accounting policies and accounting estimates in respect of the revenue recognition, research and development costs, and other transactions and matters, according to the provisions of relevant Accounting Standards for Business Enterprises on the basis of the actual production and operation characteristics. For details, please refer to the descriptions in 32. "Revenue" and 25 "intangible assets (2)" of Note V. For explanation on the major accounting judgments and estimates made by the management, please refer to 38. "Other important accounting policies and accounting estimates" of Note V.

The financial statements have been prepared by the Group in compliance with the requirements of the Accounting Standards for Business Enterprises, and give a true and complete view of the financial status of the Company and the Group as at December 31, 2023, as well as the business performance, and cash flows and other relevant information for the year 2023. In addition, the financial statements of the Company and the Group comply in all material aspects with the requirements concerning disclosure of the financial statements and the notes specified in *Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 - General Provisions on Financial Reports (2023 Revision) by CSRC.*

The accounting period of the Group is divided by annual accounting period and interim accounting period. Interim accounting period means a reporting period that is shorter than a complete accounting year. The Company adopts the calendar year as its accounting year, namely January 1 to December 31 of each year.

The normal business cycle means the period from the Group's purchase of the assets for processing to realization of cash or cash equivalents. The Group takes 12 months as a business cycle and adopts the business cycle as liquidity classification standard for assets and liabilities.

RMB is the currency in the main economic environment in which the Company and its domestic subsidiaries are operated, and the Company and its domestic subsidiaries take RMB as the functional currency. Goertek (HongKong) Co., Limited, Goertek Technology (Hong Kong) Co., Limited, Goertek Microelectronics (Hong Kong) Co., Ltd., Optimas Capital Partners Fund LP, and Goertek

Microelectronics Holdings Co., Ltd. use USD as their functional currency, and all other overseas subsidiaries of the Company take the lawful currency of the country or region where their registered addresses are located as their functional currency. The currency adopted by the Group in preparing these financial statements is RMB.

Applicable Not applicable

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Business combination of enterprises not under common control is the combination in which the enterprises combined are not controlled by the same party or parties before and after the business combination. In the business combination of enterprises not under common control, the party which acquires the control of other enterprises in the business combination on the acquisition date is the acquirer and the other enterprises in the business combination are the acquired parties. Acquisition date is the date on which the acquiring party actually acquires the control of the acquired parties.

In the business combination of enterprises not under common control, the cost of combination includes the fair value of assets paid, liabilities incurred or assumed and equity securities issued by the acquiring party in exchange for the control of the acquired parties on the acquisition date, the audit, legal service, assessment, consulting and other intermediate fees incurred for business combination of enterprises, and other management fees, which are recognized in the profit or loss for the current period when incurred. The costs of the acquiring party for issuing equity or debt securities as part of the business consideration for the business combination are included in the initially recognized amount of these equity or debt securities. The contingent business consideration shall be included in the combination cost at its fair value on the acquisition date, and the goodwill shall be adjusted and combined accordingly if the contingent consideration needs to be adjusted when new or further evidences arise in connection with the circumstances existing on the acquisition date within 12 months after the acquisition date. The acquisition cost incurred by the acquiring party and the identifiable net assets acquired in the business combination shall be measured at the fair value on the acquisition date. If the combination cost is higher than the fair value of the identifiable net assets acquired from the acquired parties on the acquisition date, the difference thereof shall be recognized as the goodwill. If the combination cost is lower than the fair value of the identifiable net assets acquired from the acquired parties in the business combination, the fair value of the identifiable assets, liabilities and contingent liabilities as well as the measurement of the combination cost shall be first reviewed. If upon review, the combination cost is still lower than the fair value of the identifiable net assets acquired from the acquired parties in the business combination, such difference shall be recognized in the profit or loss for current period.

If the deductible temporary difference acquired by the acquiring party from the acquired parties is not recognized for failure to meet the conditions for recognition of the deferred tax assets on the acquisition date, and if new or further information is obtained within 12

The Group shall launch re-assessment, if the changes in relevant facts and circumstances that lead to changes in relevant elements of the above control definition occur.

(2) Method for preparing the consolidated financial statements

The Company shall include the subsidiaries into the scope of consolidation from the date when it obtains the net assets and actual control over the production and operation decisions of the subsidiaries. It shall cease to do so as of the date when the actual control is lost. For the disposal subsidiaries, the business performance and cash flows prior to the disposal date have been appropriately included in the consolidated income statement and consolidated statement of cash flows. The opening balance of the consolidated balance sheets shall not be adjusted for the subsidiaries disposed in current period. For the subsidiaries added through the combination of enterprises not under common control, the business performance and cash flows have been appropriately included in the consolidated income statement and consolidated cash flow statement after acquisition date. The opening balance and comparative figures of consolidated financial statements shall not be adjusted. For the subsidiaries added during combination of enterprises under common control and the subsidiaries under absorption combination, the business performance and cash flows, from the beginning of current period to acquisation date, have been appropriately included in consolidated income statement and consolidated cash flow statement. The comparison figures in the consolidated financial statements shall be adjusted at the same time.

In preparing the consolidated financial statements, if the accounting policies or accounting periods of the subsidiaries are different from those of the Company, the financial statements of the subsidiaries shall be adjusted based on the accounting policies and accounting periods of the Company. The individual financial statements of the subsidiaries acquired from combination of enterprises not under common control are adjusted based on the fair value of the identifiable net assets on the acquisition date.

All the material account balances, transactions and unrealized profits within the Group shall be offset during preparation of the consolidated financial statements.

The shareholders' equity and current net gains or losses of the subsidiaries which are not owned by the Company shall be separately listed under the shareholders' equity and net profit in the consolidated financial statements as minority interest and minority interests. These current gains or losses of the subsidiaries which are attributable to the minority interest shall be presented as "minority interests" under the net profit of the consolidated financial statements. If the losses of the subsidiaries attributed to the minority shareholders are more than the shareholders' equity owned by the minority shareholders in such subsidiaries at the beginning of the period, the minority

None

Cash and cash equivalents of the Group include cash on hand, deposits available at any time for payment, and short-term (generally due within three months from the date of purchase) and highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

(1) Conversion method of foreign currency transaction

A foreign currency transaction of the Group is translated into the functional currency at initial recognition, using the spot exchange rate prevailing at the date of the transaction (it means, in most cases, the central parity of the foreign exchange rate announced by the People's Bank of China on that day; the same hereinafter). However, a foreign currency exchange transaction or other foreign currency exchange involved transaction of the Group is translated into the functional currency using the actual exchange rate.

(2) Translation method of monetary items denominated in foreign currencies and non-monetary items denominated in foreign currencies

The foreign currency monetary items on the balance sheet date are translated at the spot exchange rate on the balance sheet date, and the exchange differences arising therefrom are included in the current gains and losses, except for the exchange difference of the principal and interest of foreign currency special loans related to the acquisition and construction of assets eligible for capitalization.

Non-monetary items denominated in foreign currency that are measured at historical cost shall still be valued in the functional currency and converted at the spot exchange rate as of the transaction date. Non-monetary items denominated in foreign currency that are measured at fair value are converted by using the exchange rate at the date when fair value is determined and the difference between the converted functional currency amount and the prior amount in functional currency is recorded as profit or loss arising from a change in fair value (including exchange rate change) for the current period or other comprehensive income.

(3) Translation method of foreign currency financial statements

The foreign currency financial statements of overseas operations shall be converted into Chinese currency statements in accordance with the following methods: The assets and liabilities items in the balance sheet are translated at the spot exchange rate on the balance sheet date; except for "undistributed profits", other items of shareholder's equity are converted at the spot exchange rate at the time of occurrence. Revenues and expenses in the profit statement are translated using the average exchange rates prevailing in the period of the transactions. Undistributed profits in the beginning of the year are the undistributed profits at the end of the prior year as translated; undistributed profits at the end of the period are calculated and presented according to the translated profit distributions; exchange differences from translation between translated assets and translated liabilities and equities are recognized in other comprehensive income as exchange differences from translation. When the Group disposes of, and loses the control over, an overseas operation, exchange differences from translation which are presented in "equity" of the balance sheet and related to the overseas operation are, all or based on the disposal proportion, transferred to the profit or loss of the period of disposal.

Cash flows denominated in foreign currencies and cash flows of overseas subsidiaries are translated using the average exchange rates prevailing in the period of the cash flows. Any impact of exchange rate changes on cash is presented as a separate adjusting item in the cash flow statement.

The amount in the beginning of the year and the actual amount of the prior year are presented as translated amounts based on the prior year's financial statements.

When all the equities of the Group in an overseas operation are disposed, or the control over an overseas operation is lost for a disposal of partial equity investments or any other reason, exchange differences which are presented in "shareholder's equity/owner's equity" of the balance sheet, related to the overseas operation and attributable to the parent company are all transferred to the profit or loss of the period of disposal.

If the proportion of equities in an overseas operation declines (but the control over that overseas operation is not lost) for a disposal of partial equity investments or any other reason, exchange differences which are related to that partial disposal are attributed to minority interest and not transferred to the profit or loss of the period of disposal. When the disposal of overseas operation involves a part of the equities in an associate or joint venture, exchange differences from translation which are related to the overseas operation are, based on the disposal proportion, transferred to the profit or loss of the period of disposal.

For any monetary item denominated in a foreign currency which is substantially net investment in an overseas operation, in the consolidated financial statements, exchange differences from the exchange rate changes are recognized in other comprehensive income as "exchange differences from translation", and when the overseas operation is disposed, are transferred to the profit or loss of the period of disposal.

A financial asset or financial liability shall be recognized when the Group becomes a party to a financial instrument contract.

(1) Classification, recognition and measurement of financial assets

Pursuant to the business model of managing financial assets and the contractual cash flow characteristics of financial assets, financial assets are classified by the Group into financial assets at amortized cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit and loss.

Financial assets, when initially recognized, shall be measured at fair value. For the financial assets measured at fair value through profit and loss, the related transaction costs shall be included directly into current gains and losses. For the financial assets or financial liabilities of other categories, the related transaction costs shall be included in the initially recognized amount. For the accounts receivable or notes receivable arising from the sale of products or the provision of labor services, which do not include or consider major financing components, the amount of consideration that the Group is expected to be entitled to is taken as the initially recognized amount.

Financial assets measured at amortized cost

The Group's business model for managing financial assets is aimed to collect contractual cash flow, and the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangement, i.e., the cash flow generated on a specific date is only the payment of principal and interest based on the amount of outstanding principal. For such financial assets, the Group shall perform subsequent measurements at the amortized cost by effective interest method. The gains or losses arising from amortization or impairment shall be included in current gains and losses.

Financial assets at fair value through other comprehensive income

The Group's business model for managing this type of financial assets aims both to collect the contractual cash flow and to sell it, and the characteristics of contractual cash flow of this type of financial assets shall be consistent with the basic lending arrangement. The Group measures these financial assets at fair value and the changes thereof shall be included in other comprehensive income, but the impairment losses or gains, exchange gains and losses and interest income calculated by the effective interest method shall be included in current gains and losses.

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

Financial assets at fair value through profit or loss

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

(2) Classification, recognition and measurement of financial liabilities

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

Financial liabilities at fair value through profit and loss

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

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

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

Other financial liabilities

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

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

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

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

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

If the partial transfer of financial assets meets the conditions for derecognition, the book value of the transferred financial assets is apportioned between the derecognized part and the non-derecognized part according to their respective relative fair values, and the difference between the sum of the transfer consideration received and the change in fair value originally recognized in other comprehensive income and apportioned to the de-recognition component and the aforesaid attributed book value will be recognized in current gains and losses.

If a financial asset is sold with the right of recourse or an endorsement, the Group needs to determine whether almost all the risks and rewards related to the ownership of the financial asset have been transferred. If all the risks and rewards related to the ownership of the financial asset have been transferred to the transferee, the Group shall de-recognize the financial asset; If all the risks and rewards related to the ownership of the financial asset have been retained, the Group shall not de-recognize the financial asset. If none of the risks and rewards related to the ownership of the financial asset has been transferred or retained, the Group shall continue to determine whether it retains the control over the asset, and the accounting standard stated in the aforesaid paragraphs shall apply.

(4) Derecognition of financial liabilities

When the current obligations of a financial liability (or part of it) have been discharged, the financial liability (or that part of the financial liability) shall be de-recognized by the Group accordingly. When the Group (borrower) signs an agreement with a lender to replace a financial liability with a new one, in case of substantially different terms of contract between the new one and the original one, the Group shall derecognize the original one and recognize the new one. If a substantial modification is made to all (Tf on

netting of financial assets and financial liabilities shall be included in the balance sheet. Otherwise financial assets and financial liabilities shall be included separately in the balance sheet and shall not offset each other.

(6) Method of determining the fair value of financial assets and financial liabilities

Fair value refers to the price that market participants can receive by selling an asset or need to pay by transferring a liability in the

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

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

(4) Accounting treatment methods for impairment of financial assets

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

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

Notes receivable

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

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: :	:

Accounts receivable

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

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

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	: : : :
	: :

Other receivables and factoring receivables

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

Financing receivables

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

Based on their credit risk characteristics, financing receivables are classified into different groups:

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For further details, please see this Note V. 11. "Financial Instruments" and 12. "Impairment of Financial Assets".

For further details, please see this Note V. 11. "Financial Instruments" and 12. "Impairment of Financial Assets".

For further details, please see this Note V. 11. "Financial Instruments" and 12. "Impairment of Financial Assets".

For further details, please see this Note V. 11. "Financial Instruments" and 12. "Impairment of Financial Assets".

The Group records the right where the client has not paid the contract consideration but the Group has performed its contract obligation and the Group is not prevented from being unconditionally paid by the client (depending on the lapse of time only) as contract assets in the balance sheet. Contract assets and contract liabilities under the same contract are listed on a net basis. Contract assets and contract liabilities under different contracts will not be offset.

For methods of determining and accounting for expected credit losses on contract assets, please see the Note V.12. "Impairment of Financial Assets".

(1) Classification of inventory

Inventory types include among others raw materials, goods in stock, revolving materials and products in progress.

(2) Valuation methods of inventory acquired and sold

When inventory is acquired, it is measured based on actual cost, including purchase cost, processing cost and other costs. When inventory is acquired and sold, it is priced according to the monthly weighted average method.

(3) Basis for determining net realisable values of inventories and method for making provision for decline in the value of inventories

Net realizable value means the estimated selling price of inventory less the estimated cost to be incurred by the time of completion, the estimated selling expense and related taxes. In determining the net realizable value of inventory, based on obtained evidence, the Group considers the purpose of the inventory and the impact of any matters occurring after the balance sheet date.

On the balance sheet date, inventory is measured at cost or net realizable value (whichever is lower). If the net realizable value is lower than its cost, the Group will make provision for inventory depreciation. The provision for decline in the value of inventories is generally made at the difference between an inventory item's cost and its net realizable value. For the inventory with a large quantity and relatively low unit price, the provision for decline in the value of inventories is accrued based on the inventory category; for inventories associated with product series manufactured and sold in the same area, with the same or similar end use or purpose, and are difficult to be measured separately from other items, the provision for decline in the value of inventories are aggregated. For raw materials with a large quantity and low unit price, the provision of inventory depreciation is generally made according to the time the inventory has been kept.

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

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

(5) Amortization method of revolving materials

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

Long-term equity investments in this part refer to the long-term equity investments through which the Group has control, joint control or significant influence over investee. The long-term equity investments through which the Group does not have control, joint control or significant influence over investee, is taken as a financial asset at fair value recorded in current gains and losses. If it is non-trading, the Group can choose to designate it as a financial asset at fair value recorded in other comprehensive income at initial recognition. For details about the relevant accounting policy, please see this Note V. 11. "Financial Instrument".

Joint control refers to the Group's common control of an arrangement in accordance with relevant agreement, and the relevant activities of the arrangement must be unanimously agreed by the participants sharing the control before a decision can be made. Significant

influence refers to the Group's right to participate in the decision-making of an invested entity's financial and operational policies, but not to control or jointly control the formulation of these policies with other parties.

(1) Determination of investment cost

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

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

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

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

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

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

Long-term equity investments calculated by cost method

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

Long-term equity investments accounted by equity method

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

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

	:

Category	Criteria and timing for the transfer to fixed assets
	(2) The construction projects have met the predetermined design requirements and have been accepted by units responsible for investigation, design, construction, and supervision; (3) The works have been accepted by external departments including fire-fighting and planning departments; (4) Construction works that have reached the intended condition of use but have not yet been finalized are transferred to fixed assets at their estimated value based on the actual cost of the works from the date of reaching the intended condition of use.
Machines and equipment that require installation and commissioning	(1) The relevant equipment and other supporting facilities have been installed; (2) The equipment can maintain normal and stable operation for a period of time after commissioning; (3) The production equipment can produce qualified products stably for a period of time; (4) The equipment has been accepted by asset managers and users.

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

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

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

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

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

See Note 36. "Lease"for details

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

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

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

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

The amortization method for intangible assets with finite useful life is as follows:

Item	Estimated useful life	Amortization method	Basis for determination
Land-use right	37-50 years	Straight-line method	Property rights registration period
Non-patent technology	2-10 years	Straight-line method	Expected years of economic benefits
Patent right	7-10 years	Straight-line method	Expected years of economic benefits
Trade mark	5 years	Straight-line method	Expected years of economic benefits
Software	3-10 years	Straight-line method	Expected years of economic benefits

For intangible assets with a finite useful life, the Group reviews their useful life and amortization method at the end of the period, and accounts for any change as a change in an accounting estimate. For intangible assets with uncertain useful life, the Group reviews their useful life. If it is evident that the duration of associated economic benefits is predictable, the useful life is estimated and the asset is amortized pursuant to amortization policies for intangible assets with finite useful life.

The Group classifies various expenses directly related to conducting R&D activities as R&D expenditures, including employees' remuneration, direct investments, depreciation expenses, depreciation expenses of right-of-use assets, equipment commissioning and testing expenses, external R&D services, and amortization of intangible assets.

The expenditure for research and development projects in the Group is divided into research phase expenditure and development phase expenditure.

The classification into the expenditure in the research phase or the expenditure in the development phase in relation to internal R&D projects of the Group conforms to the following standards:

Expenditures in the research phase are defined as those spent in an innovative, explorative and planned investigation to acquire and understand new scientific or technical knowledge. The research is the preparation in documents and other aspects for further development. It is very uncertain whether the completed research will move onto the development phase and whether the development will lead to the emergence of an intangible asset. Therefore, the Group includes the expenditures in the research phase in expenses and recognize them in the profit or loss of the current period.

Expenditures in the development phase refer to the expenditures incurred during the stage of applying research results or other knowledge to a project or design to produce new or substantially improved materials, devices and products before commercial mass production or use. As the development phase comes after the research phase, the majority of basic conditions for a new product or technology have been established. Thus, the Group recognizes the expenditures in development phase eligible for capitalization as intangible assets. Gross expenditures incurred in the period from the point when the conditions for capitalization are satisfied to the point when intangible assets are ready for the intended purpose are capitalized. No adjustment will be made further for any expenditure that has been included in expense and recognized in profit or loss before the same intangible assets have met the conditions for capitalization in the development phase.

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

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

Having completed the intangible assets, enabling them to be technically feasible for use or sale;

Having the intention to complete the intangible assets and use or sell them;

The ways in which intangible assets generate economic benefits, including the proof that there is a market for the product produced using the intangible assets or for the intangible assets. Where the intangible assets are used internally, their usefulness shall be proved;

Having sufficient technical, financial and other resources to complete the development of the intangible assets, and having the ability to use or sell the intangible asset;

Expenditures attributable to the development phase of the intangible assets can be measured reliably.

If it is impossible to distinguish between expenditures in the research phase and expenditures in the development phase, the R&D expenditures incurred shall be included in the profit or loss of the current period.

For non-current and non-financial assets including fixed assets, construction in progress, intangible assets with finite useful life, investment properties measured at cost, and long-term equity investments in subsidiaries, associates and joint ventures, the Group assesses whether there is an indication of impairment at the date of balance sheet. If there is such an indication, the Group estimates the recoverable amount and carries out an impairment test. An impairment test shall be conducted every year for intangible assets with uncertain goodwill and useful life and those have not yet reached the usable state, regardless of whether there are signs of impairment.

If the impairment test results show that the recoverable amount of an asset is lower than its book value, the provision for impairment is accrued according to the difference and is recorded in the impairment loss. The recoverable amount is the higher of the net amount of the fair value of the asset less the disposal expenses and the present value of the expected future cash flow of the asset. The fair value of an asset is measured as the price agreed in a sales contract concluded in good faith. In absence of any such sales contract, if there is an active market for the asset, the best information available is used as a basis to estimate the fair value of the asset. Disposal expenses include legal fees, taxes and transportation fees related to the disposal of an asset, and direct expenses incurred to make the asset salable. The present value of expected future cash flows of an asset is measured by applying an appropriate discount rate to the expected future cash flows generated during the continuous use of the asset at the time of final disposal. The asset impairment provision is calculated and recognized on the basis of individual assets. In the case of difficulty in estimating the recoverable amount of an individual asset, the recoverable amount of the asset group to which the individual asset belong is calculated. An asset group is the smallest unit of combined assets that can generate cash inflows independently.

For goodwill listed separately in the financial statements, the carrying amount of such goodwill arising from business combinations is allocated to relevant asset groups or asset groups. If the test results show that the recoverable amount of asset groups or combination of asset groups containing allocated goodwill is lower than its book value, the corresponding impairment loss shall be recognized. The amount of impairment loss shall firstly be deducted from the carrying amount of goodwill embodied in the asset groups or combination of asset groups, then be deducted from the carrying amounts of other assets based on the proportions of their carrying amounts in the asset groups or combination of asset groups.

The impairment losses of assets will not be reversed in subsequent periods once recognized.

Long-term prepaid expenses refer to expenses that have already incurred but should be borne by the current and future instalments for a period of more than one year. Long-term prepaid expenses shall be amortized according to the straight-line method within the estimated period of benefit.

Contract liabilities are defined as the Group's obligation to transfer goods to a client for received or receivable consideration from the client. The Group presents as contract liabilities, at the earlier time point of actual payment by a client or the payment due, if the Group has paid the contract consideration or the Group has acquired the right to collect unconditionally before the goods are transferred by the Group to the client. Contract assets and contract liabilities under the same contract are listed on a net basis. Contract assets and contract liabilities under different contracts will not be offset.

The Group's employee benefits consists mainly of short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Including:

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

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

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

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

Cash-settled share-based payment

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

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

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

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

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

(3) Accounting treatment of share-based payment transactions involving the Group and the Company's shareholders or de facto controllers

Share-based payment transactions involving the Group and the Company's shareholders or de facto controllers, where one of the settlement enterprise and the service receiving enterprise is located within the Group and the other outside the Group, are treated in the Group's consolidated financial statements in accordance with the following provisions:

If the settlement enterprise settles the transaction with its own equity instruments, the share-based payment transaction is treated as equity-settled share-based payment; otherwise, it is treated as cash-settled share-based payment.

If the settlement enterprise is an investor of the service recipient, it is recognized as a long-term equity investment in the service recipient based on the fair value of the equity instrument or the fair value of the liabilities to be assumed at the date of grant, with capital surplus (other capital surplus) or liabilities recognized at the same time.

If the service recipient does not have a settlement obligation or has granted its own equity instruments to its own employees, the share-based payment transaction is treated as equity-settled share-based payment; if the service recipient has a settlement obligation and has granted its own equity instruments to its own employees, the share-based payment transaction is treated as cash-settled share-based payment.

If the service recipient and the settlement enterprise are not the same entity, the share-based payment transaction shall be recognized and measured in the separate financial statements of both the service recipient and the settlement enterprise, respectively, in accordance with the above principles.

Revenue recognition and measurement accounting policies disclosed by business type

Revenue represents the total inflow of economic benefits arising from the Group's ordinary activities, leading to an increase in shareholders' equity and not related to shareholders' invested capital. Revenue from contracts between the Group and clients is recognized when the client obtains control over the relevant goods (including labor, the same below), subject to the following conditions being met simultaneously: parties to the contract have approved and committed to fulfilling their respective obligations; the contract defines the rights and obligations of the parties regarding the transferred goods or labor provision; the contract includes clear payment terms for the transferred goods; the contract holds commercial substance, meaning it will alter the Group's future cash flows' risk,

timing, or amount upon fulfillment; and it is probable that the consideration from transferring goods to clients will be recoverable. In this context, acquiring control over the relevant goods means being able to dominate the use of the goods and derive almost full economic benefits from it.

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

If each individual performance obligation under the contract meets any of the following conditions, the Group will, according to the progress of performance in the relevant performance period, recognize the part of trading price apportioned to the individual performance obligation as a revenue: the client obtains and consumes economic benefits from the performance by the Group at the

None

Contract costs include incremental costs incurred to obtain contracts and contract performance costs.

If the incremental cost incurred by the Group to acquire the contract is expected to be recovered, it is recognized as an asset as the contract acquisition cost.

A cost incurred for performing a contract which does not fall within the regulated scope of accounting standards for business enterprises other than Accounting Standards for Business Enterprises No. 14 - Revenue (revised in 2017) shall be recognized as an asset if: such cost directly relates to a current or expected contract, including direct labor, direct materials, manufacturing costs (or similar costs), costs clearly borne by clients and other costs only incurred due to the contract; such cost increases the resources of the Group for fulfilling its obligations in the future; and such cost is expected to be recoverable.

Assets related to contract costs are amortized to profit or loss using the same basis as revenue recognition for the goods to which the asset relates; however, if the asset is amortized over a period of less than one year, it is recognized in profit or loss in the period in which it is incurred.

When the carrying amount of an asset related to contract costs is greater than the difference between the following two items, the Company makes a provision for impairment and recognizes it as an asset impairment loss for the excess:

The residual consideration that the Group expects to obtain for the transfer of goods or services related to the asset;

The estimated costs to be incurred for the transfer of such related goods or services.

If there is a subsequent reversal of the provision for asset impairment, the carrying amount of the asset after the reversal should not exceed its value on the reversal date if no impairment provision had been made.

Government grants refer to the monetary assets and non-monetary assets obtained by the Group from the government free of charge, excluding the investment made by the government as an investor which enjoys the corresponding owner's equity. Government grants are divided into asset-related government grants and income-related government grants. Asset-related government grants refer to the government grants obtained by the Group and used for acquiring or forming long-term assets by other means. Other government grants are defined as government grants related to income. If no target of grants is specified in government documents, government grants are classified into government grants related to assets and government grants related to income as follows: (1) if the government document stipulates grants for a defined project, the grants will be divided according to the proportion of expenditures transformed into assets and expenditures recorded in expenses in the budget of the defined project, and the proportion will be reviewed at each balance sheet date and be changed if necessary; and (2) if the government document contains general statement on the purpose of grants, other than a defined project, the grants will be treated as government grants related to income. Government grants in the form of monetary assets shall be measured at the amount received or receivable. Government grants in the form of non-monetary assets shall be measured at fair value. If the fair value cannot be reliably acquired, the government grants shall be measured at nominal amount. Government grants measured at nominal amount shall be directly recorded in the current gains and losses.

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

Asset-related government grants are recognized as deferred income, and shall be recorded in current gains and losses in stages according to a reasonable and systematic method within the useful life of the relevant assets. If income-related government grants are received as compensation for related costs or losses in future periods, they are recognized as deferred income, and are recorded in current gains

and losses during the period when the related costs or losses are recognized; those received as compensation for related costs or losses incurred are directly included in the profit or loss of the current period. If a government grants contains an asset-related component and an income-related component, the two components are subject to separate accounting treatment. If it is difficult to distinguish them, the subsidy shall be classified as income-related government grants.

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

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

(1) Current income taxes

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or returned) according to the requirements of tax laws. The taxable income used to calculate the current income tax expense is derived from adjustments made to the pre-tax accounting profit for the current reporting period in accordance with relevant tax regulations.

(2) Deferred tax assets and liabilities 0 0 595 0.000008869 0 595 Q

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

For temporary differences arising from the initial recognition of goodwill, no corresponding deferred tax liabilities are recognized. For temporary differences arising from the initial recognition of assets or liabilities in transactions other than business combinations that do not affect either the accounting profit or taxable income (or deductible losses), and where the initial recognition of assets and liabilities does not result in equivalent taxable temporary differences and deductible temporary differences, no corresponding deferred income tax assets or liabilities are recognized. In addition, for the taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, if the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future, no deferred tax liability is recognized. Except for the above exceptions, the Group recognizes deferred tax liabilities arising from all other taxable temporary differences. For the deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, the corresponding deferred tax assets shall not be recognized if it is not probable that the temporary difference will reverse in the foreseeable future, or if it is not probable that taxable profits will be available in the future against which the deductible temporary difference can be utilized. For the above exceptions, deferred tax assets for de3(it)-3(i)11(e)4(s)-160yceptiGene5(iff)11(e)4(re)4(n)-6(c)4ies fre recogn

When there is a legal right to settle current income tax assets and current income tax liabilities on a net basis, and the deferred tax assets and deferred tax liabilities are related to the income tax levied by the same tax administration department on the same tax payer or to different tax payers, but in each future period of reversing material deferred tax assets and liabilities, the tax payers involved intend to settle the current income tax assets and liabilities on a net basis or realize assets and settle liabilities at the same time, the deferred tax assets and deferred tax liabilities of the Group are offset and presented as net amount.

A lease is a contract under which the Group transfers or acquires the right to control the use of one or more identified assets for a specific period of time in exchange for consideration or payment. At the inception date of a contract, the Group assesses whether the contract is a lease or contains a lease.

The Group acts as lessee:

The Group's categories of leased assets are mainly buildings.

Initial measurement

On the commencement date of a lease, the Group recognizes the right to use the leased asset over the lease term as a right-of-use asset, and recognizes the present value of the outstanding lease payments as a lease liability, excluding short-term leases and leases of low-value assets. When measuring the present value of a lease payment, the Group uses the interest rate implicit in the lease as the discount rate, and adopts the incremental borrowing rate as the lessee's discount rate if the interest rate implicit in the lease is not determinable.

Subsequent measurement

The Group depreciates right-of-use assets according to the depreciation provisions outlined in Accounting Standards for Business Enterprises No. 4 - Fixed Assets. See Note V.21 for details. If ownership of the leased asset can be reasonably assured at the end of the lease term, the Group depreciates it over the remaining useful life of the asset. If the Group can reasonably determine that it will obtain the ownership of leased assets when the lease term expires, the Group depreciates the right-of-use assets over the remaining useful life of the leased assets.

For lease liabilities, the Group calculates its interest expense at a fixed periodic rate for each period during the lease term, which is charged to current profit or loss or included in the cost of the related assets. Variable lease payments not included in the measurement of lease liabilities, when actually incurred, shall be recorded in the current gains and losses or related asset costs.

Following the commencement date of the lease term, when there are changes in the substantive fixed payments, the projected amount payable for the residual value of the guarantee, the indexes or ratios used to determine the lease payments, or the valuation results or actual exercise of purchase options, lease renewal options or termination options, the Group re-measures the lease liability based on the present value of the lease payments after such changes and adjusts the book value of the right-of-use asset accordingly. If the carrying amount of the right-of-use asset has been reduced to zero, but the lease liability needs to be further reduced, the Group recognizes the remaining amount in profit or loss for the current period.

Short-term leases and leases of low-value assets

For short-term leases (with a lease term of less than 12 months from the commencement date) and leases of low-value assets, the Group adopts a simplified approach by not recognizing right-of-use assets and lease liabilities; instead, the Group recognizes the lease payments as part of the cost of the related assets or in profit or loss for the current period, on a straight-line basis or other systematic and reasonable basis, in each period during the lease term.

The Group acts as lessor:

The Group classifies leases into finance leases and operating leases based on their transaction substance at the inception date of the lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of the leased asset. Operating leases are leases other than finance leases.

Operating lease

The Group uses the straight-line method to recognize lease collections under operating leases as rental income in each period during the lease term. Variable lease payments relating to operating leases that are not recognized as lease collections are recognized in profit or loss when they are actually incurred.

On the commencement date of the lease term, the Group recognizes finance lease receivables and derecognizes finance lease assets. Finance lease receivables are initially measured at the net investment in the lease (the sum of the unguaranteed residual value and the present value of lease receivables not yet received at the commencement date of the lease term discounted at the interest rate embedded in the lease), and interest income is recognized over the lease term calculated at a constant periodic rate. Variable lease payments obtained by the Group that are not included in the measurement of the net investment in leases are recognized in profit or loss when they are actually incurred.

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

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

While using accounting policies, due to the uncertainty th42(l)s100030032sr6(n)-6(w)1585253122(d)-6(u)-6(e)4( )-109(to)-8( )-109(th)-8(

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

Lease liabilities

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

(3) Impairment of financial assets

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

(4) Provisions for the decline in value of inventories

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

(5) Fair value of financial instruments

If there is no financial instrument in an active trading market, its fair value is determined by the Group through various valuation methods. The valuation techniques include disclosed cash flow modeling, etc. In the valuation process, the Group needs to estimate future cash flow, credit risk, market volatility and correlation, etc. and choose an appropriate discounting rate. These relevant assumptions are uncertain, and their changes would affect the fair value of financial instruments. For equity instrument investments or contracts with public quotes, the Group will not regard costs as the best fair value estimate.

(6) Impairment provision for long-term assets

For non-current assets other than financial assets, the Group will, at the balance sheet date, judges whether there is an indication of impairment. For intangible assets with an uncertain useful life, the impairment test will be carried out annually and when there is an indication of impairment. The impairment test will be carried out for non-current assets other than financial assets, when there is an indication that the carrying amount cannot be recovered.

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

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

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

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

(7) Depreciation and amortization

The Group depreciates and amortizes investment properties, fixed assets and intangible assets over their respective useful life, using the straight-line method, with their respective residual value taken into account. The Group periodically reviews the useful life of assets to determine the amounts of depreciation and amortization expenses for each reporting period. The useful life is determined by the

a taxable temporary difference and a deductible temporary difference, the Company shall, in accordance with the Interpretation and *The Accounting Standards for Business Enterprises No. 18 - Income Taxes*, adjust the cumulative effect to retained earnings as well as to other relevant financial statement items at the beginning of the earliest period for the presentation of the financial statements. As the Interpretation has not resulted in material impact on the Company's financial statements, no retrospective adjustments have been made to prior years' financial statements.

The effect of the above changes in accounting policies on the financial statements as of January 1, 2023 is presented below:

Consolidated balance sheet

Item	December 31, 2022	January 1, 2023	Adjustments
Deferred tax assets	1,369,530,623.51	1,461,726,750.47	92,196,126.96
Deferred tax liabilities	816,118,632.40	906,537,829.44	90,419,197.04
Undistributed profits	16,507,798,239.34	16,509,551,595.59	1,753,356.25
Minority interests	765,942,754.69	765,966,328.36	23,573.67

Company balance sheet

Item	December 31, 2022	January 1, 2023	Adjustments
Deferred tax assets	788,677,414.86	830,807,911.11	42,130,496.25
Deferred tax liabilities	536,571,810.07	578,621,000.58	42,049,190.51
Undistributed profits	9,410,101,500.47	9,410,182,806.21	81,305.74

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enterprise income tax is from January 1, 2022 to December 31, 2024. The corporate income tax rate of 15% applied to Goertek Microelectronics Inc. for FY2023.

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

(5) According to the Announcement on Filing the First Batch of High-Tech Enterprises in Shandong Province in 2021 issued by the Office of Leading Group for the Recognition and Management of National High-Tech Enterprises on January 4, 2022, a subsidiary, Goertek Optical Technology Co., Ltd, has been recognized as a high-tech enterprise for a validity period of 3 years, and its preferential period for enterprise income tax is from January 1, 2021 to December 31, 2023. The enterprise income tax rate of 15% applied to the subsidiary, Goertek Optical Technology Co., Ltd, for year 2023.

(6) According to the Announcement on Filing the First Batch of High-Tech Enterprises in Shandong Province in 2021 issued by the Office of Leading Group for the Recognition and Management of National High-Tech Enterprises on December 16, 2021, a subsidiary, Jiaxing Uphoton Optoelectronics Technology Co., Ltd, has been recognized as a high-tech enterprise for a validity period of 3 years, and its preferential period for enterprise income tax is from January 1, 2021 to December 31, 2023. The enterprise income tax rate of 15% applied to the subsidiary, Jiaxing Uphoton Optoelectronics Technology Co., Ltd., for year 2023.

(7) According to the Announcement on Filing the First Batch of High-Tech Enterprises in Qingdao in 2022 issued by the Office of Leading Group for the Recognition and Management of National High-Tech Enterprises on December 14, 2022, Goertek Technology Co., Ltd., has been recognized as a high-tech enterprise for a validity period of 3 years, and its preferential period for enterprise income tax is from January 1, 2022 to December 31, 2024. The enterprise income tax rate of 15% applied to the subsidiary, Goertek Technology Co., Ltd., for year 2023.

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

(9) According to the Announcement on Filing the First Batch of High-Tech Enterprises in Shenzhen in 2022 issued by the Office of Leading Group for the Recognition and Management of National High-Tech Enterprises on December 19, 2022, a subsidiary, Shenzhen Goertek Technology Co., Ltd., has been recognized as a high-tech enterprise for a validity period of 3 years, and its lid008869 0 595.2 81 fo4 401.09

(14) According to the Announcement of the Ministry of Finance and the State Taxation Administration on Tax Policies Relating to Further Supporting the Development of Micro and Small Enterprises and Individual Entrepreneurs (Announcement of the Ministry of Finance and the State Taxation Administration No. 12 of 2023), from January 1, 2023, to December 31, 2027, for small and micro-profit enterprises, the portion of their annual taxable income that is not more than RMB 3 million shall be deducted to 25% of their taxable income, subject to a 20% corporate income tax. The subsidiary, Shenzhen Goertek Microelectronics Co., Ltd., is eligible for the above tax incentives and implemented an effective enterprise income tax rate of 5% in 2023.

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Please see Note V.12. "Impairment of Financial Assets" for more details.

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Applicable Not applicable

None

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Note: 1 The amount of note pledge arises from splitting a large-denomination note into multiple smaller-denomination bank acceptances.

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None

None

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Please see Note V.12. "Impairment of Financial Assets".

Bad-debt provision	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss over the next 12 months	Expected credit loss for the entire duration (credit impairment has not occurred)	Expected credit loss for the entire duration (credit impairment has occurred)	
Written off in the current period				
Other changes				
Closing balance	296,456.20			296,456.20

None

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Please see Note V.12. "Impairment of Financial Assets".

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Please see Section III. VI. 2. "Assets and Liabilities Measured at Fair Value".

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Applicable Not applicable

Beijing Uphoton Technology Co., Ltd. was renamed Uphoton Technology (Shaoxing) Co., Ltd. in May 2023. The Company acquired its full equity in November 2023.

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At the end of this period, the proportion of intangible assets created through internal research and development of the Company to the balance of intangible assets is 53.22%.

None

Applicable Not applicable

Items	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Internal development costs	Increase in business combination	Recognized as intangible assets	Transfer to current profit and loss	
Self-developed technologies for electroacoustic products	361,178,111.91	542,789,272.24		457,162,678.29		446,804,705.86

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The composition of the asset group or portfolio of asset groups of significant goodwill:

Composition of the asset group or combination of asset groups	Uphoton Technology (Shaoxing) Co., Ltd. - System business (RMB)	Uphoton Technology (Shaoxing) Co., Ltd. - Components business (RMB)
Book value of the asset group or combination of asset groups	61,640,450.89	175,438,206.36
Book value of goodwill apportioned to the asset group or combination of asset groups	152,925,446.56	435,249,347.92
Book value of the asset group or combination of asset groups containing goodwill	214,565,897.45	610,687,554.28

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

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Other decreases in expenditures for house improvements in the current period were primarily due to adjustments made by the Company based on final settlement amounts.

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Long-term employee benefits payable due within one year represents the non-competition compensation payable to departed employees of the subsidiary, Uphoton Technology (Shaoxing) Co., Ltd.

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The balance of secured borrowings at the end of the period was RMB 3,269,566,929.13 (principal of RMB 3,293,607,500.00 and interest adjustment of RMB -24,040,570.87), of which the principal of RMB 1,700,000,000.00 was guaranteed by Goertek Group Co.,

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As of December 31, 2023, the 65,000,000 shares of the Company held by the controlling shareholders and their persons acting in concert have been pledged, representing 1.90% of total shares of the Company. Specifically, Mr. Jiang Long, a shareholder of the Company, pledged 65,000,000 shares of the Company in his possession to China Merchants Securities Asset Management Company Limited for the period from June 1, 2023 to June 1, 2024.

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Capital surplus - Share capital premium increased by RMB 285,989,624.44 this year. Reasons: a.The release of the employee stock ownership plan and the exercise of stock options resulting in the conversion of other capital surplus to share capital premium of RMB 62,532,782.24, b The granting of the Company's "Home No. 5" Employee Stock Ownership Plan, where the actual released shares were less than the target due to individual performance evaluation, resulting in an increase in capital surplus - share capital premium of RMB 39,355,486.02 due to the sale price of the corresponding shares; c The change in shareholding ratio as a result of contribution by minority shareholders of subsidiaries, increasing the share capital premium by

RMB184,101,356.18. Please see Note X.2. "The Share of Owner's Equity in the Subsidiary Has Changed and Still Controls the Transactions of the Subsidiary".

Capital surplus - Share capital premium decreased by RMB 1,686,106,939.05 this year, as a result of the non-trading transfer of the Company's shares in the Company's special securities repurchase account for repurchase to the special account of the Company's "Home 6" and "Home 7" Employee Stock Ownership Plan at a price lower than the cost of repurchase.

Capital surplus - other capital surplus increased by RMB 182,565,014.67 this year. Reasons: a.The share-based payment resulting in RMB 172,286,003.87, b The effect of changes in other owners' equity of invested units under the equity method, which increased by RMB 10,279,010.80.

Capital surplus - other capital surplus decreased by RMB 64,734,580.48 this year. Reasons: a. As the employee stock ownership plan has reached the release stage and the stock options has entered exercise period, a capital surplus of RMB 62,532,782.24 is transferred to share capital premium; b.The disposal of affiliated companies this year, with RMB 2,201,798.24 of other capital surplus recognized transferred out under the equity method upon the time of disposal.

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As of December 31, 2023, there were cumulatively 12,901,311.00 treasury stock, representing 0.38% of the total share capital of the Company.

(1) Repurchase of treasury stock in the current period

The Company held the Tenth Meeting of the Sixth Session of the Board of Directors on October 26, 2023, during which the Board deliberated and approved the Proposal on the Repurchase of the Company's Shares by means of Centralized Bidding, among others. It agreed that the Company would repurchase its shares by means of centralized bidding trading for the Employee Stock Ownership Plan or the Stock Option Incentive Plan at a price of not more than RMB25.49/share, and that the total amount of the funds to be used for the repurchase wouldn't be less than RMB 500 million and not more than RMB 700 million, with an implementation period of 12 months from the date of the approval of this repurchase by the Board. As of December 31, 2023, a total of 9,632,700.00 shares of the Company had been repurchased under this share repurchase proposal.

(2) Transfer of treasury stock in the current period

67,338,040 shares in the Company's specific securities repurchase account for repurchase were transferred to the special account related to the Company's "Home No. 6" Employee Stock Ownership Plan at RMB 7 per share on a non-trading basis, and 3,658,800 shares in the Company's specific securities repurchase account for repurchase were transferred to the special account related to the Company's "Home No. 7" Employee Stock Ownership Plan at RMB 9.19 per share on a non-trading basis, all of which received the "Confirmation of Securities Transfer Registration" issued by the Shenzhen Branch of China Securities Depository & Clearing Corporation.

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

The Company may extract any surplus reserves after extracting the statutory surplus reserve. Any surplus reserve may be used to cover the losses of previous years or increase the share capital after approval.

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

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

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Please see Note VI. "Taxes", for details of the criteria for the accrual of various taxes and surcharges.

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Non-operating income - other incomes that are mainly unpayable amounts and liquidated damages collected, etc.

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Applicable Not applicable

Name of the important overseas operating entity	Main location of business operation	Accounting currency	Accounting currency selection basis	Whether there is any change in the accounting currency
Goertek Vina Co., Ltd	Vietnam	VND	Legal currency of the country where it is registered	No
Goertek Technology Vina Company Limited	Vietnam	VND	Legal currency of the country where it is registered	No
Goertek (HongKong) Co., Limited	Hong Kong	USD	Currency adopted in business receipts and payments	No

Applicable Not applicable

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

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

Item	Amount for the current period (RMB)	Amount for the previous period (RMB)
Short-term lease expense (simplified treatment applies)	32,797,509.77	70,892,405.81
Interest on lease liabilities included in finance expenses	18,846,223.92	17,092,607.19
Income derived from the sublease of the right-of-use assets	661,958.40	1,196,937.46

Cash outflows related to leases

Item	Category of cash flows	Amount for the current period (RMB)	Amount for the previous period (RMB)
Cash for repayment of principal and interest of lease liabilities	Cash outflows from financing activities	111,526,372.99	128,750,261.16
Payment for short-term leases and leases for low-value assets (simplified treatment applies)	Cash outflows from operating activities	32,797,509.77	70,892,405.81
Total		144,323,882.76	199,642,666.97

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Uphoton Technology (Shaoxing) Co., Ltd. includes its headquarters and its subsidiaries Uphoton Technology (Beijing) Co., Ltd., Jiaxing Uphoton Optoelectronics Technology Co., Ltd., Shaoxing UPhoton Precision Technology Co., Ltd., Hangzhou Uphoton Optoelectronics Technology Co., Ltd., Tianjin Uphoton Technology Co., Ltd., Nanjing Uphoton Technology Co., Ltd., Hefei 3D OptoLink Technology Co., Ltd., and Jiaxing Guochao Optoelectronics Technology Co.,Ltd., totaling nine companies.

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The fair value of the net assets being consolidated is determined in accordance with the valuation results determined by the asset-based method, and the cost of combination is determined by negotiation in accordance with the valuation results determined by the income approach.

The subsidiary, Goertek Optical Technology Co., Ltd, acquired 100% of the equity held by the original shareholder of Uphoton Technology (Shaoxing) Co., Ltd. by a combination of directed capital increase and cash payment, including the new registered capital (paid-in capital) of 60,280,745.00 shares, with a par value of RMB1 per share. The issue price was determined in accordance with the valuation results determined by the income approach.

None

At the acquisition date, goodwill resulted from the excess of the acquirer's cost of combination over the fair value of the net identifiable assets of the acquired entity.

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The fair value of identifiable assets and liabilities is determined in accordance with the valuation results determined by the asset-based method.

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During the current period, the Company acquired 3 subsidiaries through establishment. They are respectively Chongqing Goertek Auto Technology Co., Ltd., Goertek Smart Technology Vina Co.,Ltd., and GMI Technology GmbH.

The Company deregistered one of its subsidiaries, Kunshan Goertek Electronics Co., Ltd. during this period.

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In January 2023, the subsidiary Qingdao Resonance Phase I Venture Capital Fund Partnership (Limited Partnership) accepted a unilateral capital increase of RMB 80.8080 million from the minority shareholders, with paid-in capital of RMB 80.8080 million. After the completion of this capital increase, the Company's shareholding in Qingdao Resonance Phase I Venture Capital Fund Partnership (Limited Partnership) changed from 72.00% to 52.80%, and the capital surplus increased by RMB 652,164.33 as a result of this transaction.

In October 2023, the Company purchased 1.8468% of the equity held by Jiang Long, a minority shareholder of its subsidiary, Goertek Microelectronics Inc. with its own funds of RMB 23,273,750.00. After the completion of this transaction, the Company's shareholding in Goertek Microelectronics Inc. changed from 85.90% to 87.75%, and the capital surplus increased by RMB 57,719,238.80 as a result of this transaction.

In November 2023, the subsidiary Goertek Optical Technology Co., Ltd. purchased 100% of the equity of Uphoton Technology (Shaoxing) Co., Ltd. in which the Company is a shareholder, (hereinafter referred to as "Uphoton Technology"). Among them, the Company purchased 67.541% equity interest in Uphoton Technology (including 10.526% equity interest held by the Company and 0.818% equity interest held by a related party) with its own funds of approximately RMB 795 million, and purchased 32.459% equity interest in Uphoton Technology by increasing its registered capital by RMB 60,280,745.00 through directional share capital increase. After the completion of this capital increase, the Company's shareholding in Goertek Optical Technology Co., Ltd. changed from 65.10% to 61.10%, and the capital surplus was increased by RMB 125,729,953.05 as a result of this transaction.

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None

Explanation of structured entities not recorded in the consolidated financial statements:
None

None

Applicable Not applicable

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

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

(I) Risk management goals and policies

The Group's risk management aims to reach appropriate balancing between risks and benefits, to minimize the negative impact of risks on the Group's operating results, and to maximize the interests of shareholders and other equity investors. Based on these risk management goals, the Group's basic strategy for risk management is to determine and analyze various risks faced by the Group,

establish an appropriate risk tolerance bottom line and conduct risk management, and supervise various risks in a timely and reliable manner to control the risks within a limited scope.

1. Market risk

(1) Foreign exchange risk

Foreign exchange risk refers to the risk of loss due to exchange rate change. The Group's exposure to foreign exchange mainly involves US dollars. Except that the Company and its subsidiaries purchase and sell in USD, EUR, JPY, VND, DKK, HKD, TWD and KRW, other main business of the Group is measured and settled in RMB. As of December 31, 2023, the Company's monetary items in foreign currencies are detailed in Note VII.67. Except for the assets or liabilities, certain financial assets for trading, certain financial liabilities for trading, certain investments in other equity instruments, certain other non-current financial assets and certain other non-current assets described in that table, which are in foreign currencies, the Group's assets and liabilities are mainly in RMB. The foreign exchange risks arising from the assets and liabilities denominated in foreign currencies may have an impact on the operating results of the Group.

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

Sensitivity analysis over foreign exchange risks:

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

Item	Change in exchange rate	2023		2022	
		Impact on net profit (RMB)	Impact on shareholders' equity (RMB)	Impact on net profit (RMB)	Impact on shareholders' equity (RMB)
USD	3% appreciation against RMB	-51,954,213.77	-53,372,215.77	-17,700,129.48	-20,864,011.13
USD	3% depreciation against RMB	51,954,213.77	53,372,215.77	17,700,129.48	20,864,011.13

(2) Interest rate risk - cash flow change risk

The Group's risk of cash flow changes of financial instruments arising from interest rate changes mainly involves floating rate bank borrowings. At present, the interest rate of the Group's bank borrowings is mainly floating rate.

Interest rate risk sensitivity analysis:

The sensitivity analysis over interest rate risks is conducted based on the following assumptions:

Changes in market interest rates affect the interest income or expense of financial instruments with variable interest rates;

For fixed-rate financial instruments measured at fair value, changes in market interest rates only affect their interest income or expense;

For derivative financial instruments designated as hedge instruments, changes in market interest rates affect their fair value, and all interest rate hedging is expected to be highly effective;

Changes in fair values of derivative financial instruments and other financial assets and liabilities are calculated using the discounted cash flow method at the market interest rate on the balance sheet date.

On the basis of the above assumptions, when other variables remain unchanged, the possible reasonable changes in interest rates may have the following effects on current gains and losses, as well as shareholders' equity:

Item	Interest rate change	2023		2022	
		Impact on net profit (RMB)	Impact on shareholders' equity (RMB)	Impact on net profit (RMB)	Impact on shareholders' equity (RMB)
Bank borrowings	Float up by 10%	-44,382,185.25	-44,186,512.56	-24,185,541.46	-24,185,541.46
Bank borrowings	Float down by 10%	44,382,185.25	44,186,512.56	24,185,541.46	24,185,541.46

(3) Other price risks

None

2. Credit risk

As of December 31, 2023, the maximum credit risk exposure that may cause the Group's financial loss resulted from the loss in the Group's financial assets caused by the counterparty's failure to perform its contractual obligations.

In order to reduce credit risk, the Group sets up a team to determine the credit limit, conduct credit approval, and implement other monitoring procedures to ensure that necessary measures are taken to recover overdue claims. Additionally, the Company cooperates with commercial insurance institutions to insure for high-risk clients, so as to reduce the risk of bad debts from credit sale. In addition, the Group reviews the recovery of each individual receivable on each balance sheet date to ensure that adequate bad debt provision is made for unrecoverable amounts. Therefore, the Group's management believes that the credit risk undertaken by the Group has been greatly reduced.

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

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

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

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

None

3. Liquidity risk

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

The Group uses bank borrowings and equity instruments as its main sources of funds. As of December 31, 2023, the unused bank credit line of the Group was RMB 40.933 billion (December 31, 2022: RMB 31.583 billion).

None

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

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

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

None

None

None

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Bei Ge (Weifang) Intelligent technology Co., Ltd, formerly known as Beihang Goer (Weifang) Intelligent Robot Co., Ltd.; Goerdyna-Holding A/S, formerly known as Dynaudio Holding A/S.

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The remuneration for the aforementioned key management includes compensation received by related individuals, other than directors, supervisors, or senior managers, who serve in the Company or its subsidiaries and receive remuneration based on their actual positions or contracts they have entered into.

Item	Related transactions	Amount of current period	Amount in previous period
Jiang Long	Purchase of equity	23,273,750.00	
Shareholder of Uphoton Technology (Shaoxing) Co., Ltd., a related party of the Company	Purchase of equity	12,267,043.01	
Uphoton Technology (Shaoxing) Co., Ltd.	Equity investment		200,000,000.00

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Due to the substandard performance in 2023 and the failure to meet the exercise conditions for the third exercise period of the 2020 Stock Option Incentive Plan, the subsidiary Goertek Microelectronics Inc. has canceled corresponding stock options.

None

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None

(1) Contingent liabilities arising from pending litigations and arbitrations, and financial impact therefrom

None

(2) Contingent liabilities arising from guarantees of debts provided to other units, and financial impact therefrom

As of the report date, except for the ongoing guarantees provided by the Company to its subsidiaries Goertek Technology Vina Company Limited, Goertek Precision Industry Vietnam Company Limited, Qingdao Goertek Horizons Technology Co., Ltd, and Goertek Microelectronics Inc. as specified in Note XIV.5, there are no debt guarantees provided by the Company to other entities.

(3) Contingent liabilities related to the investment in joint ventures or associates

None

(4) Other contingent liabilities and financial impact therefrom

None

There are no important contingencies to be disclosed in the Company.

None

None

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None

None

None

None

None

None

None

None

None

None

The Group determines its operating divisions on the basis of its internal organizational structure, management requirements and internal reporting system, and determines its reporting divisions and discloses division information on the basis of its operating divisions.

An operating division is a component of the Group that meets all of the following conditions: (1) the component generates revenues and incurs expenses in its day-to-day activities; (2) the management of the Group is able to evaluate the operating results of the component on a regular basis in order to decide on the allocation of resources to the component and to evaluate its performance; and (3) the Group is able to obtain the component's relevant accounting information, such as its financial position, results of operations,

and cash flows. Two or more operating divisions are combined into one operating division if they have similar economic characteristics and if certain conditions are met.

No division information is presented as over 90.00% of the Group's revenues and results are derived from the electronic products business.

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The amount of revenue corresponding to performance obligations that have been contracted for but not yet fulfilled or not yet completed at the end of the reporting period is RMB 0.00.

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None

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Mainly tax benefits and investment income from certificates of deposits and other products

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None