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## **SUNNY OPTICAL TECHNOLOGY (GROUP) COMPANY LIMITED**

**舜宇光學科技（集團）有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2382.HK)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024**

#### **RESULT HIGHLIGHTS**

For the year ended 31 December 2024, the Group's revenue was approximately Renminbi (“**RMB**”) 38,294.5 million, representing an increase of approximately 20.9% as compared to that of last year.

For the year ended 31 December 2024, the Group's gross profit was approximately RMB7,006.0 million, representing an increase of approximately 52.6 % as compared to that of last year. The gross profit margin was approximately 18.3%, which was approximately 3.8 percentage points higher as compared to that of last year.

For the year ended 31 December 2024, profit for the year attributable to owners of the Company was approximately RMB2,699.2 million, representing an increase of approximately 145.5% as compared to that of last year.

The Board has proposed a final dividend of Hong Kong Dollar (“**HKD**”) 0.532 per share of the Company (“**Share**”) (equivalent to approximately RMB0.493 per Share) for the year ended 31 December 2024.

#### **FINANCIAL RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”, each a “**Director**”) of Sunny Optical Technology (Group) Company Limited (the “**Company**”) is pleased to present the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2024, together with the comparative figures for the year of 2023 as follows:

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024

	NOTES	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Revenue	3, 4	<b>38,294,491</b>	31,681,261
Cost of sales		<b>(31,288,458)</b>	(27,090,820)
Gross profit		<b>7,006,033</b>	4,590,441
Other income	5(A)	<b>1,333,065</b>	1,329,719
Other gains and losses	5(B)	<b>(51,792)</b>	(121,585)
Impairment losses under expected credit loss (“ECL”) model, net of reversal		<b>(99)</b>	(22,311)
Selling and distribution expenses		<b>(439,329)</b>	(415,104)
Research and development (“R&D”) expenditure		<b>(2,924,111)</b>	(2,566,475)
Administrative expenses		<b>(1,399,231)</b>	(1,009,901)
Share of results of associates		<b>118,381</b>	22,516
Finance costs	6	<b>(499,383)</b>	(449,147)
Profit before tax		<b>3,143,534</b>	1,358,153
Income tax expense	7	<b>(366,510)</b>	(207,830)
<b>Profit for the year</b>	8	<b>2,777,024</b>	1,150,323
<b>Other comprehensive expense</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value loss on investments in equity instruments at fair value through other comprehensive income (“FVTOCI”), net of income tax		<b>(49,020)</b>	(22,584)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<b>(19,338)</b>	(4,642)
<b>Other comprehensive expense for the year</b>		<b>(68,358)</b>	(27,226)
<b>Total comprehensive income for the year</b>		<b>2,708,666</b>	1,123,097

	<u>NOTE</u>	<u>2024</u> <i>RMB'000</i>	<u>2023</u> <i>RMB'000</i>
Profit for the year attributable to:			
Owners of the Company		<b>2,699,159</b>	1,099,415
Non-controlling interests		<b>77,865</b>	50,908
		<b><u>2,777,024</u></b>	<b><u>1,150,323</u></b>
Total comprehensive income for the year attributable to:			
Owners of the Company		<b>2,633,860</b>	1,074,379
Non-controlling interests		<b>74,806</b>	48,718
		<b><u>2,708,666</u></b>	<b><u>1,123,097</u></b>
Earnings per Share – Basic (RMB cents)	10	<b><u>248.16</u></b>	<b><u>100.72</u></b>
– Diluted (RMB cents)	10	<b><u>247.88</u></b>	<b><u>100.63</u></b>

## Consolidated Statement of Financial Position

At 31 December 2024

	NOTES	31/12/2024	31/12/2023
		<i>RMB'000</i>	<i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	10,524,503	9,927,315
Right-of-use assets		900,544	768,953
Investment properties		25,750	30,626
Intangible assets		138,295	194,505
Interests in associates		1,856,184	1,664,883
Deferred tax assets		216,703	204,024
Deposits paid for acquisition of property, plant and equipment		723,111	732,292
Equity instruments at FVTOCI	12	63,294	116,790
Financial assets at fair value through profit or loss (“FVTPL”)	13	18,020	19,518
Time deposits	15	1,868,696	1,492,091
Goodwill		2,119	2,119
		<u>16,337,219</u>	<u>15,153,116</u>
<b>CURRENT ASSETS</b>			
Inventories	16	5,870,112	5,136,941
Trade and other receivables and prepayments	17	9,211,194	7,854,787
Receivables at FVTOCI		864,520	629,645
Derivative financial assets	14	54,320	114
Financial assets at FVTPL	13	13,873,739	7,113,261
Amounts due from related parties		2,400	807
Pledged bank deposits	15	108,502	13,641
Short term fixed deposits	15	2,976,595	1,310,245
Cash and cash equivalents	15	4,508,657	13,084,519
		<u>37,470,039</u>	<u>35,143,960</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	18	20,825,322	20,324,883
Amounts due to related parties		19,804	11,536
Derivative financial liabilities	14	69,322	41,276
Contract liabilities		226,734	136,316
Tax payable		190,029	29,211
Bank borrowings	19	925,652	699,000
Lease liabilities		50,518	35,861
Deferred income		12,244	8,548
Bonds payable	20	77,938	–
		<u>22,397,563</u>	<u>21,286,631</u>
<b>NET CURRENT ASSETS</b>		<u>15,072,476</u>	<u>13,857,329</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>31,409,695</u>	<u>29,010,445</u>

	<u>NOTES</u>	<u>31/12/2024</u> <i>RMB'000</i>	<u>31/12/2023</u> <i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>753,302</b>	752,940
Long term payables	18	<b>156,541</b>	137,845
Bank borrowings	19	<b>2,032,518</b>	1,965,313
Lease liabilities		<b>186,677</b>	182,382
Deferred income		<b>120,158</b>	192,850
Bonds payable	20	<b>2,867,551</b>	2,897,485
		<u><b>6,116,747</b></u>	<u>6,128,815</u>
<b>NET ASSETS</b>		<u><b>25,292,948</b></u>	<u>22,881,630</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	21	<b>104,967</b>	105,156
Reserves		<b>24,659,548</b>	22,317,811
Equity attributable to owners of the Company		<u><b>24,764,515</b></u>	22,422,967
Non-controlling interests		<b>528,433</b>	458,663
<b>TOTAL EQUITY</b>		<u><b>25,292,948</b></u>	<u>22,881,630</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 21 September 2006 as an exempted company under the Companies Act Chapter 22 (Law 3 of 1961 as consolidated and revised, formerly known as Companies Law) of the Cayman Islands and its Shares have been listed on the Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) with effect from 15 June 2007. Its parent company is Sun Xu Limited and ultimate holding company is Sun Ji Limited (“**Sun Ji**”), both are private limited company incorporated in the British Virgin Islands. All equity interest of Sun Ji is owned by Sunny Group Employee Offshore Trust. Its ultimate controlling party is Mr. Wang Wenjian, also a non-executive Director of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section to the annual report.

The Company is an investment holding company. The Group is principally engaged in the business of designing, researching and developing, manufacturing and selling of optical and optical related products and scientific instruments.

The consolidated financial statements are presented in RMB, which is also the functional currency of the Company.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### *Amendments to HKFRSs that are mandatorily effective for the current year*

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to Hong Kong Accounting Standards (“ <b>HKAS</b> ”) 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### ***New and amendments to HKFRSs in issue but not yet effective***

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments <sup>3</sup>
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRS Accounting Standards – Volume 11 <sup>3</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>2</sup>
HKFRS 18	Presentation and Disclosure in Financial Statements <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2026

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2027

Except for the new and amendment to HKFRSs mentioned below, the Directors of the Company anticipate that the application of all amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### ***Amendments to HKFRS 9 and HKFRS 7 Amendments to the Classification and Measurement of Financial Instruments***

The disclosure requirements in HKFRS 7 in respect of investments in equity instruments designated at FVTOCI are amended. In particular, entities are required to disclose the fair value gain or loss presented in other comprehensive income during the period, showing separately those related to investments derecognised during the reporting period and those related to investments held at the end of the reporting period. An entity is also required to disclose any transfers of the cumulative gain or loss within equity related to the investments derecognised during the reporting period. In addition, the amendments introduce the requirements of qualitative and quantitative disclosure of contractual terms that could affect the contractual cash flow based on a contingent even not directly relating to basic lending risks and cost.

The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with early application permitted. The application of the new standard is expected to affect the disclosures in the future financial statements.

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

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

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of HKFRS 18 on the Group's consolidated financial statements.





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

The Group sells optical and optical-related products directly to customers. For sales of optical components, optoelectronic products and optical instruments, revenue is recognised when control of the goods has transferred, being when customer acceptance has been obtained, which is the point of time when the customer has the ability to direct the use of these products and obtain substantially all of the remaining benefits of these products. Transportation and handling activities that occur before customers obtain control are considered as fulfilment activities. The credit term granted to customers is average 90 days. The transaction price received by the Group is recognised as a contract liability for sales in which revenue has yet been recognised.

Sales-related warranties associated with optical and optical-related products cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with HKAS 37.

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

The Group's contracts have an original expected duration of one year or less, as permitted under HKFRS 15, the transaction price allocated to the remaining performance obligations is not disclosed.

**4. OPERATING SEGMENTS**

Information reported to the Board of Directors, being the chief operating decision maker (“CODM”), for the purpose of resource allocation and assessment of segment performance focuses on types of goods delivered because the Board of Directors has chosen to organise the Group among different major products. No operating segments identified by CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's operating segments under HKFRS 8 *Operating Segments* are as follows:

1. Optical Components
2. Optoelectronic Products
3. Optical Instruments

**Segment revenues and results**

The following is an analysis of the Group's revenue and results by operating and reportable segments.

**For the year ended 31 December 2024**

	<u>Optical Components</u>	<u>Optoelectronic Products</u>	<u>Optical Instruments</u>	<u>Segment Total</u>	<u>Eliminations</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>REVENUE</b>						
External sales	11,708,044	26,156,832	429,615	38,294,491	–	38,294,491
Inter-segment sales	2,151,548	45,352	96,277	2,293,177	(2,293,177)	–
Total	<u>13,859,592</u>	<u>26,202,184</u>	<u>525,892</u>	<u>40,587,668</u>	<u>(2,293,177)</u>	<u>38,294,491</u>
Segment profit	<u>2,238,802</u>	<u>1,222,021</u>	<u>133,673</u>	<u>3,594,496</u>	<u>–</u>	<u>3,594,496</u>
Share of results of associates						118,381
Unallocated other income, other gains and losses						(4,360)
Unallocated administrative expenses and finance costs						(564,983)
Profit before tax						<u>3,143,534</u>

For the year ended 31 December 2023

	Optical Components	Optoelectronic Products	Optical Instruments	Segment Total	Eliminations	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>REVENUE</b>						
External sales	9,555,109	21,599,398	526,754	31,681,261	–	31,681,261
Inter-segment sales	1,479,349	44,424	102,461	1,626,234	(1,626,234)	–
Total	<u>11,034,458</u>	<u>21,643,822</u>	<u>629,215</u>	<u>33,307,495</u>	<u>(1,626,234)</u>	<u>31,681,261</u>
Segment profit	<u>1,211,625</u>	<u>436,372</u>	<u>99,428</u>	<u>1,747,425</u>	<u>–</u>	1,747,425
Share of results of associates						22,516
Unallocated other income, other gains and losses						76,597
Unallocated administrative expenses and finance costs						<u>(488,385)</u>
Profit before tax						<u>1,358,153</u>

Inter-segment sales are charged at prevailing market rates.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of corporate items including unallocated other income, other gains and losses, unallocated central administration costs, and finance costs and share of results of associates. There were asymmetrical allocations to operating segments because the Group allocates interest income, government grants, depreciation of property, plant and equipment and right-of-use assets and amortisation of intangible assets and gain or loss on disposal of property, plant and equipment to each segment without allocating the related cash and cash equivalents, deferred income, property, plant and equipment, right-of-use assets and intangible assets to those segments. This is the measure reported to the Board of Directors for the purposes of resource allocation and performance assessment.

## Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segments:

### As at 31 December 2024

	Optical Components	Optoelectronic Products	Optical Instruments	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Assets</b>				
Trade receivables	2,783,089	5,129,294	91,458	8,003,841
Bill receivables	601,072	255,758	7,690	864,520
Inventories	2,597,665	3,224,945	47,502	5,870,112
Total segment assets	<u>5,981,826</u>	<u>8,609,997</u>	<u>146,650</u>	14,738,473
Unallocated assets				<u>39,068,785</u>
Consolidated assets				<u>53,807,258</u>
<b>Liabilities</b>				
Trade payables and accrued purchases	2,964,978	4,629,201	72,527	7,666,706
Note payables	1,291,402	8,901,610	63,856	10,256,868
Total segment liabilities	<u>4,256,380</u>	<u>13,530,811</u>	<u>136,383</u>	17,923,574
Unallocated liabilities				<u>10,590,736</u>
Consolidated liabilities				<u>28,514,310</u>

### As at 31 December 2023

	Optical Components	Optoelectronic Products	Optical Instruments	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Assets</b>				
Trade receivables	2,486,794	4,178,398	118,722	6,783,914
Bill receivables	430,830	174,004	24,811	629,645
Inventories	1,616,841	3,431,160	88,940	5,136,941
Total segment assets	<u>4,534,465</u>	<u>7,783,562</u>	<u>232,473</u>	12,550,500
Unallocated assets				<u>37,746,576</u>
Consolidated assets				<u>50,297,076</u>
<b>Liabilities</b>				
Trade payables and accrued purchases	2,143,920	5,065,217	123,254	7,332,391
Note payables	866,003	9,497,833	60,268	10,424,104
Total segment liabilities	<u>3,009,923</u>	<u>14,563,050</u>	<u>183,522</u>	17,756,495
Unallocated liabilities				<u>9,658,951</u>
Consolidated liabilities				<u>27,415,446</u>

For the purposes of monitoring segment performance and allocating resources between segments:

- Trade receivables, bill receivables and inventories are allocated to the respective operating and reportable segments. All other assets are unallocated assets, which are not regularly reported to the Board of Directors.
- Trade payables and accrued purchases and note payables are allocated to the respective operating and reportable segments. All other liabilities are unallocated liabilities, which are not regularly reported to the Board of Directors.

### Other segment information

#### For the year ended 31 December 2024

	<u>Optical Components</u> <i>RMB'000</i>	<u>Optoelectronic Products</u> <i>RMB'000</i>	<u>Optical Instruments</u> <i>RMB'000</i>	<u>Unallocated</u> <i>RMB'000</i>	<u>Consolidated total</u> <i>RMB'000</i>
<b>Amounts included in the measure of segment profit or loss:</b>					
Depreciation and amortisation	1,561,264	641,894	6,674	16,446	2,226,278
Impairment losses on trade receivables (reversed) recognised in profit or loss	(714)	2,344	(1,531)	–	99
(Gain) loss on disposal of property, plant and equipment	(70,093)	(10,443)	120	–	(80,416)
Share award scheme expense	147,324	120,381	17,545	9,469	294,719
Interest income from bank and financial instruments	(20,537)	(694,119)	(24,120)	(4,658)	(743,434)
(Reversal of) allowance for inventories	(46,140)	108,169	(728)	–	61,301
<b>Amounts regularly provided to CODM but not included in the measure of segment assets:</b>					
Addition to property, plant and equipment	<u>2,123,014</u>	<u>661,192</u>	<u>4,289</u>	<u>2,025</u>	<u>2,790,520</u>

#### For the year ended 31 December 2023

	<u>Optical Components</u> <i>RMB'000</i>	<u>Optoelectronic Products</u> <i>RMB'000</i>	<u>Optical Instruments</u> <i>RMB'000</i>	<u>Unallocated</u> <i>RMB'000</i>	<u>Consolidated total</u> <i>RMB'000</i>
<b>Amounts included in the measure of segment profit or loss:</b>					
Depreciation and amortisation	1,441,522	598,191	25,869	1,649	2,067,231
Impairment losses on trade receivables recognised (reversed) in profit or loss	26,478	(5,497)	1,330	–	22,311
Loss (gain) on disposal of property, plant and equipment	14,679	(4,195)	37	(21)	10,500
Share award scheme expense	137,788	117,560	16,558	8,490	280,396
Interest income from bank and financial instruments	(35,780)	(874,406)	(8,685)	(7,429)	(926,300)
Allowance for (reversal of) inventories	58,093	(40,156)	1,895	–	19,832
<b>Amounts regularly provided to CODM but not included in the measure of segment assets:</b>					
Addition to property, plant and equipment	<u>1,458,163</u>	<u>404,440</u>	<u>24,125</u>	<u>68</u>	<u>1,886,796</u>

## Revenue from major products

The following is an analysis of the Group's revenue from its major products:

	<u>2024</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Handset related products	<b>25,155,480</b>	20,934,678
Vehicle related products	<b>6,039,062</b>	5,282,725
Augmented reality (“AR”)/virtual reality (“VR”) related products	<b>2,577,280</b>	1,870,106
Digital camera related products	<b>817,266</b>	952,660
Other lens sets	<b>896,053</b>	546,470
Optical instruments	<b>307,451</b>	356,437
Other spherical lens and plane products	<b>651,090</b>	220,737
Other products	<b>1,850,809</b>	1,517,448
	<b><u>38,294,491</u></b>	<b><u>31,681,261</u></b>

## Geographical information

The Group's operations are mainly located in China, Vietnam, Korea, Japan, India and the United States.

The Group's revenue from continuing operations from external customers is presented based on the locations of goods physically delivered and information about the Group's non-current assets by the geographical location of the assets are detailed below:

	<u>Revenue from external customers</u>		<u>Non-current assets (note)</u>	
	<u>2024</u>	<u>2023</u>	<u>31/12/2024</u>	<u>31/12/2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
China	<b>28,692,732</b>	21,473,990	<b>11,113,974</b>	10,826,838
Asia (except China)	<b>6,151,041</b>	7,212,700	<b>1,168,956</b>	796,651
Europe	<b>1,989,308</b>	1,510,142	<b>403</b>	33
North America	<b>1,312,638</b>	1,088,799	<b>28,870</b>	30,169
Others	<b>148,772</b>	395,630	–	–
	<b><u>38,294,491</u></b>	<b><u>31,681,261</u></b>	<b><u>12,312,203</u></b>	<b><u>11,653,691</u></b>

Note: Non-current assets excluded interests in associates, deferred tax assets, financial assets at FVTPL, equity instruments at FVTOCI, time deposits and goodwill.

## Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	<u>2024</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A, revenue mainly from optoelectronic and related products	<b>6,052,004</b>	3,306,293
Customer B, revenue mainly from optoelectronic and related products	<b>3,886,231</b>	4,429,416

## 5(A). OTHER INCOME

	<u>2024</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants (note a)	221,004	246,710
Interest income from time deposits, short term fixed deposits, pledged bank deposits and bank balances	429,346	568,258
Investment income from unlisted financial products at FVTPL	314,088	358,042
Interest income from small loan services	8,109	6,405
Income from sales of moulds	44,234	18,370
Income from sales of scrap materials	49,551	36,451
Others (note b)	266,733	95,483
	<u>1,333,065</u>	<u>1,329,719</u>

Notes:

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

## 5(B). OTHER GAINS AND LOSSES

	<u>2024</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Gain (loss) on disposal of property, plant and equipment	80,416	(10,500)
Gain on disposal of subsidiaries	–	18,351
Gain on disposal of interest in an associate	11,146	–
Gain (loss) on changes in fair value of derivative financial instruments	26,160	(53,188)
Loss on changes in fair value of equity investments at FVTPL	(1,498)	–
Net foreign exchange loss	(104,927)	(76,907)
Impairment loss of interest in an associate	–	(202)
Others	(63,089)	861
	<u>(51,792)</u>	<u>(121,585)</u>

## 6. FINANCE COSTS

	<u>2024</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Interests on bank borrowings	313,305	259,886
Interests on bonds payable	174,092	175,393
Interests on lease liabilities	10,139	9,640
Interests on long term payables related to intangible assets	3,206	4,228
	<u>500,742</u>	<u>449,147</u>
Total borrowing cost	500,742	449,147
Less: amounts capitalised in the cost of qualifying assets	(1,359)	–
	<u>499,383</u>	<u>449,147</u>

## 7. INCOME TAX EXPENSE

	<u>2024</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax:		
PRC Enterprise Income Tax (“EIT”)	169,846	143,988
Withholding tax expense	17,340	59,958
Other jurisdictions	68,965	40,617
Top-up tax under Pillar Two rules	17,577	–
	<u>273,728</u>	<u>244,563</u>
Under provision of income tax in prior years:	<u>100,304</u>	3,508
Deferred tax:		
Current year	<u>(7,522)</u>	<u>(40,241)</u>
	<u>366,510</u>	<u>207,830</u>

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

- (i) Ningbo Sunny Infrared Technologies Co., Ltd., Zhejiang Sunny Optical Intelligence Technology Co., Ltd., and Yuyao Sunny Optical Intelligence Technology Co., Ltd., domestic limited liability companies, were approved as Hi-Tech Enterprises and entitled to a preferential tax rate of 15% with the expiry date on 31 December 2024.
- (ii) Ningbo Sunny Opotech Co., Ltd., Ningbo Sunny Automotive Optech Co., Ltd., Sunny Optics (Zhongshan) Co., Ltd., Ningbo Sunny Instruments Co., Ltd., Sunny Optical (Zhejiang) Research Institute Co., Ltd. and Zhejiang Sunny SmartLead Technologies Co., Ltd., domestic limited liability companies, were approved as Hi-Tech Enterprises and entitled to a preferential tax rate of 15% with the expiry date on 31 December 2025.
- (iii) Zhejiang Sunny Optics Co., Ltd. (“Sunny Zhejiang Optics”), Xinyang Sunny Optics Co., Ltd., Zhejiang Sunnyverse Technology Co.,Ltd., domestic limited liability companies, were approved as Hi-Tech Enterprises and entitled to a preferential tax rate of 15% with the expiry date on 31 December 2026.

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

The Group is subject to the global minimum top-up tax Pillar Two Rules. Pillar Two Rules has become effective in certain countries in which the certain group entities are incorporated. The top-up tax relates to the Group’s operation in Vietnam, where the annual effective income tax rates are estimated to be below 15 per cent. Therefore, a top-up tax is accrued in the current period using the tax rate based on the estimated adjusted covered taxes and net globe income for the year. The Group has recognised the current tax expense of RMB17,577,000 related to the top-up tax for the year ended 31 December 2024 which is expected to be levied on Vietnam (corresponding period of 2023: N/A).

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

During the current year, one of the subsidiaries incorporated in India has been involved in inspections initiated by the Income Tax Department in relation to compliance with relevant income tax regulations. The subsidiary was received a draft assessment order (“**DAO**”) from the Government of India Ministry of Finance Income Tax Department Office of the Assistant Commissioner of Income Tax (“**Assessing Office**”) for the year of assessment 04/2021-03/2022. According to the preliminary assessment result from Assessing Office, the part of the basis of assessment adopted in DAO would probably be adjusted and the assessable income would be revised.

Management had taken into considerations of all relevant facts and circumstances including opinions from tax advisor, and concluded the assessable income would probably be adjusted for the prior years of assessment.

The rectification procedure with the Income Tax Department is still in process. The inspections would not be expected to have a material adverse effect on the existing production and operating activities of the Group.

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	<u>2024</u>	<u>2023</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Profit before tax	<u><b>3,143,534</b></u>	<u>1,358,153</u>
Tax at the PRC EIT tax rate of 25%	<b>785,884</b>	339,538
Tax effect of share of results of associates	<b>(29,595)</b>	(5,629)
Tax effect of expenses not deductible for tax purpose	<b>43,317</b>	7,109
Tax effect of allowance granted under share award scheme in the PRC	<b>34,249</b>	21,461
Tax effect of preferential tax rates for certain subsidiaries (note a)	<b>(105,768)</b>	(106,811)
Tax effect of additional tax deduction of research and development expenses (note b)	<b>(658,583)</b>	(588,900)
Tax effect of tax losses not recognised	<b>244,883</b>	576,630
Tax effect of deductible temporary differences not recognised	–	339
Utilisation of tax losses not previously recognised	<b>(72,844)</b>	(6,708)
Withholding tax on undistributed earnings of PRC subsidiaries	<b>27,264</b>	11,105
Withholding tax on interest derived in the PRC	<b>3,341</b>	5,458
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	<b>(23,519)</b>	(49,270)
Top-up tax under Pillar Two rules	<b>17,577</b>	–
Under provision in prior years	<b>100,304</b>	3,508
Income tax expense for the year	<u><b>366,510</b></u>	<u>207,830</u>

Notes:

- (a) For the PRC subsidiaries which were approved as Hi-Tech Enterprises, they are entitled to a preferential enterprise tax rate of 15%.
- (b) In March 2023, the Ministry of Finance and the State Administration of Taxation released No. 7 announcement of 2023 named “Announcement on Further Improving the Policy on Pre-tax Deduction of Research and Development Expenses”, according to which certain PRC subsidiaries are entitled to an additional 100% tax deduction on eligible research and development expenses for the year ended 31 December 2024 (2023: Additional 100% tax deduction on eligible research and development expenses).



## 8. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	<u>2024</u>	<u>2023</u>
	<i><b>RMB'000</b></i>	<i><b>RMB'000</b></i>
Directors' emoluments	<b>19,373</b>	16,082
Other staff's salaries and allowances	<b>3,802,462</b>	3,090,280
Other staff's discretionary bonuses	<b>459,619</b>	27,719
Other staff's contribution to retirement benefit scheme	<b>548,037</b>	452,019
Other staff's share award scheme expense	<b>286,274</b>	271,951
	<u><b>5,115,765</b></u>	<u>3,858,051</u>
Cost of inventories recognised as an expense	<b>25,333,688</b>	21,907,801
Auditor's remuneration	<b>6,128</b>	5,220
Depreciation of property, plant and equipment	<b>2,100,639</b>	1,948,264
Depreciation of investment properties	<b>4,876</b>	4,876
Depreciation of right-of-use assets	<b>64,553</b>	57,881
Amortisation of intangible assets	<b>56,210</b>	56,210
Allowance for inventories (included in cost of sales)	<b>61,301</b>	19,832

## 9. DIVIDENDS

	<u>2024</u>	<u>2023</u>
	<i><b>RMB'000</b></i>	<i><b>RMB'000</b></i>
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2023 final dividends – HKD21.90 cents (2023: 2022 final dividends – HKD50 cents) per Share	<b>218,814</b>	504,852

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2024 of HKD53.20 cents per Share, equivalent to approximately RMB49.30 cents per Share, amounting to a total of approximately HKD582,436,000 (2023: HKD21.90 cents per Share, equivalent to approximately RMB20.00 cents per Share, amounting to a total of approximately HKD240,194,000) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting (the "AGM").

## 10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per Share attributable to owners of the Company is based on the following data:

	<u>2024</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>
<b><u>Earnings</u></b>		
Earnings for the purpose of basic and diluted earnings per Share	<b><u>2,699,159</u></b>	<b><u>1,099,415</u></b>
	<u>2024</u>	<u>2023</u>
	<i>'000</i>	<i>'000</i>
<b><u>Number of Shares</u></b>		
Weighted average number of ordinary Shares for the purpose of basic earnings per share (note)	<b>1,087,683</b>	1,091,566
Effect of dilutive potential ordinary Shares:		
Restricted Shares	<u>1,208</u>	<u>1,009</u>
Weighted average number of ordinary Shares for the purpose of diluted earnings per Share	<b><u>1,088,891</u></b>	<b><u>1,092,575</u></b>

Note: The weighted average number of ordinary Shares for the purpose of basic earnings per Share has been calculated taking into account the impact of the Shares held by the Group under share award scheme.

## 11. PROPERTY, PLANT AND EQUIPMENT

	<b>Owned properties</b>	<b>Machinery and production equipment</b>	<b>Motor vehicles</b>	<b>Fixtures and office equipment</b>	<b>Construction in progress</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>COST</b>						
At 1 January 2023	1,929,003	12,756,273	17,819	2,413,835	709,029	17,825,959
Additions	142	1,090,484	1,627	228,756	565,787	1,886,796
Transfer	223,762	266,257	–	125,913	(615,932)	–
Disposals	(2,847)	(234,435)	(1,061)	(30,090)	(5,145)	(273,578)
Exchange realignment	(957)	(166)	37	(1,175)	(953)	(3,214)
At 31 December 2023	2,149,103	13,878,413	18,422	2,737,239	652,786	19,435,963
Additions	76,024	1,583,162	1,985	302,312	827,037	2,790,520
Transfer	253,579	205,372	–	121,300	(580,251)	–
Disposals	(9,787)	(382,055)	(1,422)	(13,613)	–	(406,877)
Exchange realignment	(4,044)	(9,983)	(59)	(4,540)	(6,851)	(25,477)
At 31 December 2024	2,464,875	15,274,909	18,926	3,142,698	892,721	21,794,129
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>						
At 1 January 2023	329,903	6,345,893	14,921	1,015,396	–	7,706,113
Charge for the year	90,332	1,579,324	942	277,666	–	1,948,264
Eliminated on disposals	(2,561)	(115,542)	(993)	(25,979)	–	(145,075)
Exchange realignment	(281)	(51)	–	(322)	–	(654)
At 31 December 2023	417,393	7,809,624	14,870	1,266,761	–	9,508,648
Charge for the year	111,106	1,557,877	1,832	429,824	–	2,100,639
Eliminated on disposals	(9,298)	(312,968)	(1,351)	(9,278)	–	(332,895)
Exchange realignment	(391)	(4,606)	(9)	(1,760)	–	(6,766)
At 31 December 2024	518,810	9,049,927	15,342	1,685,547	–	11,269,626
<b>CARRYING VALUES</b>						
At 31 December 2024	<u>1,946,065</u>	<u>6,224,982</u>	<u>3,584</u>	<u>1,457,151</u>	<u>892,721</u>	<u>10,524,503</u>
At 31 December 2023	<u>1,731,710</u>	<u>6,068,789</u>	<u>3,552</u>	<u>1,470,478</u>	<u>652,786</u>	<u>9,927,315</u>

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

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

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

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

## 12. EQUITY INSTRUMENTS AT FVTOCI

	<u>31/12/2024</u>	<u>31/12/2023</u>
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
Unlisted equity investments	<u><b>63,294</b></u>	<u>116,790</u>

The unlisted equity investments represent the Group's equity interests in private entities. The Directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance in the long run.

During the current year, the Group made new equity investments measured as equity instruments at FVTOCI amounting to RMB319,000 (2023: RMB200,000).

The fair value loss of the equity instruments at FVTOCI in the amount of RMB49,020,000 (2023: loss of RMB22,584,000), net off with the recognition of related deferred tax assets of RMB4,795,000 (2023: deferred tax assets of RMB3,986,000), was recognised in FVTOCI reserve.

### 13. FINANCIAL ASSETS AT FVTPL

	<u>31/12/2024</u>	<u>31/12/2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Current assets		
Unlisted financial products (note a)	<u>13,873,739</u>	<u>7,113,261</u>
Non-current assets		
Equity investments (note b)	<u>18,020</u>	<u>19,518</u>

Notes:

#### (a) Unlisted financial products

During the current year, the Group entered into several contracts of unlisted financial products with banks. The unlisted financial products are managed by related banks in the PRC to invest principally in certain financial assets including bonds, trusts and cash funds, etc. The unlisted financial products have been accounted for financial assets at FVTPL on initial recognition of which the return of the unlisted financial products was determined by reference to the performance of the underlying debt instruments and treasury notes and as at 31 December 2024, the expected return rate stated in the contracts ranges from 1.50% to 4.50% (2023: 1.92% to 5.00%) per annum.

#### (b) Equity investments

The Group's equity investments in several partnership enterprises amounting to RMB18,020,000 (2023: RMB19,518,000) were classified as financial assets at FVTPL.

#### 14. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

At the end of the reporting period, the Group held certain derivatives classified as held for trading and not under hedge accounting as follows:

	<u>Assets</u>		<u>Liabilities</u>	
	<u>31/12/2024</u>	<u>31/12/2023</u>	<u>31/12/2024</u>	<u>31/12/2023</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
<b>Current portion</b>				
Foreign currency forward contracts	14,202	–	28,549	31,724
Foreign currency options contracts	–	–	33,263	5,206
Foreign exchange swap contracts	40,118	114	7,510	4,346
	<u>54,320</u>	<u>114</u>	<u>69,322</u>	<u>41,276</u>

As at 31 December 2024, the Group had entered into the following foreign currency forward contracts, foreign currency options contracts and foreign exchange swap contracts:

##### Foreign currency forward contracts

The Group entered into several United States Dollar (“USD”)/RMB foreign currency forward contracts with banks in the PRC in order to manage the Group’s foreign currency risk.

<u>Receiving currency</u>	<u>Selling currency</u>	<u>Maturity year</u>
RMB1,097,382,000	USD155,710,000	2025
USD38,000,000	RMB261,955,000	2025

##### Foreign currency options contracts

The Group is required to transact with the banks for designated notional amount on each of the valuation dates specified within the respective contracts (“**Valuation Date**”).

At each Valuation Date, the reference rate which represents the spot rate as specified within the respective contracts shall be compared against the strike rates (upper and lower)/barrier rate as specified within the respective contracts, and the Group may receive from/pay to the bank an amount as specified in the contracts if certain conditions specified within the respective contracts are met.

Extracts of details of foreign currency options contracts from the respective contracts outstanding as at 31 December 2024 are as follows:

<u>Notional amount</u>	<u>Strike/barrier rates</u>	<u>Maturity year</u>
USD235,000,000	USD:RMB at 1:7.0237 to USD:RMB at 1:7.3461	2025

### Foreign exchange swap contracts

The Group entered into several Vietnamese Dong (“VND”)/USD, HKD/RMB, HKD/USD, RMB/USD and Japanese Yen (“JPY”)/USD foreign exchange swap contracts with banks in the Vietnam, Hong Kong and PRC in order to manage the Group’s foreign currency risk.

<u>Receiving currency</u>	<u>Selling currency</u>	<u>Maturity year</u>	<u>Strike Rate</u>
USD3,000,000	VND74,792,625,000	2025	USD:VND24,596 to USD:VND25,266
USD126,300,000	JPY19,275,769,900	2025	USD:JPY151.5551 to USD:JPY 155.8280
USD191,710,000	RMB1,356,841,034	2025	USD:RMB6.9578 to USD:RMB7.2596
USD209,000,000	HKD1,622,458,430	2025	USD:HKD7.7540 to USD:HKD7.7733
RMB364,000,000	HKD392,417,480	2025	RMB:HKD1.0781

The Group has entered certain derivative transactions that are covered by the International Swaps and Derivatives Association Master Agreements (“ISDA Agreements”) signed with a bank. These derivative instruments are not offset in the consolidated statement of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognised amount.

### **15. TIME DEPOSITS/PLEDGED BANK DEPOSITS/SHORT TERM FIXED DEPOSITS/CASH AND CASH EQUIVALENTS**

As at 31 December 2024, the Group deposited RMB1,745,666,000 (2023: RMB1,450,000,000) time deposits with several banks in the PRC. These time deposits carry fixed interest rates ranging from 2.75% to 4.40% (2023: 3.00% to 3.40%) per annum. The original maturity period of these time deposits is three years. The time deposits with an amount of RMB85,000,000 will be matured within a period of more than two years.

As at 31 December 2024, the Group pledged certain of its bank deposits to banks as security for bank acceptance bills and the pledged bank deposits carry fixed interest rates ranging from 0.10% to 5.50% (2023: 1.45% to 5.50%) per annum. The pledged bank deposits will be released upon the maturity of relevant bills.

Short term fixed deposits carry fixed interest rates ranging from 0.20% to 5.35% (2023: 0.20% to 6.90%) per annum. Short term fixed deposits have original maturity dates more than three months but less than one year and therefore classified as current assets.

Cash and cash equivalents include demand deposits and short term deposits with original maturity dates less than three months for the purpose of meeting the Group’s short term cash commitments, which carry interest at market rates range from 0.01% to 4.31% (2023: 0.01% to 5.38%) per annum.

### **16. INVENTORIES**

	<u>31/12/2024</u>	<u>31/12/2023</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Raw materials	952,455	794,317
Work in progress	246,823	210,705
Finished goods	4,670,834	4,131,919
	<u>5,870,112</u>	<u>5,136,941</u>

## 17. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	<u>31/12/2024</u>	<u>31/12/2023</u>
	<i><b>RMB'000</b></i>	<i><b>RMB'000</b></i>
Trade receivables	<b>8,101,118</b>	6,907,066
Less: allowance for ECL	<b>(97,277)</b>	(123,152)
	<u><b>8,003,841</b></u>	<u>6,783,914</u>
Loan receivables (note)	<u><b>123,314</b></u>	<u>226,977</u>
Other receivables and prepayments		
Value added tax and other tax receivables	<b>464,440</b>	282,536
Advance to suppliers	<b>255,000</b>	133,910
Prepaid expenses	<b>84,459</b>	103,512
Utilities deposits and prepayment	<b>111,987</b>	125,260
Advances to employees	<b>126,991</b>	134,835
Others	<b>41,162</b>	63,843
	<u><b>1,084,039</b></u>	<u>843,896</u>
Total trade and other receivables and prepayments	<u><b>9,211,194</b></u>	<u>7,854,787</u>

Note: The Group provides fixed-rate loans with a term from one month to one year to local individuals and small enterprises in the PRC. All loans are either backed by guarantees and/or secured by collaterals.

As at 1 January 2023, trade receivables amounted to RMB6,334,911,000.

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

	<u>31/12/2024</u>	<u>31/12/2023</u>
	<i><b>RMB'000</b></i>	<i><b>RMB'000</b></i>
Within 90 days	<b>7,641,930</b>	6,541,100
91 to 180 days	<b>356,658</b>	234,254
Over 180 days	<b>5,253</b>	8,560
	<u><b>8,003,841</b></u>	<u>6,783,914</u>

As at 31 December 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB71,828,000 (2023: RMB151,218,000) which are past due as at the reporting date. Out of the past due balances, RMB3,386,000 (2023: RMB11,987,000) has been past due 90 days or more.



## 18. TRADE AND OTHER PAYABLES

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

	<u>31/12/2024</u>	<u>31/12/2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Current liabilities</b>		
Trade payables		
Within 90 days	5,624,849	5,877,594
91 to 180 days	1,076,988	761,254
Over 180 days	10,532	13,142
Accrued purchases	<u>954,337</u>	<u>680,401</u>
Total trade payables and accrued purchases	<u>7,666,706</u>	<u>7,332,391</u>
Note payables (note a)		
Within 90 days	5,232,777	5,036,931
91 to 180 days	4,588,280	3,734,324
Over 180 days	<u>435,811</u>	<u>1,652,849</u>
	<u>10,256,868</u>	<u>10,424,104</u>
Advance deposits from a customer	145,834	268,360
Payables for purchase of property, plant and equipment	305,757	258,432
Staff salaries and welfare payables	1,558,602	1,258,817
Labour outsourcing payables	111,019	122,099
Payables for acquisition of patents	36,386	38,775
Value added tax payables and other tax payables	212,609	217,291
Interest payables	2,043	2,032
Rental and utilities payables	46,299	52,426
Others	<u>483,199</u>	<u>350,156</u>
	<u>2,901,748</u>	<u>2,568,388</u>
	<u>20,825,322</u>	<u>20,324,883</u>
<b>Non-current liabilities</b>		
Long term payables		
Payables for acquisition of patents	36,744	79,200
Accrued employee expense	81,741	22,155
Government relocation compensation received (note b)	36,490	36,490
Warranty provision	<u>1,566</u>	<u>–</u>
	<u>156,541</u>	<u>137,845</u>

Notes:

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

The credit period on purchases of goods is average 180 days (2023: 180 days) and the credit period for note payables is 90 days to 365 days averagely (2023: 90 days to 365 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

- (b) In 2023, certain subsidiaries of the Group entered into the relocation compensation agreement with local government to transfer certain leasehold lands and owned properties due to the urban planning adjustment of Yuyao People's Government. As the completion of asset transfer is under the administration process of the relevant regulatory authorities and expected to complete more than 12 months, the amount received is classified as "Government relocation compensation received" as non-current liability as at 31 December 2024 and 2023.

## 19. BANK BORROWINGS

	<u>31/12/2024</u>	<u>31/12/2023</u>
	<i><b>RMB'000</b></i>	<i><b>RMB'000</b></i>
Unsecured and guaranteed	<u><b>2,958,170</b></u>	<u>2,664,313</u>
	<u>31/12/2024</u>	<u>31/12/2023</u>
	<i><b>RMB'000</b></i>	<i><b>RMB'000</b></i>
The carrying amounts of the above borrowings are repayable*:		
Within one year	<b>925,652</b>	699,000
Within a period of more than one year but not exceeding two years	<b>1,723,059</b>	254,977
Within a period of more than two years but not exceeding five years	<u><b>309,459</b></u>	<u>1,710,336</u>
	<u><b>2,958,170</b></u>	<u>2,664,313</u>

\* The amounts due are based on scheduled repayment dates set out in the loan agreements.

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

	<u>31/12/2024</u>	<u>31/12/2023</u>
	<i><b>RMB'000</b></i>	<i><b>RMB'000</b></i>
Fixed-rate borrowings	<b>1,082,278</b>	1,212,360
Variable-rate borrowings	<u><b>1,875,892</b></u>	<u>1,451,953</u>
	<u><b>2,958,170</b></u>	<u>2,664,313</u>

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

	<u>Year ended 31/12/2024</u>	<u>Year ended 31/12/2023</u>
Fixed-rate borrowings	<b>1.99% to 4.00%</b>	2.10% to 3.97%
Variable-rate borrowings	<b>2.36% to 5.50%</b>	3.00%

The variable-rate borrowings as at 31 December 2024 were denominated in USD and RMB (2023: USD) which carried the floating-rates at Secured Overnight Financing Rate (“SOFR”) and Loan Prime Rate (“LPR”) (2023: SOFR).

The Group's bank borrowings that are denominated in currency other than the functional currencies of the relevant group entities are set out below:

	<u>31/12/2024</u>	<u>31/12/2023</u>
	<u>RMB'000</u>	<u>RMB'000</u>
USD	<u><b>2,184,711</b></u>	<u>1,961,200</u>

## 20. BONDS PAYABLE

On 9 January 2023, the Company issued unsecured sustainability-linked bonds in the amount of USD400 million at the rate of 5.95% per annum which will be due by year 2026 to professional investors outside of the United States in accordance with Regulation S under the U.S. Securities Act. The issuance had been successfully completed on 17 January 2023 and the listing of the bonds in the Hong Kong Stock Exchange became effective on 18 January 2023.

The Company had fully used the net proceeds from the bonds for refinancing existing indebtedness.

During the current year, interest expense of approximately RMB174,092,000 (2023: RMB175,393,000) was recognised in profit or loss.

## 21. SHARE CAPITAL

	<u>Number of Shares</u>	<u>Amount</u> <i>HKD'000</i>	<u>Equivalent to</u> <i>RMB'000</i>
Ordinary Shares of HKD0.10 each			
<b>Authorised:</b>			
At 1 January 2023, 31 December 2023 and 31 December 2024	<u>100,000,000,000</u>	<u>10,000,000</u>	
<b>Issued &amp; fully paid:</b>			
At 1 January 2023	1,096,849,700	109,685	105,163
Share repurchased and cancelled	<u>(74,900)</u>	<u>(7)</u>	<u>(7)</u>
At 31 December 2023	1,096,774,800	109,678	105,156
Share repurchased and cancelled	<u>(1,970,000)</u>	<u>(197)</u>	<u>(189)</u>
At 31 December 2024	<u>1,094,804,800</u>	<u>109,481</u>	<u>104,967</u>

During the current year, 1,970,000 ordinary Shares of the Company were repurchased at prices ranging from HKD37.18 to HKD43.96 per Share. All such repurchased Shares were cancelled accordingly.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

### Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year as approved by the Board of Directors on 24 March 2025. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the design, R&D, manufacture and sales of optical and optical-related products. The development and manufacture of such products should integrate optics, electronics, algorithm and mechanical technologies and the application fields of such products cover vehicles, extended reality (“XR”), pan internet of things (“**pan-IoT**”), smartphones and optical instruments. The Group’s operating segments include: (1) Optical Components (such as vehicle lens sets, optical parts of vehicle light detection and ranging (“**LiDAR**”), XR optical elements, handset lens sets, spherical and aspherical glass lenses and other optical components); (2) Optoelectronic Products (such as vehicle modules, XR visual modules, smart glass camera modules, robotic vision subsystems, handset camera modules and other optoelectronic products); and (3) Optical Instruments (such as intelligent equipment and microscopes).

### BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2024 shall be presented in the following three operating segments, namely Optical Components, Optoelectronic Products and Optical Instruments in terms of different types of businesses.

#### 1. Optical Components

##### *Vehicle lens sets business*

As the intelligentization of vehicles continues to accelerate, advanced driving assistant system (“**ADAS**”) has generally become the core configuration of newly launched vehicles, and the adoption rate of ADAS vehicle lens sets has been increasing. The shipment volume of the Group’s vehicle lens sets increased by approximately 12.7% as compared to that of last year to approximately 102,314,000 units in 2024. The annual shipment volume of vehicle lens sets exceeded 100,000,000 units for the first time, maintaining its global No. 1 position in terms of market share. This not only further consolidates the Group’s position as the industry leader, but also injects new impetus into product innovation, technological advancement and comprehensive competitiveness enhancement. During the year of 2024, the Group has completed the R&D of the 8-mega pixel heating vehicle lens sets and the 8-mega pixel ultra-low-reflection coating vehicle lens sets, and has obtained designated projects from well-known vehicle manufacturers. At the same time, the Group continued to promote the R&D and innovation of high pixel hybrid (plastic lenses plus glass lenses) vehicle lens sets, and launched the world’s first 8-mega pixel front-view hybrid vehicle lens sets, which significantly reduced the cost while creating high-performance products, further consolidating the Group’s technology leading position in high-end ADAS vehicle lens sets market.

### ***Emerging vehicle related businesses***

The Group continued to deeply develop its LiDAR, head up display (“**HUD**”) and smart headlamps markets, constantly achieving technological breakthroughs and actively seizing the opportunities in the industry. During the year of 2024, the Group obtained over ten new mass production projects related to LiDAR, continuously empowering LiDAR manufacturers. Meanwhile, leveraging the industry’s first one-off patch process technology by the Group, the production efficiency and accuracy of LiDAR polygons have been significantly improved. In terms of HUD, self-developed picture generation unit (“**PGU**”) based on chips of a leading HUD manufacturer has achieved mass production. In terms of smart headlamps, the Group closely followed the market opportunities arising from the emerging ground projection unit market and completed the R&D of multi-channel ground projection unit products, achieving their first global launch while marketing them to various customers.

### ***XR related businesses***

The Group has mastered advanced large-lens manufacturing processes (including curving and bonding) of XR optical elements, and has also achieved technological breakthroughs in interactive lens sets to further optimize the display performance and interactive experience of XR devices.

### ***Handset lens sets business***

Following the recovery of the global sales volume of smartphones, the Group’s shipment volume of handset lens sets increased by approximately 13.1% as compared to that of last year to approximately 1,324,370,000 units in 2024, maintaining its global No. 1 position in terms of market share. Meanwhile, the Group continued to deepen its key technologies so as to actively build its core competitiveness, further strengthened the cooperation with domestic and foreign customers and committed itself to creating industry-leading quality products for constantly consolidating its technological leading position in the industry. As the core handset lens sets supplier of large image size for main cameras in the industry, the Group has achieved mass production of various new handset lens sets with 7 pieces of plastic lens (“**7P**”) and hybrid (plastic lenses plus glass lenses) handset lens sets in 2024. In addition, in terms of telephoto handset lens sets, the Group has also achieved mass production of multi-group handset lens sets, which not only improve the telephoto night shooting capability, but also meet the users’ demand for multi-focal length shooting, thereby achieving an excellent imaging experience. Leveraging the core competitiveness in products such as 7P handset lens sets, hybrid handset lens sets and multi-group handset lens sets, the Group achieved an increase in both the average selling price and gross profit margin of handset lens sets.

## 2. Optoelectronic Products

### *Vehicle modules business*

The Group continued to deepen its ecological cooperation with mainstream platform providers such as Mobileye\*, Horizon Robotics\*, QUALCOMM\* and NVIDIA\*, and successfully developed compatible and certified camera products. By means of innovating and upgrading the assembly process, the Group's vehicle modules can achieve de-fogging function through active heating, and such product has obtained designated projects from the world's leading vehicle manufacturers. In the sensing product line, the Group continuously maintained its global No. 1 position in terms of market share of 8-mega pixel vehicle modules. Moreover, leveraging its extensive experience in chip-on-board ("COB") packaging process, the Group's 8-mega pixel COB vehicle modules were favored and recognized by multiple overseas and domestic vehicle manufacturers, occupying the dominant position in the industry in terms of shipment volume. In terms of the intelligent in-cabin product line, the Group has reached mass production status for the world's first small-sized anti-fatigue integrated driving system. The Group actively cooperated with its leading customers in continuous innovation of products and solutions to enhance driving safety performance and enrich driving experience.

### *XR related businesses*

The Group has leveraged its design and production advantages in miniaturization, low-power consumption and cost effectiveness to continuously maintain its global No.1 position in terms of market share of XR vision modules. In terms of XR optical display, the Group ranked global No.1 in terms of market share of optical module integration ("OMI") for mixed reality ("MR") devices, and developed products with a high degree of integration based on eye tracking algorithms. Meanwhile, by leveraging advanced packaging technology and high-precision optical assembly technology, the Group continuously expanded the industry influence on ultra-miniaturized optical engines, eyepiece, miniaturized packaging of micro light-emitting diodes ("MicroLED") and eyepiece modules related to augmented reality ("AR"). In addition, the Group obtained the pioneer advantage of camera modules in the smart glasses market, and recorded an increasing shipment volume of 12-mega pixel red-green-blue ("RGB") modules for artificial intelligence ("AI") recognition and video shooting.

### *Pan-IoT related businesses*

The Group's navigation, obstacle avoidance and AI recognition visual subsystems have been widely used in the fields such as consumer-grade robots, and the market demand continued to grow. At the same time, the Group has built the whole-process development capability from robotic vision core subsystems to whole devices, and won projects from renowned customers.

\* Mobileye represents Mobileye Global Inc; Horizon Robotics represents Beijing Horizon Robotics Technology R&D Co., Ltd.; QUALCOMM represents QUALCOMM Incorporated; NVIDIA represents NVIDIA CORPORATION.

### ***Handset camera modules business***

The sales volume of Android high-end smartphones increased significantly in 2024, and the Group, as the world's leading manufacturer of handset camera modules, has benefited from it significantly. During the year of 2024, the product mix of the Group's handset camera modules has been significantly optimized, with an increase in both the average selling price and gross profit margin, while maintaining global No. 1 in terms of market share. In terms of high-end products, the Group further leveraged its advantages in integrating handset lens sets, actuators and handset camera modules. It has not only completed the R&D of ultra-low height main camera modules with integrated actuators, but also achieved mass production of various optical image stabilization (“OIS”) main camera modules with integrated actuators and the first periscope modules with integrated actuators, which extended the product value chain. Meanwhile, the Group has also completed the R&D of large-aperture periscope handset camera modules with reflective mirror, which could integrate the advantages including large image size, large-aperture, light weight, OIS and miniaturization. In addition to the product innovation, the Group has also accumulated profound experience in miniaturized packaging technology. During the year of 2024, the Group upgraded the molding-on-board (“MOB”) packaging process to the fourth generation, promoting the continuous improvement of its industrial competitiveness in the high-end products.

## **3. Optical Instruments**

### ***Intelligent equipment business***

The Group closely adhered to the core demands of the industrial equipment market and continued to inject innovation impetus into the advanced manufacturing industry and enable industrial upgrading by leveraging its profound accumulation in key technologies such as precision machinery, optical imaging and image processing algorithms. During the year of 2024, the Group developed a fully automatic production line for vehicle modules, which has opened up the front and rear processes of vehicle module production, including the automatic alignment and assembly of vehicle lens sets and sensors, as well as the inspection of semi-finished and finished vehicle modules, achieving the automation of the whole process and increasing the production efficiency by more than 30%.

### ***Microscopes business***

The Group continued to focus on the R&D innovation and achieved material technological breakthrough again. During the year of 2024, the Group developed a three-dimensional (“3D”) digital microscope with super depth of field, which can be applied in areas such as high-end precision manufacturing and scientific research. The microscope features multi-modal observation, two-dimensional splicing and 3D reconstruction, with comprehensive performance at a domestic leading level, achieving domestic substitution of high-end instruments.



## **OUTLOOK AND FUTURE STRATEGIES**

Looking forward, global economic slowdown and technological innovation bring about deep restructuring of the market. De-globalization continues to intensify, and domestic overcapacity leads to involutionary competition and accelerated industrial integration, which will raise higher requirements on product innovation, operational efficiency and organizational resilience of enterprises. Therefore, the Group will always adhere to the strategic direction, continuously promote innovative development, actively embrace changes, and combine internal and external environments to carry out work from the following four aspects: (i) stay customer-centric and clarify the direction of our endeavors; (ii) advance AI-integrated digital transformation to optimize yield, efficiency and agility; (iii) uphold enterprise culture and our founder's ethos, forging collective momentum to ignite organizational dynamism; and (iv) construct a platform-based organization, strengthen mechanism support and promote co-creation.

## **FINANCIAL REVIEW**

### **Revenue**

For the year ended 31 December 2024, the Group's revenue was approximately RMB38,294.5 million, representing an increase of approximately 20.9 % as compared to that of last year. The increase in revenue was mainly attributable to the year-on-year increase in the revenue of the Group's handset lens sets and handset camera modules due to the recovery of the smartphone market, the year-on-year increase in the revenue of the Group's vehicle lens sets and vehicle modules led by the rapid development of the vehicle intelligentization and the year-on-year increase in the revenue of the Group's XR related businesses benefiting from the rising demand for OMI.

For the year ended 31 December 2024, revenue generated from the Optical Components operating segment was approximately RMB11,708.1 million, representing an increase of approximately 22.5% as compared to that of last year. The increase in revenue was mainly attributable to the increase in revenue generated from handset lens sets and vehicle lens sets.

For the year ended 31 December 2024, revenue generated from the Optoelectronic Products operating segment was approximately RMB26,156.8 million, representing an increase of approximately 21.1% as compared to that of last year. The increase in revenue was mainly attributable to the increase in revenue generated from handset camera modules, vehicle modules and XR related products.

For the year ended 31 December 2024, revenue generated from the Optical Instruments operating segment was approximately RMB429.6 million, representing a decrease of approximately 18.4% as compared to that of last year. The decrease in revenue was mainly attributable to the delay in project implementation of teaching and research microscopes due to the update of domestic policy.

### **Gross Profit and Gross Profit Margin**

The gross profit of the Group for the year ended 31 December 2024 was approximately RMB7,006.0 million, representing an increase of approximately 52.6% as compared to that of last year. The gross profit margin was approximately 18.3%, which was approximately 3.8 percentage points higher than that of last year. The increase in gross profit margin was mainly attributable to the increase in the gross profit margins of handset lens sets and handset camera modules benefiting from the improvement of product mixes.

For the year ended 31 December 2024, the gross profit margins of Optical Components operating segment, Optoelectronic Products operating segment and Optical Instruments operating segment were approximately 31.9%, 9.0% and 46.2%, respectively (2023: approximately 28.4%, 5.5% and 41.2%, respectively).

## **Selling and Distribution Expenses**

The selling and distribution expenses of the Group for the year ended 31 December 2024 were approximately RMB439.3 million, representing an increase of approximately 5.8% as compared to that of last year. It accounted for approximately 1.1% of the Group's revenue during the year, as compared to approximately 1.3% of last year. There was no significant change in the absolute amounts.

## **R&D Expenditure**

The R&D expenditure of the Group for the year ended 31 December 2024 was approximately RMB2,924.1 million, representing an increase of approximately 13.9% as compared to that of last year. It accounted for approximately 7.6% of the Group's revenue during the year, as compared to approximately 8.1% of last year. The increase in absolute amount was mainly attributable to the year-on-year increase in R&D expenditure for vehicle, XR, pan-IoT and smartphone related businesses by the Group.

## **Administrative Expenses**

The administrative expenses of the Group for the year ended 31 December 2024 were approximately RMB1,399.2 million, representing an increase of approximately 38.6% as compared to that of last year. It accounted for approximately 3.7% of the Group's revenue during the year, as compared to approximately 3.2% of last year. The increase in absolute amount was mainly attributable to the increase in the remuneration of administrative staff and the increase in expenses related to the informationization construction.

## **Income Tax Expense**

The income tax expense of the Group for the year ended 31 December 2024 was approximately RMB366.5 million, representing an increase of approximately 76.4% as compared to that of last year. The Group's effective tax rate was approximately 11.7% during the year, as compared to approximately 15.3% of last year. For details related to the income tax expense, please refer to the Note 7 to the consolidated financial statements in this announcement.

## **Net Profit and Net Profit Margin**

The net profit of the Group for the year ended 31 December 2024 was approximately RMB2,777.0 million, representing an increase of approximately 141.4% as compared to that of last year. The net profit margin of the Group for the year ended 31 December 2024 was approximately 7.3% (2023: approximately 3.6%).

## **Profit for the Year Attributable to Owners of the Company and Basic Earnings per Share**

The profit for the year attributable to owners of the Company for the year ended 31 December 2024 was approximately RMB2,699.2 million, representing an increase of approximately 145.5% as compared to that of last year. The increase in absolute amount was mainly attributable to the profitability improvement of handset lens sets and handset camera modules.

The basic earnings per Share for the year ended 31 December 2024 was approximately RMB248.2 cents, representing an increase of approximately 146.4% as compared to that of last year.

## Final Dividend

For the year ended 31 December 2024, the Board proposed a final dividend of HKD0.532 per Share (equivalent to approximately RMB0.493 per Share), with a payout ratio of approximately 20.0% of the profit for the year attributable to owners of the Company. The final dividend payable on 27 June 2025 is subject to the approval of the shareholders of the Company (the “Shareholders”) at the forthcoming AGM to be held on 27 May 2025.

To the best knowledge of the Company, for the year ended 31 December 2024, no material variation in the dividend rate as compared to that of last year.

## LIQUIDITY AND FINANCIAL RESOURCES

### Cash Flows

The table below summarises the Group’s cash flows for the years ended 31 December 2024 and 31 December 2023:

	For the year ended 31 December	
	2024	2023
	<i>RMB million</i>	<i>RMB million</i>
Net cash from operating activities	3,455.3	2,664.5
Net cash used in investing activities	(10,436.8)	(1,487.9)
Net cash (used in) from financing activities	(1,574.5)	4,857.7

### Funding and Treasury Policy

The Group derives its working capital mainly from cash on hand and net cash generated from operating activities. The Board expects that the Group will rely on net cash generated from operating activities, bank borrowings and debt financing in the short run to meet its working capital and other requirements. In the long run, the Group will be mainly funded by net cash from operating activities and, if necessary, by additional bank borrowings, debt financing or equity financing. There were no material changes in the funding and treasury policy of the Group for the year ended 31 December 2024.

As at 31 December 2024, the Group had current assets of approximately RMB37,470.0 million (31 December 2023: approximately RMB35,144.0 million); and current liabilities of approximately RMB22,397.6 million (31 December 2023: approximately RMB21,286.6 million). The Group’s current ratio was approximately 1.7 times (31 December 2023: approximately 1.7 times). The Group’s total assets as at 31 December 2024 were approximately RMB53,807.3 million, representing an increase of approximately 7.0% as compared to that as at 31 December 2023.

As at 31 December 2024, the Group’s cash and cash equivalents were approximately RMB4,508.7 million (31 December 2023: approximately RMB13,084.5 million). The cash and cash equivalents were mainly denominated in RMB and USD.

## **Operating Activities**

Cash inflow from operating activities was mainly generated from cash receipt from sales of the Group's products. Cash outflow from operating activities was mainly used for the purchases of raw materials, selling and distribution expenses, R&D expenditure and administrative expenses. Net cash from operating activities was approximately RMB3,455.3 million for the year ended 31 December 2024 and net cash from operating activities was approximately RMB2,664.5 million for the year ended 31 December 2023.

The trade receivables turnover days (average of the opening and closing trade receivables balances/revenue  $\times$ 365 days) decreased from approximately 76 days for the year ended 31 December 2023 to approximately 70 days for the year ended 31 December 2024. The decrease in trade receivables turnover days was mainly attributable to the fact that the revenue from those customers with shorter credit terms grew faster during the year of 2024.

The trade payables and accrued purchases turnover days (average of the opening and closing trade payable and accrued purchases balances/cost of sales  $\times$ 365 days) increased from approximately 86 days for the year ended 31 December 2023 to approximately 87 days for the year ended 31 December 2024. There was no significant change in certain turnover days.

The inventory turnover days (average of the opening and closing inventory balances/cost of sales  $\times$ 365 days) decreased from approximately 66 days for the year ended 31 December 2023 to approximately 64 days for the year ended 31 December 2024. The decrease in the inventory turnover days was mainly attributable to the strengthening of the Group's inventory management.

## **Investing Activities**

For the year ended 31 December 2024, the Group recorded a net cash used in investing activities of approximately RMB10,436.8 million, which mainly included purchases and release of unlisted financial products of approximately RMB43,362.1 million and approximately RMB36,637.8 million respectively, and capital expenditure amounting to approximately RMB2,260.4 million.

## **Financing Activities**

For the year ended 31 December 2024, the Group recorded a net cash used in financing activities of approximately RMB1,574.5 million. The cash outflows mainly included the payments for notes financing of approximately RMB15,154.6 million and the repayment of bank borrowings of approximately RMB11,926.8 million, while the cash inflow mainly came from proceeds from notes financing of approximately RMB14,459.6 million and new bank borrowings raised of approximately RMB12,180.9 million.

## **Capital Expenditure**

For the year ended 31 December 2024, the Group's capital expenditure amounted to approximately RMB2,260.4 million, which was mainly used for the purchases of property, plant and equipment, acquisition of land use right and payment for intangible assets. All of the capital expenditure was financed by internal resources.

## **CAPITAL STRUCTURE**

### **Indebtedness**

#### ***Bank borrowings***

Bank borrowings of the Group as at 31 December 2024 amounted to approximately RMB2,958.2 million (2023: approximately RMB2,664.3 million).

No bank borrowings were secured by certain buildings and land of the Group as at 31 December 2024 and 31 December 2023. As at 31 December 2024, the bank borrowings were denominated in RMB and USD.

Details of the bank borrowings are set out in Note 19 to the consolidated financial statements in this announcement.

#### ***Banking facilities***

Banking facilities have been put in place for contingency purposes by the Group with certain banks in certain countries and regions. As at 31 December 2024, the Group's total banking facilities amounted to RMB30,382.0 million, USD633.0 million and Indian Rupee 3,000.0 million respectively (31 December 2023: RMB31,694.0 million, USD635.0 million and Indian Rupee 4,500.0 million respectively).

#### ***Debt securities***

As at 31 December 2024, debt securities of the Group amounted to approximately RMB2,945.5 million (2023: approximately RMB2,897.5 million).

As at 31 December 2024, the Group's gearing ratio of approximately 11.0% refers to the ratio of total borrowings to total capital (total capital being the sum of total liabilities and Shareholders' equity), reflecting the Group's financial position at a sound level.

#### ***Contingent liabilities***

As at 31 December 2024, the Group did not have any material contingent liabilities or guarantees.

#### ***Financing and funding and treasury policies and objectives***

The Group adopts prudent financing and funding and treasury policies. The Group will seek bank borrowings and debt financing when its operating demand grows, and will regularly review its bank borrowings and debt securities to achieve a sound financial position.

## **PLEDGE OF ASSETS**

The Group did not have any pledge or charge on assets as at 31 December 2024, except for the pledged bank deposits of approximately RMB108.5 million (2023: approximately RMB13.6 million).

For details of the pledged bank deposits, please refer to Note 15 to the consolidated financial statements in this announcement.

## COMMITMENTS

As at 31 December 2024, the capital expenditure of the Group in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements amounted to approximately RMB1,181.5 million (2023: approximately RMB690.8 million).

As at 31 December 2024, the Group had no other capital commitments save as disclosed above.

## OFF-BALANCE SHEET TRANSACTIONS

As at 31 December 2024, the Group did not enter into any material off-balance sheet transactions.

## PERFORMANCE OF INVESTMENTS MADE AND FUTURE INVESTMENTS PLAN

The Group's investing activities primarily include the purchase and release of unlisted financial products, placement and release of short term fixed deposits and purchase of property, plant and equipment. Among them, unlisted financial products are managed by relevant banks in China, mainly investing in certain financial assets such as bonds, trusts and cash funds, and their investment incomes are determined based on the performance of relevant government debt instruments and treasury bills.

### Significant Investments

As at 31 December 2024, Sunny Zhejiang Optics, a wholly-owned subsidiary of the Company, held 6% equity interests of Chongqing Ant Consumer Finance Co., Ltd. (the "**Target Company**"). The aggregate investment cost of RMB1,380.0 million represented approximately 2.6% the Company's total assets as at 31 December 2024. To the best knowledge of the Board, after reviewing the audited accounts of the Target Company as at 31 December 2024, no fair value or impairment regarding this investment case was issued or noted by the Board. Based on the information available to the Company immediately preceding the publication of this announcement, the performance of the investment was positive for the year ended 31 December 2024, and no dividends received. The Board considered this investment is long-term investment, which may bring relatively better financial returns to the Group.

To the best knowledge of the Directors, there was no new significant investment made by the Group for the year ended 31 December 2024.

### Important Investments

As at 31 December 2024, the Group maintained a portfolio of unlisted financial products with the total carrying amount of approximately RMB13,873.7 million (31 December 2023: approximately RMB7,113.3 million), of which approximately RMB4,481.3 million has been released on or before the latest practicable date (i.e. 20 March 2025) before the publication of this announcement.



As at 31 December 2024, the fair value of the unlisted financial products subscribed by the Group in aggregate represented approximately 25.8% of the Group's total assets (31 December 2023: approximately 14.1%).

As at 31 December 2024, the investment costs for the unlisted financial products subscribed were approximately RMB13,668.9 million (31 December 2023: approximately RMB6,948.3 million). For the year ended 31 December 2024, the amount of investment income from the unlisted financial products at FVTPL was approximately RMB314.1 million (2023: approximately RMB358.0 million).

The following table sets out the breakdown of the major unlisted financial products subscribed by the Group as at 31 December 2024 (in descending order):

Name of the unlisted financial products*	Name of banks	Investment costs <i>RMB'000</i>	Fair value of the unlisted financial products as at	Percentage of fair value of the unlisted financial products relative to the total assets of the Group as at
			31 December 2024 <i>RMB'000</i>	31 December 2024
Bank of Ningbo Ning Xin Tian Tian Liu Jin cash management category wealth management No. 4 – B share	Bank of Ningbo Co., Ltd.	920,000	920,000	1.7%
Agricultural Bank “Nong Yin Shi Shi Fu” No. 22 open-ended RMB wealth management product	Agricultural Bank of China Limited	540,500	540,629	1.0%
Bank of Ningbo Jing Yao fixed income category one-year open-ended wealth management No. 5-E share	Bank of Ningbo Co., Ltd.	500,000	514,519	1.0%
Agricultural Bank “Nong Yin An Xin • Ling Dong” 120-day RMB wealth management product	Agricultural Bank of China Limited	500,000	510,169	0.9%
Agricultural Bank “Nong Yin An Xin • Ling Dong” 30-day negotiable certificate of deposits and deposits enhanced RMB wealth management product (corporate Yue Xiang)	Agricultural Bank of China Limited	500,000	505,321	0.9%
Others#		10,708,382	10,883,101	20.3%
<b>Total</b>		<b>13,668,882</b>	<b>13,873,739</b>	<b>25.8%</b>

\* The English names are unofficial English translations of unlisted financial products with Chinese names only. If there is any inconsistency, the Chinese names shall prevail.

# Other unlisted financial products included 69 unlisted financial products with 11 different banks to lower the concentration risk. The average fair value of such 69 unlisted financial products as at 31 December 2024 was approximately RMB157.7 million.

The unlisted financial products were measured at fair value as at 31 December 2024. Such investment activities were funded primarily by the idle self-owned funds of the Group.

The Board considers that the terms of such unlisted financial products are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

For the year ended 31 December 2024, the Group's capital expenditure amounted to approximately RMB2,260.4 million, which were primarily for the purchases of property, plant and equipment, acquisition of land use right and payment for intangible assets. These investments enhanced the Group's R&D and technological application capability and production efficiency, and thus expanded the sources of revenue.

### **Future Plans for Material Investments or Capital Assets Acquisition**

Looking forward, the Group will continue to further diversify its investments among different banks to lower the concentration risk and will closely monitor the performance of investments made and future investments plan in accordance with its prudent funding and treasury policy to utilize and to increase the yield of the idle funds of the Group while maintaining a high level of liquidity and a low level of risk. Such investment activities were made and will be made on the premises that it would not adversely affect the working capital of the Group or the operation of the Group's principal business. In addition, the Group will strengthen management in capital investment, improve input – output efficiency and focus on optimizing operational efficiency. The Group will rely on the internal resources, bank borrowings or debt financing to meet the future demands for material investments or capital assets acquisition.

## **QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

### **Interest Rate Risk**

The Group is exposed to interest rate risks arising from its bank borrowings for working capital, capital expenditure for expansion and other purposes of the Group and refinancing. The rising of interest rates increases the costs of both existing and new debts. As at 31 December 2024, the effective interest rate on fixed-rate bank borrowings was approximately 1.99% to 4.00% per annum, while the effective interest rate of variable-rate bank borrowings was approximately 2.36% to 5.50% per annum.

### **Foreign Exchange Rate Fluctuation Risk**

The Group exports a portion of its products to and purchases a considerable amount of products from international markets where transactions are denominated in USD or other foreign currencies. Except for certain investments which are in line with the Group's business and denominated in foreign currencies, the Group did not and has no plan to make any other foreign currency investment. The Group will take necessary measures to mitigate any impacts caused by exchange rate fluctuations. For details of the Group's foreign currency forward contracts, foreign currency options contracts and foreign exchange swap contracts, please refer to Note 14 to the consolidated financial statements in this announcement.



## **Credit Risk**

The Group's financial assets include derivative financial assets, cash and cash equivalents, pledged bank deposits, short-term fixed deposits, time deposits, financial assets at FVTPL, trade and other receivables and prepayments, amounts due from related parties, receivables at FVTOCI and equity instruments at FVTOCI, which represent the Group's maximum exposure to credit risk in relation to financial assets.

In order to minimize the credit risk in relation to trade receivables, the management of the Company (the "**Management**") has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that appropriate follow-up actions are taken to recover overdue debts. The Group has also purchased insurance relating to trade receivables. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. Therefore, the Directors consider that the Group's credit risk was significantly reduced. The amounts presented in the consolidated statement of financial position are net of allowance for the ECL, estimated by the Management based on prior experience and historically observed default rates, their assessment of the current economic environment and the discounted cash flows to be received in future.

The Group has no significant concentration of credit risk since its trade receivables are dispersed over a large number of counterparties and customers. The credit risk on liquidity is limited because the majority of the counterparties are banks with high credit ratings by international credit-rating agencies.

## **Cash Flow Interest Rate Risk**

The Group's cash flow interest rate risk is primarily related to variable rates applicable to bank borrowings. The Management will review the proportion of borrowings in fixed and variable rates and ensure they are within reasonable range. Therefore, any future variations in interest rates will not have any significant impact on the results of the Group.

## **Liquidity Risk**

The Group manages liquidity risk by maintaining an adequate level of cash and cash equivalents through continuously monitoring the forecast and actual cash flows and matching them with the maturity profiles of financial assets and liabilities.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

For the year ended 31 December 2024, there were no other material acquisitions and disposals of subsidiaries, associates and joint ventures of the Group.

## **EMPLOYEE AND REMUNERATION POLICY**

The Group had 33,884 full-time employees as at 31 December 2024. In line with the overall operation of the Company, the industry level and the performance of individual employees, the Group offers employees fair and competitive compensation and welfare packages to recruit new talents and to reward and retain existing talents, in which the remuneration includes annual basic salary, year-end bonus, the economic-value-added bonus and share award, while the welfare includes social insurance, housing provident fund, employee holidays and emergency relief fund. In addition, the unique talent development system of the Group ensures the provision of talent team matching the sound business development, and enhances their knowledge and skills when the employees discharge duties at work. Based on the development needs of different levels, the Group has established a development and training system with new employee development module, professional and technical personnel development module, and leadership development module as its core to consistently encourage all employees to engage in continuous learning.

## **CLOSURE OF REGISTER OF MEMBERS**

In order to determine the eligibility for attending the AGM, which is to be held on 27 May 2025, the register of members of the Company will be closed from 22 May 2025 to 27 May 2025, both days inclusive, during which no transfer of Shares will be registered. All transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712 – 1716, 17<sup>th</sup> Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on 21 May 2025.

In order to determine the eligibility for receiving the final dividends, the register of members of the Company will be closed from 9 June 2025 to 12 June 2025, both days inclusive, during which no transfer of Shares will be registered. All transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17<sup>th</sup> Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on 6 June 2025.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

The Company is empowered by the applicable provisions under the Companies Act in the Cayman Islands and the amended and restated articles of association adopted by the Company to repurchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by Hong Kong Stock Exchange.

For the year ended 31 December 2024, the Company repurchased a total of 1,970,000 Shares on the Hong Kong Stock Exchange pursuant to the repurchase mandate granted by the Shareholders at the annual general meeting on 24 May 2023 (the “**Repurchase Mandate**”) and all such repurchased Shares were cancelled accordingly. Meanwhile, there were no Shares repurchased and held by the Company as treasury Shares for the year ended 31 December 2024. The Directors believe that the repurchase of Shares shall enhance the net value of the Group and its assets and/or earnings per Share. It also reflected the confidence of the Board and the Management in the long-term strategy and growth of the Company.

Details of the monthly breakdown regarding the repurchase of Shares by the Company on the Hong Kong Stock Exchange under the Repurchase Mandate for the year ended 31 December 2024 are set out below.

<b>Month of repurchase</b>	<b>Number of Shares repurchased</b>	<b>Highest purchase price per Share</b>	<b>Lowest purchase price per Share</b>	<b>Aggregate Consideration (before expenses) (Note)</b>
		<i>HKD</i>	<i>HKD</i>	<i>HKD</i>
March 2024	930,000	44.40	38.90	38,582,680
April 2024	1,040,000	38.85	37.10	39,258,440
<b>Total</b>	<b>1,970,000</b>			<b>77,841,120</b>

*Note:* The aggregate consideration excluded the commission and other expenses thereof.

As at the date of this announcement, the total number of Shares in issue is 1,094,804,800. Save as disclosed above, the Company or any of its subsidiaries (except for the Shares purchased by the trustee (the “**Trustee**”) in accordance with the restricted share award scheme of the Company (the “**Restricted Share Award Scheme**”)) has not purchased, sold, redeemed or written-off any Shares for the year ended 31 December 2024.

## **CORPORATE GOVERNANCE**

### **Corporate Governance Practices**

For the year ended 31 December 2024, the Company complied with all of the mandatory disclosure requirements set out in part 1 of the Corporate Governance Code (the “**Corporate Governance Code**”) contained in Appendix C1 to the Rules Governing the Listing of Securities on The Hong Kong Stock Exchange (the “**Listing Rules**”). Meanwhile, the Company has applied the principles of good corporate governance (the “**Principles**”) and complied with the code provisions set out in Part 2 of the Corporate Governance Code. The Company annually reviews the application of the Principles and will improve its corporate governance practices with the reference to the latest development of the corporate governance.

### **Securities Transactions by Directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 of the Listing Rules. Having made specific enquiries with regard to securities transactions of the Directors, all Directors have confirmed their compliance with the required standards set out in the Model Code and its code of conduct regarding Directors’ securities transactions for the year ended 31 December 2024.

## IMPORTANT EVENTS SINCE 31 DECEMBER 2024

As disclosed in the announcements of the Company dated 31 December 2024 and 3 January 2025, Mr. Shao Yang Dong has tendered his resignation to the Company in respect of his position as an independent non-executive Director, and ceased to be the chairman of the remuneration committee of the Board (the “**Remuneration Committee**”) and a member of each of the audit committee of the Board (the “**Audit Committee**”) and nomination committee of the Board (the “**Nomination Committee**”) with effect from 1 January 2025 in order to devote more time to his personal commitments. Meanwhile, Mr. Chen Gang has been appointed as an independent non-executive Director, a chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee with effect from 1 January 2025.

As disclosed in the announcements of the Company dated 4 March 2025 and 5 March 2025, the Company engaged BOCI Trustee (Hong Kong) Limited (“**BOCI Trustee**”) as the Trustee of the Restricted Share Award Scheme with effect from 3 March 2025 purportedly in replace of BOCI-Prudential Trustee Limited which will cease to be the Trustee with effect from 3 March 2025 and a trust deed between the Company and BOCI Trustee was executed on 3 March 2025.

Save as disclosed above, there were no other important events affecting the Group which have occurred during the period from 31 December 2024 to the date of this announcement.

## REVIEW OF FINANCIAL STATEMENTS

The Group’s audited annual results for the year ended 31 December 2024 were reviewed by all the members of the Audit Committee, namely Ms. Jia Lina (chairlady of the Audit Committee), Mr. Feng Hua Jun and Mr. Chen Gang who are all independent non-executive Directors.

## SHAREHOLDERS ENGAGEMENT

The Company is committed to creating channels of communication between the Directors, senior management and investors, maintaining close contact with all the Shareholders through a variety of channels and promoting the communication with investors. The chairman of the Board would ensure the appropriate steps are taken to provide effective communication with the Shareholders and that their views are communicated to the Board as a whole.

The Company has adopted an updated shareholders’ communication policy (the “**Shareholders’ Communication Policy**”) on 28 December 2021 which is available on the website of the Company ([www.sunnyoptical.com](http://www.sunnyoptical.com)), to formalize and facilitate an effective and sound communication between the Company, the Shareholders and other stakeholders. The Company considers that the Shareholders’ Communication Policy facilitated effective communication between the Company and the Shareholders for the year ended 31 December 2024.

## **Investor Contact and Inquiries**

The Group has a dedicated team to maintain contact with investors and handle Shareholders' enquiries which may be put to the Board for discussion. Should you have any queries, please contact the Group's investor relations management department (Tel: +86 574-6253-0875 or +852 3568-7038 and E-mail: [iroffice@sunnyoptical.com](mailto:iroffice@sunnyoptical.com)).

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

The annual results announcement is available for viewing on the website of HKEXnews of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and on the website of the Company ([www.sunnyoptical.com](http://www.sunnyoptical.com)). The annual report of the Company for the year ended 31 December 2024 will be dispatched to the Shareholders and will be published on the above websites in due course.

## **APPRECIATION**

The Group would like to express its appreciation to all of its staff for their long-term efforts and to the Management for their outstanding contributions. It is the unremitting efforts of each member that enable the Group to make great achievements. Meanwhile, the Group wishes to express its sincere gratitude towards its Shareholders, customers and business partners for their long-standing support and recognition. The Group will continue to strive for the sustainable development of the business, so as to realise higher values for its Shareholders and other stakeholders.

By order of the Board  
**Sunny Optical Technology (Group) Company Limited**  
**Ye Liaoning**  
*Chairman and Executive Director*

Hong Kong, 24 March 2025

*As at the date of this announcement, the Board comprises Mr. Ye Liaoning and Mr. Wang Wenjie, who are executive Directors; Mr. Wang Wenjian and Mr. Wang Tan Jiong, who are non-executive Directors, and Mr. Feng Hua Jun, Ms. Jia Lina and Mr. Chen Gang, who are independent non-executive Directors.*